REPUBLIC OF KENYA

COUNTY GOVERNMENT OF LAIKIPIA

COUNTY FISCAL STRATEGY PAPER (CFSP)

2024

FEBRUARY 2024

COUNTY VISION AND MISSION

Vision

An inclusive county with sustainable quality life.

Mission

Facilitate integrated socio-economic development for the people of Laikipia

Core Values

Synergy

Integrity

Mutual accountability

Servant leadership

Efficiency and effectiveness

Passion

FOREWORD

The 2024 County Fiscal Strategy Paper (CFSP) recognises the policy direction and strategies captured in the 3rd generation CIDP. This CFSP provides government's priority in allocation of resources to finance prioritised programmes as aligned with the national priority goals of the Bottom-Up Economic Transformation Agenda (BETA) and prioritized in the Fourth Medium Term Plan of the Vision 2030. This paper is prepared at a time when the economy is suppressed due to the effects of El-Nino phenomenon, high inflation and exchange rates due to the disruption of international supply chains occasioned by instability in the Middle East and Eastern Europe. These shocks have led to increased prices of goods and services leading to a high cost of living.

Against this background, the Government continues to implement interventions and policies to improve livelihoods. This strategy is built from the CIDP (2023-2027) that involved public engagements at village levels anchored on four pillars of Security and community cohesion; Maendeleo Mashinani; Inclusive Governance and Infrastructure Development. The desired outcomes will be realized by focusing on People's health and wellness, Jobs creation through agriculture productivity and returns, access to water, sanitation and irrigation services, infrastructure and urban development, business growth through enterprise development and wealth creation, youth empowerment and talent development through sports and Vocational education and Early Childhood Development.

The County Treasury continues to embrace fiscal responsibility in line with the Public Finance Management Act 2012 Sec. 107 and the Public Finance Management Regulations (County Governments), 2015, Sec. 25. This will be accomplished *inter alia* by progressively bringing the personnel emoluments down towards the required 35 percent of County Government's total revenue from 52 per cent in 2022/23 through restructuring, job enrichment, training and re-assigning duties. Hiring will be for critical needs. The county endeavors to continue allocating more resources to development budget beyond the 30 percent PFM requirement.

The County's economy is projected improve based on the national economic growth of 5.45 percent in the first half of 2023. It's envisaged that this will have positive effects on Own Source Revenue (OSR) relative to actual collections for FY 2022-2023. To ensure adequate funding of the prioritised programmes the county will collaborate with the National Government, engage in Public Private Partnership (PPP), strengthen partnerships with development partners and expand the tax base by bringing more people to the tax net while maintaining the current level of taxes. Other financing mechanisms like leasing, partnering with government and non-government agencies to provide machinery and equipment, skills, expertise required in undertaking infrastructural works will help supplement the available resources.

Available resources have been organised to meet the non-discretionary expenditure like salaries and wages, part payment of pending bills, purchase of drugs, County Assembly allocation and retention of hospital collections before the department ceilings are determined. County departments and the semi-autonomous agencies will be expected to prioritise programmes and projects with the highest level of outcomes.

The strategic priorities captured herein reflect objectives in the County Integrated Development Plan (CIDP 2023-2027) that support the National Government's Medium-Term framework captured in the 2024 Budget Policy Statement (BPS) themed**: "Sustaining Bottom-Up Economic Transformation Agenda''**. The realization of these objectives will go a long way in making the county realize the vision of **"An inclusive county with sustainable quality Life"**

Given the limited resources, the sector ceilings provided for the FY 2024/25 Budget and the Medium Term will form the basis of the detailed budget allocations for submission to the County Assembly by 30th April 2024.

Samuel Wachira Gachigi
County Executive Committee Member
Finance, Economic Planning and County Development.

ACKNOWLEDGEMENT

This County Fiscal Strategy Paper 2024 has been prepared in compliance with Section 117 of the Public Finance Management (PFM) Act, 2012.

It outlines the current state of the economy and the outlook over the medium term. It also highlights broad macroeconomic issues, medium-term fiscal framework, resource envelope, criteria for resource allocation, key strategic priorities, policy goals and a summary of the Government's spending plans as a basis for the FY 2024/25 budget. The CFSP guides development and implementation of government programs and aims to improve the understanding of the public and other stakeholders on County finances providing a framework for debate on economic and development matters.

In preparation of CFSP 2024, we benefitted from the advice of H.E the Governor, H.E the Deputy Governor and Hon. Speaker. In addition, the Finance, Planning, Budgeting and Appropriation Committees of the County Assembly of Laikipia played a key role by providing oversight and input to the process. The County Executive Committee Members provided departmental support towards finalization of this paper.

I recognise the leadership role provided by CECM for Finance, Economic Planning and County Development and the Executive committee in the entire process. I also thank other county government departments and Agencies for providing necessary information and technical assistance in the preparation of this CFSP.

I appreciate the role played by the public participation teams and other stakeholders who participated and sent memoranda to enrich this document.

Finally, I am grateful to the Budget and Economic Planning teams for their dedication in the compilation and finalisation of this document.

Daniel Ngumi
Chief Officer, Finance and County Treasury.

ABBREVIATIONS AND ACRONYMS

AIA	Appropriation In Aid
BPS	Budget Policy Statement
CBEF	County Budget and Economic Forum
CECM	County Executive Committee Member
CIDP	County Integrated Development Plan
CFSP	County Fiscal Strategy Paper
CPSB	County Public Service Board
CRA	Commission on Revenue Allocation
COMS	County Operations Management Systems
DANIDA	Danish International Development Agency
ECDE	Early Childhood Development Education
ESP	Economic Stimulus Programme
FY	Financial Year
GDP	Gross Domestic Product
GCP	Gross County Product
GHRIS	Government Human Resource Information System
HFIF	Hospital Facility Improvement Fund
ICT	Information and Communication Technology
IPPD	Integrated Product and Process Development
IPSAS	International Public Sector Accounting Standards
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
KIPPRA	Kenya Institute for Public Policy Research Analysis
LCDA	Laikipia County Development Authority
LCPSB	Laikipia County Public Service Board
LCRB	Laikipia County Revenue Board
MSME	Micro, Small and Medium Enterprises
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NSE	Nairobi Stock Exchange
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PPP	Public Private Partnership
NTRH	Nanyuki Teaching and referral Hospital
NYTRH	Nyahururu Teaching and Referral Hospital

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EXECUTIVE SUMMARY

The 2024/2025 CFSP is prepared in accordance to the PFM Act section 117 which states that, the County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper (CFSP) for approval and then submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year.

The contents of the CFSP are largely informed by section 117(2) of the PFM Act which provides for the aligning of the CFSP with the national objectives in the Budget Policy Statement. The CFSP serves as the basis for the preparation of the annual estimates of revenue and expenditure. The CFSP has five chapters, as outlined below:

Chapter I- Introduction to County Fiscal Strategy Paper. This chapter outlines legal basis for the preparation of the county fiscal strategy paper, fiscal responsibility principles and the strategic objectives of the County Government.

Chapter 2-Recent global, national and county economic developments. This chapter highlights recent economic developments globally and at the national level and the impact that this has on the county economic development.

Chapter 3-Macro-economic policy frameworks and medium-term outlook. This chapter explores the global and national macro-economic development outlook and how they will impact on the county's economic outlook and fiscal performance in the medium term**.** Further, the chapter includes the County's medium-term framework, outlining the strategic legislative and executive actions that Government will undertake to accelerate economic growth and significant internal risks to the outlook.

Chapter 4 -Fiscal framework and structural measures for 2024/25 and the medium term. This chapter highlights the projections for county revenue, recurrent and development expenditure. It sets out a framework for sustainable public finances management, while managing vulnerability to economic and fiscal risks.

Chapter 5 - Resource envelope and criteria for resource allocation. This chapter highlights the resource envelope, sector ceilings and spending priorities for FY 2024/25, MTEF budget and the medium term. This is informed by the national objectives and goals as outlined in the 2024 Budget Policy Statement and the set-out resource sharing guidelines.

CHAPTER ONE:
INTRODUCTION

1.1 Introduction

Kenya continues to implement a two-tier system of government as stipulated in Chapter 11 of the Constitution of Kenya, 2010. Schedule 4 of the Constitution of Kenya 2010 defines the mandates of the county governments whose realization requires linkage of planning and budgeting processes as provided for by the County Government Act, 2012, section 102.

The County fiscal strategy paper (CFSP) 2024 is a policy document that sets out the broad strategic priorities and policy goals to guide the County in preparing their budgets for the subsequent financial year and over the medium term. It provides a framework for resource allocation and hence implementation of the prioritized projects and programs for the financial year 2024/2025 and the medium term.

1.2 Legal Basis for the Preparation of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is prepared in accordance with Section 117 of the Public Finance Management (PFM) Act, 2012. The law states that:

- The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and then submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year.
- The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement (BPS).
- 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.
- 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.
- The County Treasury shall seek and take into account the views of the Commission on Revenue Allocation (CRA), the public, any interested persons or groups and any other forum that is established by legislation.
- It further states that the County Treasury shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned.
- The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

1.3 Fiscal Responsibility Principles for the County Government

The Constitution of Kenya, 2010, the Public Finance Management (PFM) Act, 2012 and the Public Finance Management (County Governments) Regulations 2015, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 107 (2) of

Public Finance Management Act states that; in managing the County Government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

- The County government's recurrent expenditure shall not exceed the county government's total revenue.
- Over the medium term a minimum of 30percent of the County government's budget shall be allocated to the development expenditure.
- The County government's expenditure on wages and benefits for public officers shall not exceed 35percent of the County government's total revenue as provided by PFM Act 2015 regulations.
- Over the medium term, the County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- The County debt shall be maintained at a sustainable level as approved by County Assembly.
- Fiscal risks shall be managed prudently.
- 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.

1.4 County Governments' Compliance with Fiscal Responsibility Principles

Pursuant to Section 107 (2) (b) of the Public Finance Management Act, 2012, the County Treasury is required to enforce the aforementioned Fiscal Responsibility Principles. In the FY 2022/23 the County performed as follows across the principles:

a) The County Government's recurrent expenditure shall not exceed the County Government's total revenue. In 2022/23 the County total recurrent expenditure stood at Kshs. 5.278 billion against the total county revenue of Kshs. 6.707 billion representing 79 per cent.

b) Over the medium term a minimum of 30percent of the County Government's budget shall be allocated to the development expenditure. In the 2nd supplementary budget for FY 2022/23, the County allocated to the development expenditure of Kshs. 1.833 billion against a total budget of Kshs. 7.191 billion (including grants) representing a 25 per cent. The Government will allocate more resources to development to achieve the threshold in the medium term.

c) The County Government's expenditure on wages and benefits for public officers shall not exceed 35percent of the County Government's total revenue as provided by PFM Act 2015 regulations. In the FY 2022/23, the County expended 52 percent of the budget on wages, arrears and staff insurance. This being 3.407 billion against actual revenue of Kshs. 6.559 billion. To address the issue of high wage bill, the county will re-designate existing staff to fill existing gaps internally and enhance capacity building for better service delivery.

d) Over the medium term, the County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure. PFM Act 2012 defines County Public Debt as all financial obligations attendant to loans raised and securities issued by the county government; In the FY 2022/23 the County did not acquire any debt.

e) The County debt shall be maintained at a sustainable level as approved by the County Assembly. According to the PFM Act 2012 section 50(5) and the Public Finance Management (County Governments) Regulations 2015, section 179, the County total public debt shall not exceed 20percent of the county government's most recent audited revenues, as approved by the county assembly. The county has put in place a strategy to achieve the above legal requirements as and when it requires to procure debt.

f) Fiscal risks are uncertainties that are associated with the outlook in public finance. The county shall continue to manage fiscal risks prudently. The County has enhanced its financial management processes resulting into qualified audit opinions from the office of the Auditor General. Revenues have been on an upward trajectory although missing projected targets. Expenditures are based on the approved budget frameworks.

g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking in to account any tax reforms that may be made in the future. The Laikipia County Revenue Board has continued to engage the County Assembly and members of the public in the preparation of the Finance Bill and the draft Revenue Administration Bill in her endeavor to ensure tax payers are well engaged on all tax proposals.

1.5: Strategic Objectives of the County Government

1.5.1 County Coordination, Administration, ICT and Public Service

- Coordination of emergency response, disaster management and enforcement.
- Facilitation of mechanisms for public input in decision making processes and governance.
- Provide support to decentralized units for efficient and effective service delivery
- Improved staff performance, job satisfaction and adherence to the principles of the public service
- Improve digital connectivity, electronic government service delivery, security and integrity of digital systems and information.
- Digitized legal records and drafting laws.

1.5.2 Finance, Economic Planning and County Development

- Ensure prudent financial management: Compliance with legal frameworks: Public Finance Management Act 2012, Public Procurement and Disposal Act 2015, and Public Procurement and Disposal Regulations 2020.

- Strengthen integrated planning and participatory budgeting through improved evidence-based policy formulation, decision-making; facilitation of participatory budget formulation, implementation, and monitoring and evaluation of development programs/projects effectively.
- Preparation and implementation of budget policy documents (CBROP, DMSP, CFSP and Programme Based Budgets).
- Implement county risk management policy and internal controls within the County Treasury.
- Continue supplier development initiatives to enhance procurement processes and procedures.

1.5.3 Laikipia County Development Authority (LCDA)

- Provide conducive investment climate, collaborate with development partners and develop strategic financing programs, including Public Private Partnerships (PPPs).

1.5.4 Laikipia County Revenue Board

- Enhance efficiency and effectiveness in revenue administration through conducting revenue awareness campaigns and use of E- revenue collection systems.

1.5.5 Medical Services and Public Health

- Establish one (1) multi / super-specialty hospital in Rumuruti which will also serve as a Medical Tourism Center (Level 6 hospital).
- Upgrade range of services in all health centers to include maternity and laboratory
- Collaborate with KMTC to establish medical institution (KMTC) at Nanyuki level 5 Hospital and expand the range of courses offered at both Nanyuki and Nyahururu.
- Upscale the role of CHWs.

1.5.6 Agriculture, Livestock and Fisheries

- To provide efficient and effective agricultural support and advisory services.
- To increase agricultural productivity for food supply and income generation.
- To enhance storage and supply of grain and quality farm inputs.
- To facilitate development of irrigation infrastructure and enhance water supply for agricultural production.
- Improve livestock productivity and enhance incomes from livestock-based enterprises.

1.5.7 Infrastructure, Lands, Public Works and Urban Development

- Increased efficiency in land use planning and information management through completion of county spatial plan, approved land use plans, completion of the county land information and management system and maintenance of the GIS lab and survey equipment.
- Enhanced development control, enforcement, and inspection through completion and establishment of an online development application and approval system
- Enhanced dispute resolution on land related matters.

- Formulation of renewable energy policies and strategies
- Routine maintenance and repair of streetlights and floodlights.
- Fully constituted and operational municipalities.
- Construction and periodical maintenance of roads and drainages

1.5.8 Education and Library Services.

- Increase access, retention, completion and transition rates at various levels.
- Increased number of operational vocational training centres.
- Increased number of trainees graduating with marketable hands-on skills.
- Increased number of library services.
- Increased access of bursaries and scholarships to under privileged students.

1.5.9 Trade, Tourism and Co-operatives Development.

- Strengthen co-operative enterprises and enhance financial inclusion through an improved Co-operative Revolving Fund.
- Promote industrialization by fostering innovation and creating a conducive business environment.
- Promote tourism development for the County economic growth.
- Mobilize resources for investments, particularly for Micro, Small and Medium Enterprises (MSMEs).
- Equipping the County Aggregated Industrial Park (CAIP).

1.5.10 Water, Environment, Natural Resources and Climate Change

- Develop water infrastructure to provide water for production (Mega Dams and water pans).
- Improve sanitation in urban centers, markets and low-income settlements.
- Protect and conserve catchment areas to enhance water and environmental resources.
- Reduce/minimize human-wildlife conflicts.
- Design and implement programs on climate change.

1.5.11 Rumuruti Municipality Board

- Infrastructure improvement – focus will be on upgrading essential urban infrastructure such as roads, water supply, sewage system and public facilities.
- Environmental sustainability – the municipality will implement measures to ensure a sustainable and environmentally friendly urban environment, addressing issues like waste management and green spaces.
- Public safety – enhance public safety by investing in law enforcement and emergency services.

1.5.12 Nanyuki Municipality Board

- Smart urban planning – embrace technology and smart city solutions for efficient urban planning, traffic management and public services.
- Community engagement – foster citizen involvement in decision-making processes and ensure transparency in municipal operations.
- Resilience planning – prepare for and mitigate the impact of natural disasters or emergencies through robust disaster management and resilient plans.

CHAPTER TWO

RECENT GLOBAL, NATIONAL AND COUNTY ECONOMIC DEVELOPMENT

2.1 Introduction

Global and national economic variability affect both directly and indirectly our county fiscal decisions and operations. This section therefore highlights recent economic developments on the global and national level and its impacts on the county's economic development.

2.2 Recent Global and Regional Economic Developments

According the IMF World Economic Outlook 2023, global growth was expected to slow down to 3.0 percent in 2023 and further shrink to 2.9 percent in 2024 from 3.5 percent in 2022. This is far much below the 3.8 percent historical average recorded between 2000 and 2019. As further stringent policy measures are being employed, advanced economies were projected to record a slower growth of 1.5percent in 2023 and 1.4 percent in 2024 from 2.6percent in 2022. This is primarily triggered by the lower growth rate in European nations and aggressive monetary policy tightening resulting in significant deterioration of global financial conditions. The global economy continues to face risks such as the continued Russia –Ukraine conflict, tightening monetary policy, high inflation, climate crisis and the Israel-Palestine conflict.

The growth of developing and emerging economies is expected to moderately fall from 4.1 percent in 2022 to 4.0 percent in 2023 and 2024. According to the *IMF World economic outlook 2024*, Inflation is falling faster than expected in most regions, in the midst of unwinding supply-side issues and restrictive monetary policy. As such, global inflation is expected to fall to 5.8 percent in 2024 and 4.4 percent in 2025.

In sub-Saharan Africa, growth is projected to decline to 3.3 percent in 2023 from 4.0 percent in 2022 reflecting deteriorating climate change related shocks, inflationary and exchange rate related pressures as well domestic supply issues. The region has been impacted by a slowdown in the global economy, global inflation, high borrowing prices, and a crisis related to rising cost of living. In many instances, there are still issues with high inflation, high borrowing prices, pressure on exchange rates, and political instability. However, the region's growth is expected to rebound to 4.0 percent in 2024 with strong performances in non-resource intensive countries.

2.3 Domestic Macroeconomic Environment

Despite ongoing difficulties, Kenya's economy performed better in 2023, with real GDP growth rising from 4.8percent in 2022 to an averaged 5.45 percent in the first half of 2023 (5.5 percent in Q1 and 5.4 percent in Q2). The improved economic performance is credited to both a moderate expansion in the services sector and a robust recovery in the agriculture sector in 2023, which had experienced a protracted and severe drought. All sectors of the economy recorded a positive growth in the first half of the 2023, though the magnitudes varied differently.

In addition to improving the food supply, the revival of agriculture together with tighter monetary policy has helped lower inflationary pressures. In the first half of 2023, the agriculture sector rebounded strongly due to improved weather conditions and the impact of fertilizer and seed subsidies provided to farmers by the Government. The sector grew by 6.0 percent in the first quarter and 7.7 percent in the second 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.

In 2023 the economy grew by 5.5 percent in the first quarter and 5.4 percent in the second quarter as compared to a growth of 6.2 percent and 5.2 percent in similar quarters in 2022. The decline in growth in the second quarter was attributed to shrinks in industrial sector (manufacturing, construction, electricity & water supply) that recorded lower growth rate of 2.5 percent in the Q1 and 1.8 percent in Q2 as well as the tertiary sector (transport & storage, accommodation & restaurants, information and communication) recording a lower growth rate of 6.0 percent in the Q1 and 5.9 percent in Q2. The economy still faces several challenges to sustain its growth momentum such as heightened fiscal and external vulnerabilities manifested through high public debt, elevated cost of living, exchange rate pressures, global economic uncertainties, and tight global financial conditions.

Inflation eased gradually to 6.8 percent in November 2023 from a peak of 9.6 percent in October 2022. The easing of inflation was supported by lower food prices where food inflation declined to 7.6 percent in November 2023 from 15.8 percent in October 2022. This was supported by general decline in international food prices, government interventions through zero rating of select food commodities, and improved weather conditions that enhanced production of fast-growing food items, thus moderating their prices. Nonetheless, sugar prices remained elevated driven by domestic and global factors.

Fuel inflation remained high where it increased to 15.5 percent in November 2023 from 11.7 percent in November 2022. The increase reflects the impact of higher international oil prices, depreciation in the shilling exchange rate and gradual withdraw of the fuel subsidize from September 2022 and the upward adjustment of electricity tariff from April 2023. The core (non-food and non-fuel) inflation remained stable at 3.3 percent in November 2023 from 4.4 percent in march 2023 as a result of tight monetary policy and muted demand pressure.

The Kenya shilling devalued against the US Dollar, exchanging at Ksh 152.7 in November 2023 compared to Ksh 121.9 in November 2022. Similarly, the Kshs. weakened against the sterling pound exchanging at Kshs. 188.6 in November 2023 compared to Kshs.143 in November 2022. Against the Euro, the Kenya shilling weakened exchanging at Ksh 164.2 in November 2023 compared to Ksh 124.2 in November 2022.

The government has taken measures to stabilize the foreign exchange market which include the Government-to-Government petroleum supply arrangement. This arrangement is mainly intended to address the US Dollar (USD) liquidity challenges and exchange rate volatility caused by the global dollar shortage and sport market reactions that was driving volatility and a false depreciation that was a scarcity value as well as market distortion Against Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate remained relatively low. `

Reflecting the tight monetary policy stance and liquidity conditions in the money market, interest rates increased in the year to November 2023. The interbank rate increased to 11.4 percent in November 2023 compared to 4.6 percent in November 2022.

The 91-day Treasury Bills rate increased to 15.88 percent in December 2023 compared to 9.2 percent in November 2022. The introduction of the interest rate corridor, in August 2023, is expected to align the interbank rate to the Central Bank Rate and thereby improve the transmission of the monetary policy. The 182 Treasury Bills rate was at 15.97 percent in December 2023 compared to 9.7 percent in 2022, while the 364-day Treasury Bills rate was at 15.90 percent in December 2023 compared to 10.2 percent in November 2022.

Commercial banks average lending and deposit rates increased to 14.0 percent in September 2023 from 12.4 percent in September 2022 and 8.6 percent from 6.8 percent over the same period respectively. Consequently, the average interest rate spread declined to 5.3 percent in September 2023 from 5.6 percent in September 2022.

The NSE 20 Share Index declined to 1,496 points in November 2023 compared to 1,638 points in November 2022 while Market capitalization also declined to Ksh 1,436 billion from Ksh 1,971 billion over the same period.

Growth in private sector credit from the banking system portrayed steadiness reflecting improving business conditions and demand for working capital. Credit advanced to the private sector grew by 12.2 percent by September 2023 compared to a growth rate of 12.9 percent by September 2022. Improved credit expansion was registered in various sub-sectors that include: finance and insurance, manufacturing, agriculture and transport and communication. However, there were fluctuations in the Monthly (month on month) credit flows to the private sector which amounted to Ksh 47 billion in September 2023 compared to Ksh 52.4 billion in September 2022.

The agriculture sector recorded an expansion from 6.0 percent in the first quarter to 7.7 percent in the second quarter of 2023. The growth is attributed to improved weather conditions and the impact of fertilizer and seed subsidies provided to farmers by the Government.

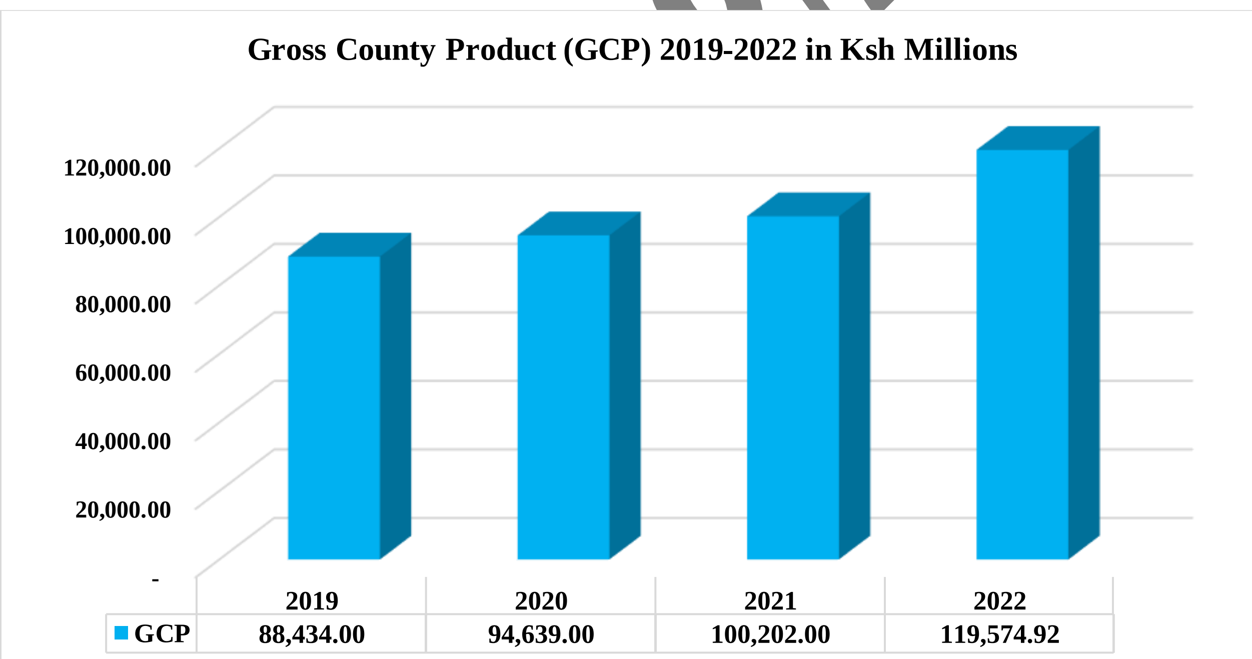
In the first half of 2023, the industrial sector recorded lower growths of 2.4 percent in the first quarter and 1.8 percent in the second quarter compared to growths of 4.4 percent and 4.2 percent, respectively in similar quarters in 2022. The slowdown in growth was mainly reflected in manufacturing, and electricity and water supply sub-sectors. Activities in the manufacturing sector, which account 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.

In the first half of 2023, the service sector recorded lower growth rates of 6.0 percent in the first quarter and 5.9 percent in the second quarter compared to 8.5 percent in the first quarter and 7.7 percent in the second quarter of 2022. The dwindling performance was reflected by the shrink in transport and storage, information and communication, and accommodation and restaurant.

2.4 County Socio-Economic Performance

According to the Laikipia County Statistical Abstract 2023, the Laikipia Gross County Product (GCP) grew by 19.3 percent from Kshs. 100.2 billion in 2021 to 119.6 billion in 2022 as depicted in Figure 1. The county GCP represented 1.0 percent of the National GDP in 2022.

Figure 1: Gross County Product (GCP) 2019-2022



The main economic activities were agriculture (26.55percent), transport and storage (16.74percent), construction (10.03percent), wholesale and retail trade inclusive of repair of motor vehicles (9.81percent), public administration and defense (9.08percent), real estate activities (6.04percent) and lastly education (5.03percent). The rest of the economic activities including manufacturing, information and communication, financial and insurance activities, accommodation and food service activities, mining and quarrying, electricity supply, water supply and waste collection, professional, technical and support services, human health and social work activities and other social activities contributed a combined 16.72percent of the GCP. Performances across the Economic activities are highlighted in Table 1 below.

Table 1: Laikipia Gross County Product by Economic Activity at Current Prices, 2019 – 2022 in (Ksh Millions)

Economic Activities	2019	2020	2021	2022	percent of GCP
Agriculture forestry and fishing	23,456	27,236	23,401	31,743	26.55
Mining and quarrying	123	134	162	210	0.18
Manufacturing	2,500	2,520	2,691	2,933	2.45
Electricity supply	396	435	425	394	0.33
Water supply, waste collection	1,197	1,243	1,454	1,390	1.16
Construction	7,726	9,435	10,680	11,995	10.03
Wholesale and retrial trade, repair of motor vehicles	9,454	9,736	10,689	11,734	9.81
Trasport and storage	12,287	12,439	15,515	20,021	16.74
Accommodation and food service activities	1,965	1,283	2,201	2,426	2.03
Information and communication	2,180	2,365	2,470	2,728	2.28
Financial and insurance activities	1,848	2,279	2,754	3,240	2.71
Real estate activities	5,919	6,267	6,736	7,222	6.04
Professional and technical services	1,749	1,586	1,782	1,868	1.56
Administrative Support Services	1,494	1,273	1,452	1,792	1.50
Public administration and defence	8,709	9,199	9,142	10,853	9.08
Education	4,775	4,552	5,770	6,011	5.03
Human health and social work activities	946	1,168	1,364	1,365	1.14
Other service activities	2,457	2,205	2,472	2,684	2.24
Financial services indirectly measured	(747)	(716)	(958)	(1,034)	-0.86
GCP	88,434	94,639	100,202	119,575	100.00

Source: Gross County Product 2023, KNBS

[1] FISIM - Financial Intermediation Indirectly measured - is a measure of production cost emanating from borrowing from financial institutions

Agriculture, Livestock and Fisheries

In the agriculture sub-sector, food crops (maize, beans, wheat, Irish potatoes and sorghum) production decreased by 13.52 percent from 217,712 metric tonnes in 2021 to 188,266 metric tonnes in 2022 while volume of cash crop (coffee) produced increased by 4.17 percent from 120 metric tonnes to 125metric tonnes during the same period.

Under the horticulture sub-sector, volume of fruits produced increased from 8,817 tonnes in 2021 to 9,362 tonnes in 2022 representing 6.18 percent. The volume of vegetables produced increased by 46.3 percent from 43,713 metric tonnes in 2021 to 63,954 metric tonnes in 2022. Area under irrigation reduced by 36.62 percent from 6,315 hectares in 2021 to 4,002 hectares in 2022. Additionally, retail and wholesale prices of farm inputs and selected food commodities remained relatively stable throughout the period.

Under Livestock sub-sector, the quantity of meat from cattle, goats, sheep, pigs and camels increased by 11.16 percent from 5,163,132 kilograms in 2021 to 5,739,200 kilograms in 2022. Quantity of other livestock products (rabbit meat, honey and wax) declined by 2.95 percent from 684,790 kilograms in 2021 to 664,560 kilograms in 2022. The volume of milk produced increased slightly by 0.1 percent from 36,374,380 liters in 2021 to 36,424,130 liters in 2022. The quantity of cattle hides produced reduced by 40.6 percent from 39,900 kilograms in 2021 to 23,698 kilograms in 2022.

Additionally, the number of skin/hides from goats, sheep and camel reduced by 38.9 percent from 171,558 in 2021 to 104,853 in 2022. Hay production reduced by 15.51 percent from to 4,343,160 (15 kg) bales produced in 2021 to 3,669,505 (15 kg) bales produced in 2022. In poultry farming, egg production increased by 8.31 percent from 13,075,320 eggs in 2021 to 14,161,800 eggs in 2022. In addition, fish production decreased by 35.2 percent from 13,972 metric tonnes in 2021 to 9,051 metric tonnes in 2022.

Trade, Tourism and Co-operatives

The sector continued to grow with the MSMEs slightly expanding by 0.45 percent from 23,729 licensed business establishments in 2021 to 23,835 licensed business establishments in 2022.
The number of hotel bed capacity increased by 0.87 percent from 2,297 in 2021 to 2,317 in 2022 while the number of hotels/eateries increased by 11.52 percent from 2,058 to 2,295 in the same period. The visitor arrivals at Thompson falls increased by 39.16 percent from 89,311 in 2021 to 124,285 in 2022.

The number of active cooperatives societies including SACCOs increased by 5percent from 200 societies in 2021 to 210 societies in 2022 with the number of members increasing from 76,113 to 98,469 in the same period. The amount of share capital expanded by 18.62percent from Ksh 560,74,000 in 2021 to Ksh 665,153,000 in 2022.

Manufacturing, Innovation and Enterprise Development

In efforts to boost the manufacturing and industrial sector, the County government of Laikipia in collaboration with the National Government initiated the County Aggregation and Industrial Park (CAIP) in Rumuruti in September 2023. The project is set to serve as a hub for agricultural processing and manufacturing, providing a vital link between farmers, industries, and the market.

The amount of funds disbursed to cooperatives through the County Cooperative Development Revolving Fund increased by 12.29percent from Ksh 24,400,000 in 2021 to Ksh 27,400,000 in 2022. However, the amount of funds disbursed through County Enterprise Development Revolving Fund to groups and individuals decreased by 17.76percent from Ksh 14,200,000 in FY 2020/2021 to Ksh 11,700,000 in FY 2021/2022 as a result of a decline in the number of groups that applied for the fund.

Financial Services
According to the Laikipia County Statistical Abstract 2023, the financial and insurances activities in the county grew by 17.65 percent from Ksh 2.754 billion at current prices in 2021 to Ksh 3.240 billion in 2022 representing 2.71percent of the Gross County Product.

The number of banks in the county remained unchanged at 28 in 2022 while the number of ATMs declined from 44 to 43 representing a 2.27percent decline. In addition, the number of microfinance institutions and insurance companies remained the same at 10 and 33 respectively in 2022. However, the number of SACCOs increased by 1.3percent from 154 in 2021 to 156 in 2022.

The amount of loans advanced by SACCOs grew by 17.02percent from Ksh 2.260 billion in 2021 to Ksh 2.645 billion in 2022 while the loans advanced by Agriculture Finance Corporation (AFC) increased by 12.66percent from Ksh 120.8 million in 2021 to Ksh 136.1 million in 2022.

The amount of insurance (general and life) premiums paid in the county increased by 3.99percent from 658.76 million in 2021 to 685.09 million in 2022

Construction, Transport and Storage
The number of building plans approved for private ownership increased by 33.3percent from 240 plans in 2021 to 320 plans in 2022 while the reported completion of new non- residential buildings for private ownership in various sectors increased by 12.93percent from 116 in 2021 to 131 buildings in 2022.

The number of public service transport including motor bikes, buses, matatus, tuktuk and taxis operating in Laikipia County increased by 9percent from to 26,712 in 2021 to 29,234 in 2022. The number of passengers recorded by various SACCOs increased by 36.74percent from 7.27 million in 2021 to 9.94 million in 2022. The number of passenger traffic handled at Nanyuki Airstrip increased by 37.81percent from 6,120 in 2021 to 8,434 in 2022. The number of passengers recorded by Kenya Railways at Nanyuki station increased by 87.83percent from 19,750 passengers in 2021 to 37,097 passengers in 2022. The amount of petrol transported to Nanyuki from Nairobi increased by 569.68percent from 1,750 liters in 2021 to 11,719 liters in 2022 while the amount of diesel increased by 137percent from 13,560 liters to 32,170 liters in the same period. The number of building stones transported from Nairobi to Nanyuki decreased by 56.0percent from 27,300 pieces to 12,000 pieces in the same period.

On road improvement, the length of paved/ bitumen roads in the county increased by 0.8percent from 444.6 kilometers in 2021 to 448.6 kilometers in 2022 while the length of graveled/murramed roads increased by 15.7percent from 3,848.8 kilometers in 2021 to 4,455.6 kilometers in 2022.The length of bitumen roads in urban areas increased by 9.5percent from 42.1 kilometers in 2021 to 46.1 kilometers in 2022.

Electricity, Water and Sanitation

Domestic electricity connections grew by 10.1percent from 75,112 in 2021 to 82,723 connections in 2022. Commercial entities (small, medium and large) connections increased by 8.99percent from 8,715 connections in 2021 to 9,498 connections in 2022. The number of learning institutions (ECDE centres, primary and secondary schools) on the electricity grid increased by 0.79percent from 378 in 2021 to 381 in 2022 while the number of health facilities on the electricity grid rose by 7.2percent from 69 to 74 in the same period. The number of primary schools on solar and hybrid systems remained the same at 93 during that period.

Total electricity consumption in the county increased by 3.4percent from 114.5 GWh in 2021 to 118.4 GWh in 2022. The number of conventional households using solar as the main type of lighting increased by 0.09percent from 41,783 in 2021 to 41,821 in 2022 while the number of households using biogas or solar energy as main type of cooking fuel increased by 3.0percent from 591 to 609 households in the same period

On water supply, the number of households with piped water expanded by 7.1percent from 42,472 households in 2021 to 45,513 households in 2022 while the number of households with access to the main sewer increased by 6.05percent from 12,502 to 13,258 households in the same period.

Health Care Services

The number of health facilities (Government, Faith Based Organizations, Non-Governmental Organizations, Private owned and community units) in the county increased by 5.1percent from 236 facilities in 2021 to 248 facilities in 2022 while the number of beds and baby cots in public health facilities increased by 4.12percent from 1,164 in 2021 to 1,212 in 2022. Active registered members to National Health Insurance Fund (NHIF) reduced by 3.1percent from 196,006 in 2021 to 189,895 in 2022 while the registration of new members to NHIF increased from 5,220 in 2021 to 14,374 in 2022.

The use of contraceptives in the county increased by 9.7percent from 57,707 in 2021 to 63,327 in 2022 while full immunization coverage rate for under one year old children reduced from 14,060 to 12,452 children in the same period. According to the 2022 KDHS, the distribution of persons aware of their HIV status in Laikipia county stands at 81.2percent where the percentage of women who have ever tested is 88.2percent while that of men is 74.2percent.

Education and Training Services

The number of public learning institutions in the county increased by 0.7percent from 885 institutions in 2021 to 891 institutions in 2022 while the number of private learning institutions increased by 1.24percent from 242 to 245 institutions in the same period. Notably, the number of secondary schools (public and private) increased from 144 schools in 2021 to 149 schools in 2022 while the number of primary schools (public and private) remained at 384 schools during the same period.

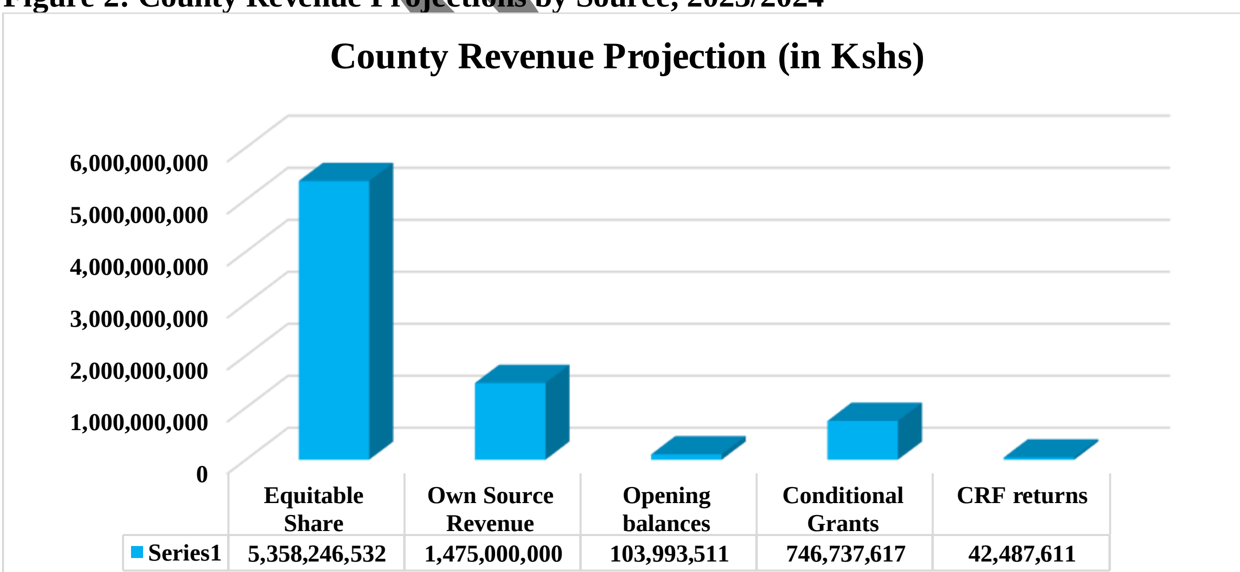
Enrolment in ECDEs in the county decreased by 4.3percent from 27,760 pupils in 2021 to 26,558 pupils in 2022. Enrolment in primary schools also decreased by 3.4percent from 104,982 pupils to 101,409 pupils in the same period. Student enrolment in secondary schools increased by 7.84percent from 42,870 students in 2021 to 46,229 students in 2022 while students' enrolment in public technical training institutes and youth polytechnics in Laikipia County increased by 7.71percent from 1,180 students in 2021 to 1,271 students in 2022. The number of Laikipia students enrolled in Kenya TVETS decreased by 15.64percent from 1,174 students in 2021 to 991 students in 2022 while the number of Laikipia students enrolled in Kenyan universities decreased by 63.2percent from 2,338 to 861 students in the same period.

The number of teachers in Public ECDEs increased by 1.75percent from 801 teachers in 2021 to 815 teachers in 2022. Additionally, the number of trained public primary school teachers increased by 15.87percent from 2,841 teachers in 2021 to 3,292 teachers in 2022 while the number of teachers in public secondary schools increased by 21.3percent from 1,473 teachers to 1,787 teachers in the same period.

2.5 Budget Performance at the County Level

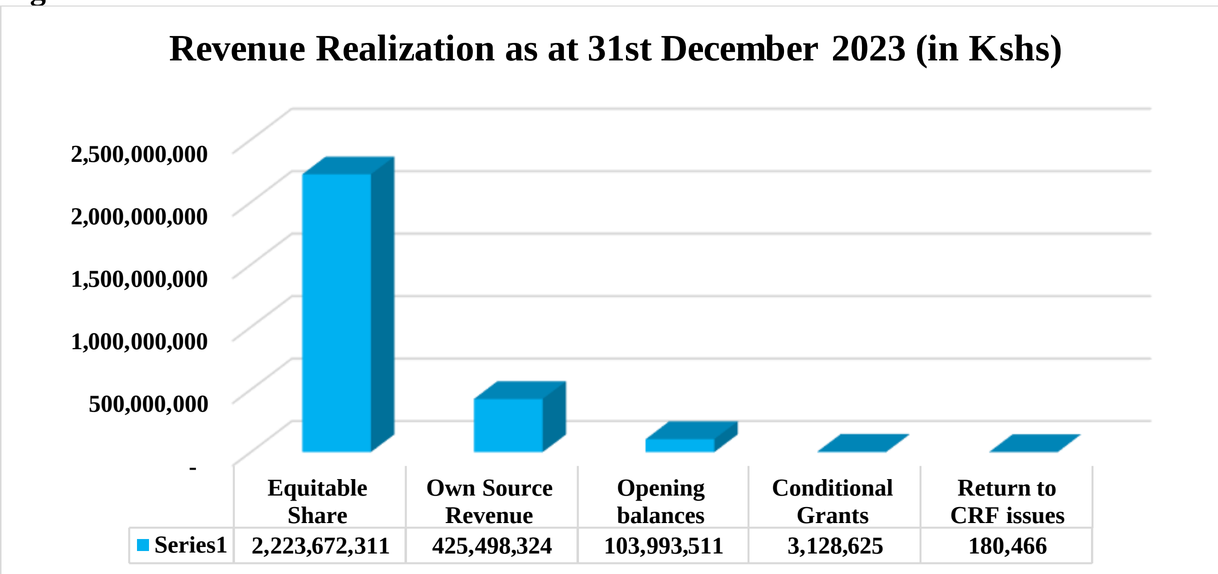
The FY 2023/2024 the County Government expects to receive total revenue amounting to Kshs. 7,726,465,272 comprising of equitable share allocation of Ksh 5,358,246,532, own source revenue projections at Ksh 1,475,000,000, opening balances of Ksh 146,481,123 and conditional grants of Ksh. 746,737,617. This is as captured in the following figure 2.

Figure 2: County Revenue Projections by Source, 2023/2024



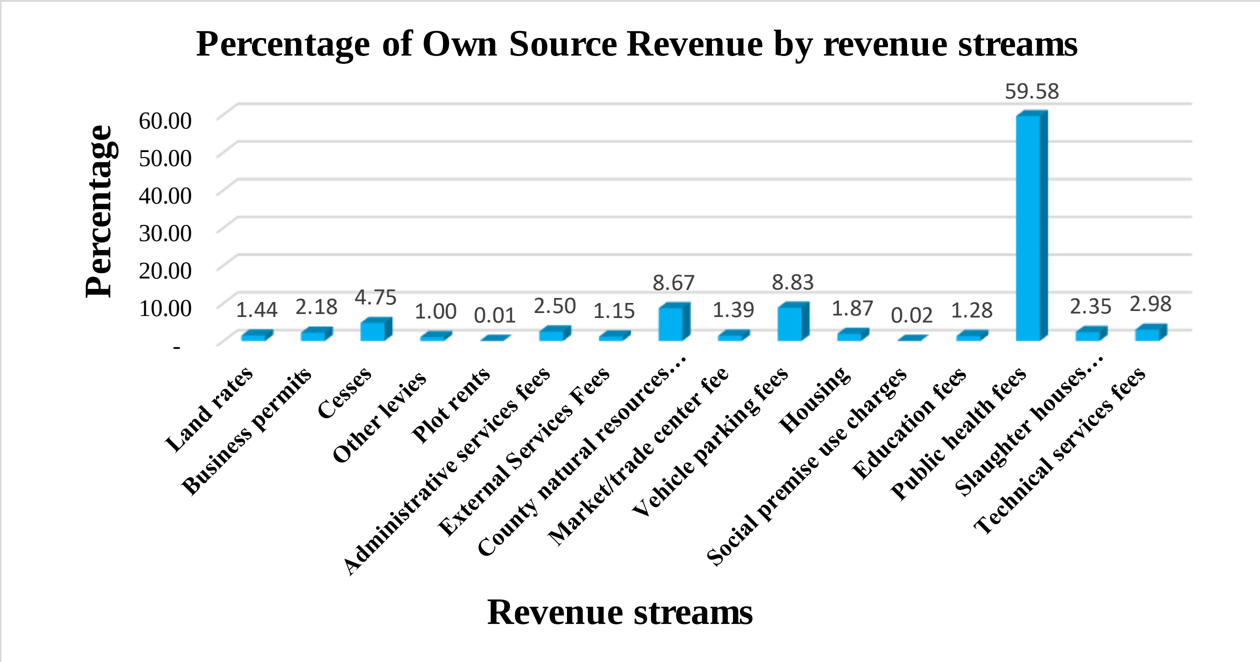
In the first half of FY 2023/2024, the county realized Kshs. 2,756,473,237 as revenue representing 35.68percent of county total revenue target. On equitable share the county realized 41.5percent, 28.85percent on own source revenue, 100percent on opening balances, 0.42percent on CRF returns and 0.42percent on conditional grants. This is captured in the following 2.

Figure 3: Revenue Realization as at 31st December 2023



In the first half of FY 2023/2024, the own source revenue collections against the annual targets were largely derived from revenue streams such as; Public health fees (59.58percent), county natural resources exploitation (8.67percent), vehicle parking fees (8.83percent), technical service fees (2.98percent), cess (4.75percent), slaughter house administration (2.35percent), housing (1.87percent), administrative service fees (2.5percent), market center fees (1.39percent), education fees (1.28percent), land rates (1.44percent), business permits (2.18percent), external service fees (1.15percent), other levies (1percent), social premises use charges (0.02percent), and plot rents (0.01percent) as illustrated in figure 4 below.

Figure 4: Percentage of Own Source Revenue by revenue streams as at 31st December 2023



More revenue collections are expected to be realized between January and March 2024 due to business permit renewals, payments of external services and encroachment fees. The following factors affected revenue perfomance in the period ending 31st December 2023.

- Non-disbursement of Exchequer releases by the National Treasury.
- Non-disbursement of conditional grants.
- Under realization in proceeds from own source revenue due to:
  - Reduced agricultural, livestock & market fees occasioned by the prevailing drought situation in the country.
  - Reduced commercial activities within trading centres caused by the subdued economic activity within the country.

To boost revenue performance, the County Government intends to implement and sustain strong revenue collection strategies. Measures put in place to enhance local collections include; strengthened operations of Laikipia County Revenue Board and partnerships, continuous automation of revenue collection streams, enhancement of cashless mode of payment, revenue mapping of new and existing revenue streams, improved tax compliance, updating of the records and valuation rolls for all towns, capacity building of revenue collection staff, sustained enforcement in the implementation of the finance Act and adoption of best practices in revenue collection and administration.

In the period July 2023 to December 2023 the total exchequer releases amounted to Kshs.2,223,672,311 representing 28.78 percent of the total budget. Ksh. 533,635,955 and Ksh. 1,533,088,525 was spent on development and recurrent expenditures respectively, representing 24 percent and 69 percent absorption rates of the total exchequer releases.

The County Government will continue with rationalization of expenditure to improve efficiency and reduce wastages. This will go handy with implementing e-procurement and strengthening the audit department to undertake its functions effectively. It will further prioritize implementation and completion of ongoing projects and programmes as set out in the budget. The County Government will also adhere to strict project timelines and budgets through projects' field inspection visits and robust public engagements. Joint initiatives with development partners will be pursued to support increased public expenditure on capital projects. To address the issue of high wage bill, the county will limit recruitments to areas with critical human resource needs, re-designate existing staff to fill existing gaps internally and enhance capacity building for better service delivery.

Citizens' engagements and public participation will be enhanced to ensure smooth implementation of the Finance Act 2022, participatory legislation, development planning, budgeting and programmes/projects implementation.

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 2.

Table 2: Global Economic Growth Rates

	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

Source: World Economic Outlook Oct 2023

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.

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 Laikipia 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 sector as result of anticipated adequate rainfall, ongoing fertilizer and seed subsidy program, 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, 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: 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 housing development and management; formulation and execution of the County housing policy; development and maintenance of public street lighting; 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 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) Facilitate acquisition of necessary skills and competencies to learners from pre-primary to post-secondary.
ii) 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.
iii) Increase access to clean water and reliable sanitation.
iv) 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. 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

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 six) hospital in Rumuruti to serve as a medical tourism Centre; 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

Agriculture sector remains the backbone of the county economy and 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, 31.1 percent of the total county households accessed their drinking water from unimproved water sources (dams 5.7 percent streams/rivers 21 percent unprotected springs 1.7 percent and unprotected wells 2.7 percent). Sanitation coverage is also low with only 8.9 percent 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; establishment of rural water services board; provision of at least 50,000 water tanks to household across the county; construction of public toilets; construction of new sewer treatment 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 implementing the affordable housing program for low and middle-income sections of the population. The first phase includes 200 residential units comprising of 60 studio apartments, 20 one-bedroom units, 100 two-bedroom units, and 20 three-bedroom units which are expected to be completed by October 2024. 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 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 Social services, the government is disbursing a total of 75 million to students in secondary schools, tertiary institutions and universities. 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. 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 Olpe Jeta Conservancy, 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 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.

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. 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.

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.

d) Conflict in Eastern Europe and the Middle East

The Israel-Hamas conflict might pose 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, 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 county government will consistently educate users on the value of upgrading cyber security and prioritizing implementation of cyber security policies to mitigate such dangers.

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 Laikipia County expects to receive Kshs.5,583,119,805 as equitable share from the National Government representing 1.39 percent 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 to be known upon finalization of BPS 2024.

Laikipia County total Own source revenue target for 2024/2025 stands at Kshs..1,475,000,000 as analyzed in table 4 and figure 6. Therefore, the total expected county revenue for F/Y 2024/2025 is projected at Kshs..7,058,119,805 exclusive of conditional grants and equalization funds as analyzed in table 5. 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 Board to deliver on its mandate.
- Widening the revenue base by bringing on board all individuals and businesses.
- Leverage on technology to enhance revenue collection.
- 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 3: Summary of County Revenues in 2020/21-2023/24

Revenue source	Actuals (Kshs.)			Budget (Kshs.)
	2020/21	2021/2022	2022/2023	2023/2024
Equitable share	4,177,800,000	5,136,265,679	5,136,265,679	5,358,246,532*
Equalization fund	0	0	161,661,764	0
Own source revenue	840,396,632	902,979,741	1,297,000,000	1,475,000,000*
Conditional Grants	752,523,849	171,486,997	363,303,602	746,737,617*
Opening balances (OSR)	0	0	5,571,567	146,481,123*
Total Revenues	**5,770,720,481**	**6,210,732,417**	**6,963,802,612**	**7,726,465,272***

** Indicates projection*

Table 4: Summary of the County Revenues Projections in the MTFP 2024/25-2026/27

Revenue source	Projections (Kshs.)		
	2024/2025	2025/2026	2026/2027
Equitable share	5,583,119,805*	5,776,714,900*	7,159,208,900 *
Equalization fund	-	-	-
Own source revenue	1,475,000,000*	1,489,750,000*	1,504,647,500*
Conditional Grants	-	-	-
Opening balances (OSR)	-	-	-
Total Revenues	**7,058,119,805***	**7,266,464,900***	**8,663,856,400***

* *Indicates projection*

Figure 5: County Revenues by Source 2020/21 -2024/25

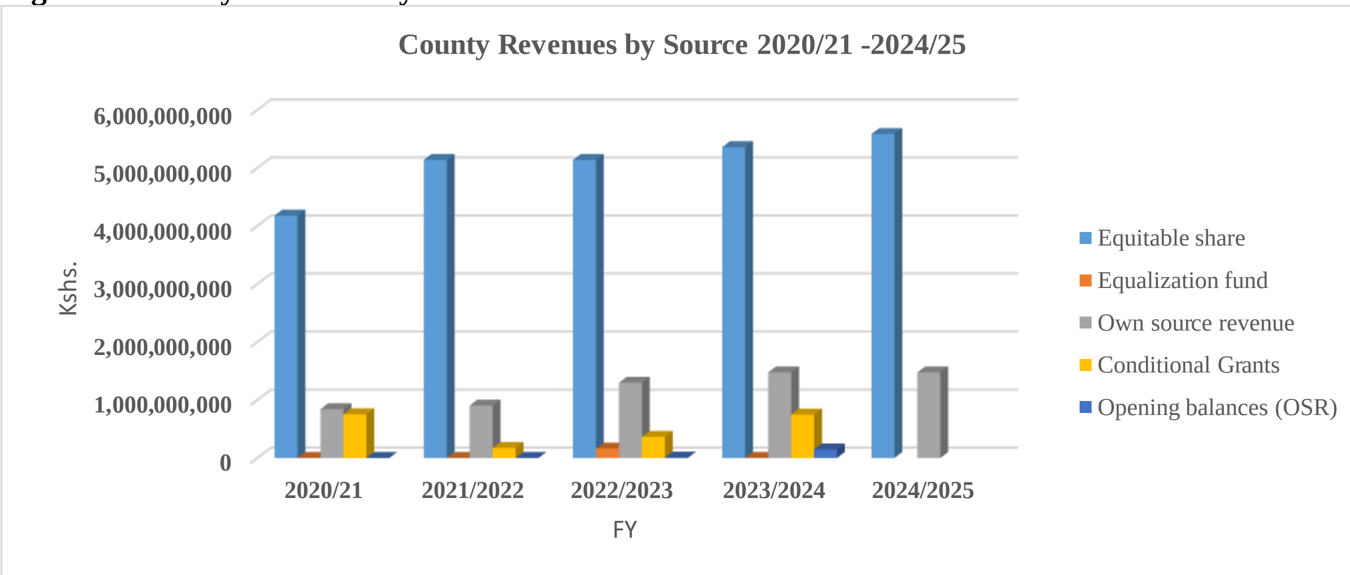
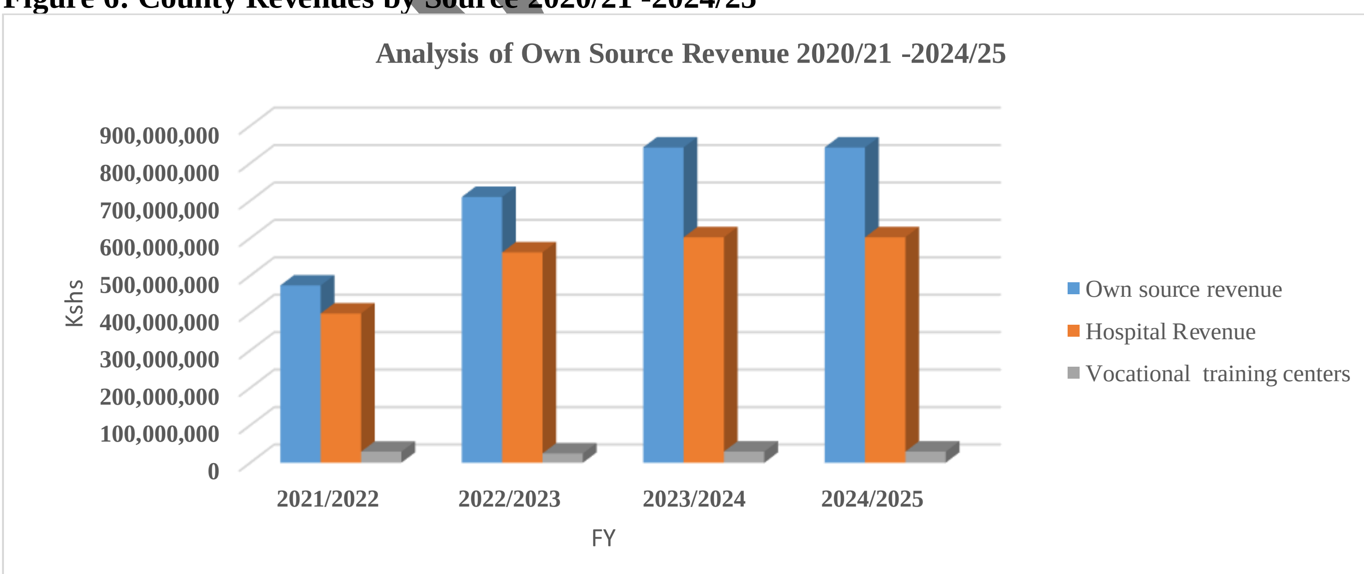


Table 5: Analysis of Own Source Revenue 2020/21 -2024/25

Revenue source	Actuals		Projections	
	2021/2022 (Kshs.)	2022/2023 (Kshs.)	2023/2024(Kshs.)	2024/2025 (Kshs.)
Own source revenue	473,718,428	710,000,000	842,500,000*	842,500,000*
Hospital Revenue	398,880,236	562,000,000	602,500,000*	602,500,000*
Vocational training centers	29,755,791	25,000,000	30,000,000*	30,000,000*
Total Revenues	**902,354,455**	**1,297,000,000**	**1,475,000,000***	**1,475,000,000***

* Indicates projection

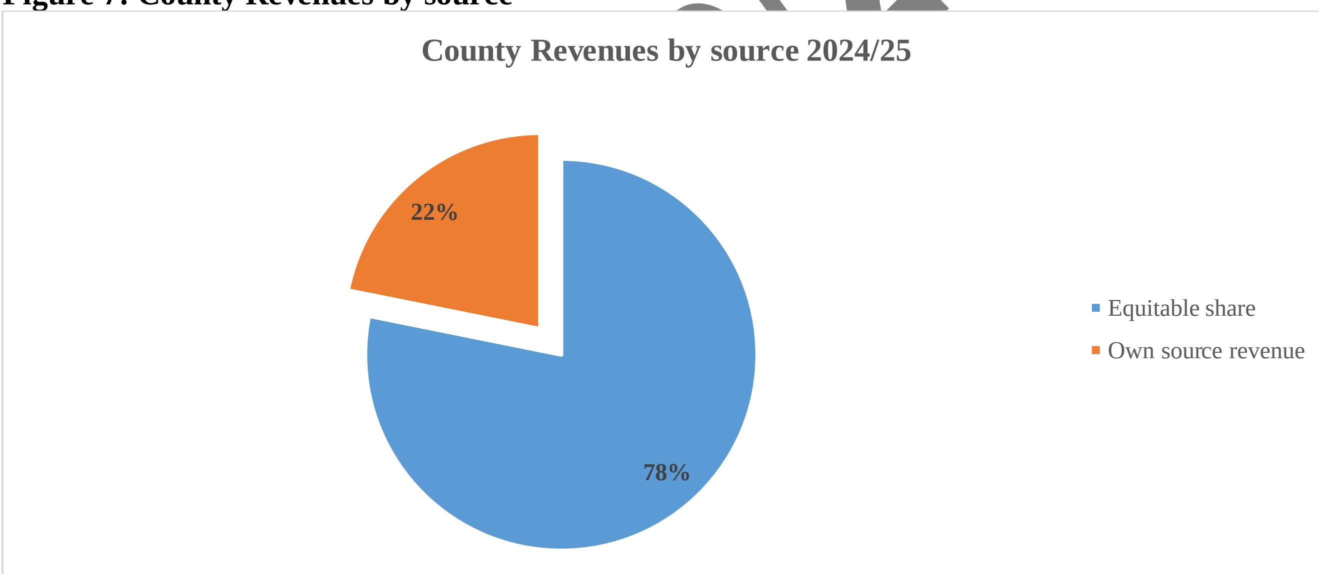
Figure 6: County Revenues by Source 2020/21 -2024/25



From the foregoing, at 78 percent, equitable share remains the main source of county revenues while own source revenue is projected at 22 percent as depicted in figure 7. 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 Laikipia County Development Authority (LCDA) which is the resource mobilization and investment arm of the government. Particularly, LCDA will coordinate and spearhead the achievement of the following external revenue raising strategies.

- Operationalize County Civil Society Organizations (CSO) / Public Benefit Organizations (PBO) forums
- Mobilise 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

Figure 7: County Revenues by source



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. 7,058,119,805 exclusive of expenditures funded by conditional grants and equalization fund.

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.2,117,500,000 representing 30 percent of the total county expenditure.

4.4.2 Recurrent Expenditure

Recurrent expenditure for FY 2024/25 is projected at KSh.4,940,619,805 representing 70 percent of total revenues (Exclusive of grants). Included in this expenditure are personnel emoluments projected at Kshs. 3,676,755,593 and operation and maintenance expenditures projected at Kshs..1,263,864,212. 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

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. 1.475,000,000.

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 52percent 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 Laikipia has allocated resources for spending that are equivalent to the revenues expected in the 2024/25 and the medium term.

CHAPTER FIVE

RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

5.0 Introduction

In this chapter, the resource envelope, the resource allocation criteria, and the departmental recommended allocations for the fiscal FY 2024/2025 are all covered in detail. It also outlines the top priorities for every sector, all of which are in line with the 2024 Budget Policy Statement's national goals and objectives.

5.1 Resource Envelope

The County's resource envelope comprises of the equitable share, OSR, conditional and unconditional grants from the National Government and developing partners.

In the financial year 2024/2025, Laikipia County expects to raise revenue amounting to Kshs.7,058,119,805. This will include Kshs.5,583,119,805 as the equitable share, Kshs. 1,475,000,000 as own source revenue and expects to receive conditional allocations that will be determined upon finalization of the 2024 BPS.

The following criteria will serve as a guide for allocating resources:

(i) Debt Management - Resources will be allocated in a manner that balances expenditures with revenue to avoid debt. Also, there will be allocation for part payment of past pending bills.
(ii) Strategic goals and objectives of departments - Resources will be allocated in line with the objectives and strategic outcomes of departmental programmes.
(iii) Public participation priorities - Allocations will put into consideration the public's views and opinions.
(iv) The legal and statutory obligations guiding county expenditures.
(v) Social welfare, equity and fairness – Resources and other social services will be distributed fairly and equitably to all the stakeholders and across the county.
(vi) Value for money and sustainability of the programme.
(vii) Financing of phased-off/on-going projects.
(viii) The need to ensure continuous current service levels are maintained.

5.2 Sector Priorities and Ceilings

In line with the MTEF budgeting approach, this section presents the sector priorities and ceilings for FY 2024/2025 while maintaining resource allocation continuity from the previous financial year. The spending ceiling comprises of amounts allocated for strategic interventions based on the programs and their corresponding outputs specified in the CIDP 2023–2027 and ADP 2024/2025. An allocation to pay part of the past pending bills will be provided under the finance department. The sector priorities and respective ceilings for recurrent and development expenditures across all the departments are as follows:

5.2.1 County Coordination, Administration, ICT and Public Service

The main objective of the sector is to establish a robust and streamlined governance structure that efficiently addresses the diverse needs of the local population. This involves fostering collaboration among various government departments, ensuring transparent decision-making processes and optimizing resource allocation for effective service delivery. The overarching objective is to enhance the overall well-being of residents by creating an administration that is responsive, accountable and capable of adapting to evolving community needs. The sector aims to leverage on technological advancements to improve public service delivery, enhance data management and foster innovation. The sector constitutes of six sections including the County Public Service Board.

To achieve the goals, the sector has the following priorities for the FY 2024/2025:

- Provide support to decentralized units for efficient and effective service delivery.
- Coordination of emergency response, disaster management and enforcement to ensure the safety of the residents.
- Facilitation of mechanisms for public input in decision making processes and governance.
- Drafting laws and policies that enhance service delivery.
- Improve digital connectivity and electronic government service delivery

To implement the prioritized programs within the sector for the fiscal year 2024/2025, a budget of Kshs. 776,359, 812 (including Kshs.15,000,000 for the CPSB) will be allocated representing 11 percent of the total county budget. This comprises of Kshs. 25,000,000 for development expenditures and Kshs. 751, 059, 812 for recurrent expenditures. The County Public Service Board will be allocated Kshs.12,000,000 as recurrent and Kshs.3,000,000 as development.

5.2.2 Finance, Economic Planning and County Development

The sector is tasked with the responsibility of overseeing sound financial management, creating fiscal and economic policies and mobilizing resources to support socio-economic development. The sector constitutes of six Directorates, two Semi-Autonomous Government Agencies (LCDA and LCRB) and three County Funds.

The key priorities for the sector in the medium term includes:

- Ensure prudent financial management: Compliance with legal frameworks such as Public Finance Management Act 2012, Public Procurement and Disposal Act 2015, and Public Procurement and Disposal Regulations 2020.
- Preparation of budget policy documents (CBROP, DMSP, CFSP and PBB).
- Implement County Risk Management Policy and internal controls within the County Treasury.
- Strengthen integrated and participatory development planning, budgeting, implementation and monitoring and evaluation

- Enhance resource mobilization through increased own-source revenue and mobilization of potential development partners.
- Strengthen supplier capacity development initiatives to enhance effective and efficient procurement processes and procedures.

In the fiscal year 2024/2025, the sector expects to receive a total allocation of Kshs. 1,014,803,155 (inclusive of Kshs.9,000,000 for the LCDA and Kshs 70,000,000 for LCRB) representing 14 percent of the total county budget. Kshs. 510,000,000 will be allocated for development expenditure and Kshs.172,354,212 for recurrent expenditure. The LCDA will be allocated Kshs. 6,000,000 and Kshs. 3,000,000 while LCRB will allocate Kshs.30,000,000 and Kshs.40,000,000 as recurrent and development expenditures respectively.

5.2.3 Medical Services and Public Health

The goal of this sector is to establish a health system that is client-focused, responsive and grounded in evidence. The aim is to achieve the highest standard of health for all in the County by delivering health services that are efficient, cost-effective and easily accessible to the public while maintaining accountability in service delivery. Furthermore, the sector plans to enhance the delivery of preventive and promotive health services throughout the county by implementing the Community Health Service Bill. The objective is to expand accessibility to primary and preventive health services and improve the proper management of both solid and liquid medical waste.

The sector comprises of NTRH, NYTRH, Sub County hospitals and lower-level health facilities.

The key priorities for the sector in the medium term includes:

- Establish a super-specialty hospital which will serve as a Medical Tourism Center (Level 6 hospital).
- Upgrade health facilities to level 4 & 5 hospital status.
- Upgrade range of services in health centers.
- Protect and title all the health facilities land Enhance and decentralize referral and emergency response system.
- Procure ambulances to increase the capacity of the referral system.
- Establish health centers of excellence and integrated service delivery dispensaries.
- Laikipia Afya Mashinani Program (LAMP) for affirmative action for vulnerable sections of the community Enact Relevant Health Bill e.g. Community Health services bill and others.
- Collaborate with KMTC to establish medical institution (KMTC) at Nanyuki level 5 Hospital and expand the range of courses offered at both Nanyuki and Nyahururu.

To realize the prioritized programmes, the sector expects to receive KSh.2,709,961,773 (including Kshs. 331,580,000 for NTRH, Kshs. 230,420,0000 for NYTRH and Kshs. 40,500,000 for Sub County hospitals) representing 38 percent of the total budget in the fiscal year 2024/2025. KSh.2,007,661,773 being total recurrent expenditure and Kshs. 702,300,000 being total development expenditure. NTRH will be allocated Kshs.132,632,000 and Kshs. 198,948,000 as recurrent and development expenditures respectively. NYTRH will allocate Kshs. 92,168,000 and Kshs 138,252,000 as recurrent and development expenditures respectively. The Subcounty hospitals will allocate Kshs.28,350,000 and Kshs 12,150,000 for recurrent and development expenditures respectively.

5.2.4 Agriculture, Livestock and Fisheries

The sector plays a pivotal role in underpinning livelihoods and propelling economic growth. This is achieved through a multifaceted strategy encompassing enhanced food security, income generation, employment creation and the facilitation of wealth making. The sector is dedicated to reshaping agriculture, livestock, and fisheries, aiming to convert them into commercially oriented enterprises. This transformative approach not only contributes to sustainable food and nutrition security but also reinforces the overall economic landscape.

Furthermore, the sector places a strong emphasis on fortified food security, reflecting its unwavering commitment to ensuring a steady and dependable food supply for the population. The shift towards commercially oriented enterprises signals a deliberate move towards market-driven agriculture, livestock, and fisheries activities, aligning with evolving economic trends. The sector's multifaceted approach, addressing both livelihoods and economic growth, is in harmony with broader developmental objectives, underscoring its significance in contributing to a resilient and thriving community.

The key priorities for the sector in the medium term includes:

- To provide efficient and effective agricultural support and advisory services.
- To increase agricultural productivity for food supply and income generation.
- To enhance storage of grains and supply of quality farm inputs.
- To facilitate development of irrigation infrastructure and enhance water supply for agricultural production.
- Improve livestock productivity and enhance incomes from livestock-based enterprises.

In order to implement the prioritized programs, the sector expects to receive a total budget of Kshs. 296,133,641 representing 4 percent of the total budget in the fiscal year 2024/2025. This allocation includes Kshs. 185,469,387 and Kshs.74,390,000 for recurrent and development expenditure respectively.

5.2.5 Infrastructure, Lands, Public Works and Urban Development

The sector aspires to emerge as a leading force in achieving top-tier infrastructure and fostering sustainable human settlements for socio-economic progress. This vision entails the upkeep of a well-maintained road network, efficient utilization of land resources, and the provision of essential infrastructure and renewable energy access. The sector is dedicated to perpetuating and expanding cost-effective public utility infrastructure and services, covering critical domains such as road transport infrastructure, roads maintenance, spatial planning, survey and mapping, town planning, land governance management, and urban development.

The implementation of strategic programs within this sector serves as a pivotal enabler, with the potential to significantly enhance commercial and productive activities in the marginalized rural areas of the county. By prioritizing comprehensive approaches to infrastructure development and urban planning, the sector aims to contribute actively to the overall socio-economic development of the region. The sector comprises six administrative sections and two municipality boards.

The key priorities for the sector in the medium term includes:

- Increased efficiency in land use planning and information management through completion of county spatial plan, approved land use plans, completion of the county land information and management system and maintenance of the GIS lab and survey equipment.
- Enhanced development control, enforcement, and inspection through completion and establishment of an online development application and approval system
- Enhanced dispute resolution on land related matters.
- Formulation of renewable energy policies and strategies
- Routine maintenance and repair of streetlights and floodlights.
- Fully constituted and operational municipalities.
- Construction and periodical maintenance of roads and drainages
- Increased access to affordable housing.

To actualize the prioritized initiatives, the sector will expect to receive Kshs. 529,430,059 representing 7.58 percent of the total budget for the fiscal year 2024/2025. Within this allocation, Kshs. 124,130,059 is earmarked for recurrent expenditure and Kshs. 405,300,000 for development expenditure.

5.2.6 Education and Library services

The sector envisions creating a conducive environment for delivering transformative education and training. To achieve this vision, the sector plans to support and manage educational facilities, and create a conducive atmosphere to enhance access, retention, completion, and transition rates for early childhood education learners. Additionally, the sector aims to train individuals in hands-on skills, entrepreneurship, and life skills. In light of this, an allocation of resources will be focused on key programs, specifically directed at advancing school infrastructural development for both Early Childhood Development and Education (ECDE) centers and vocational training centers. This comprehensive approach includes provisions for capacity building initiatives and the timely disbursement of salaries for ECDE teachers and vocational trainers.

The key priorities for the sector in the medium term includes:

- Increase access, retention, completion and transition rates at various levels
- Increased number of operational vocational training centers.

- Increased number of trainees graduating with marketable hands-on skills.
- Increased number of library services.
- Increased number of ECDE centers.
- Increased access of bursaries and scholarships to under privileged students.

Towards realizing the prioritized Programmes, the sector expects to receive a total of Kshs. 607,992,424 representing 8.6 percent of the total budget for 2024/2025 with Kshs. 534,082,424 being recurrent expenditure and Kshs.73,910,000 as development expenditure.

5.2.7 Trade, Tourism and Co-operatives Development Sector

The sector aims to enhance the business environment, foster financial inclusion, boost tourism development, and strengthen the cooperative movement, thereby driving the county's economy for employment and wealth generation. There will be a particular emphasis on prioritizing tourism development to maximize its benefits. Recognizing Laikipia County as a prominent tourist destination, efforts will be intensified to promote it further, including measures to enhance its visibility, improve tourism infrastructure at key sites and integrate it into essential tourism circuits throughout the upcoming year.

The key priorities for the sector in the medium term includes:

- Strengthen co-operative enterprises and enhance financial inclusion through an improved Co-operative Revolving Fund.
- Promote industrialization by fostering innovation and creating a conducive business environment.
- Promote tourism development for the County economic growth.
- Mobilize resources for investments, particularly for Micro, Small and Medium Enterprises (MSMEs).
- Equipping the County Aggregated Industrial Park (CAIP).

To realize the aforementioned priorities, the sector expects to receive a total of Kshs. 240,469,554 representing 3 percent of the total budget in 2024/25 with Kshs. 64,669,554 being recurrent expenditure and Kshs.175,800,000 as development expenditure.

5.2.8 Gender, Sport Development, Culture and Social Services

The goals of the sector are broad, aiming to foster inclusivity and enhance societal well-being. The department strives to promote gender equality by implementing initiatives that empower women and eliminate discrimination. In the realm of sports development, its objectives include the facilitation of sports programs, talent identification and the provision of resources to cultivate a thriving sports culture. Additionally, the department seeks to preserve and promote cultural heritage by supporting cultural events, festivals and activities that celebrate diversity. Overall, its predominant goals are geared towards creating a more equitable, active and culturally rich community.

The key priorities for the sector in the medium term includes;

- To promote talent development through increase of recreation facilities and provision of social services.
- Provision food and accommodation for vulnerable children.
- Support cultural events, festivals and activities to preserve and promote cultural heritage.

To realize the aforementioned priorities, the section expects to receive a total of Kshs.51,700,000 representing 0.4 percent of the total budget for 2024/2025 with Kshs.20,000,000 being recurrent expenditure and Kshs.31,700,000 as development expenditure.

5.2.9 Water, Environment, Natural Resources and Climate Change

The sector is focused on establishing a conducive atmosphere for ensuring ample, clean, and safe drinking water as well as sanitation services. This involves the conservation, protection, and restoration of natural resources. Notably, the county is situated within Arid and Semi-Arid Lands (ASALs), and it faces substantial adverse impacts from climate change affecting people's livelihoods. Consequently, it is imperative to acknowledge and implement appropriate adaptation and mitigation measures across various sectors to combat the effects of climate change.

In the medium term, the sector envisages to realize the following priorities:

- Increase piped water access from the current 33percent to 37percent by 2027.
- Reduce average distances to water points from 4 Km to 3 Km by 2027.
- Improve water supply by water companies from 60percent to 70percent by 2027.
- To improve sewerage systems from 16percent to 20percent by 2027.
- Develop water infrastructure to provide water for production (Mega Dams and water pans).
- Improve sanitation in urban centers, markets and low-income settlements.
- Strengthening of water governance.
- Protect and conserve catchment areas to enhance water and environmental resources.
- Reduce/minimize human wildlife conflicts.
- Improve solid waste management.
- Design and implement programs on climate change.
- Provide legal and policy framework on use of natural resources.

Towards realizing the prioritized programs, the sector expects to receive a total of Kshs. 274,569,387 representing 4 percent of the total budget in 2024/2025 with Kshs. 185,469,387 being recurrent expenditure and Kshs.89,100,000 as development expenditure.

5.2.10 Rumuruti Municipality

Rumuruti Town, designated as the administrative center of Laikipia County, holds a strategic position at the heart of the region, making it easily accessible from every corner of the county.

Anticipated factors contributing to an uptick in population growth include the relocation of the county headquarters, the opening of the Nyahururu-Maralal highway, and the increasing integration of Northern Kenya with the rest of the nation, with Rumuruti serving as a vital gateway. Known for its rich cultural tapestry, the municipality is home to diverse communities, predominantly composed of Kikuyu, Turkana, Samburu, Kalenjin and other ethnic groups. The local economy is characterized by a mix of trade, agriculture, and transportation activities.

In the medium term, the municipality envisages to realize the following priorities:

- Infrastructure improvement – focus will be on upgrading essential urban infrastructure such as roads, water supply, sewage system and public facilities.
- Environmental sustainability – the municipal will implement measures to ensure a sustainable and environmentally friendly urban environment, addressing issues like waste management and green spaces.
- Public safety – enhance public safety by investing in law enforcement and emergency services.

The entity expects to receive a total of Kshs. 15,000,000 representing 0.21 percent of the total budget in 2024/2025 with Kshs.5,000,000 being recurrent expenditure and Kshs.10,000,000 as development expenditure.

5.2.11 Nanyuki Municipality

Nanyuki has grown into a vibrant center for commerce and culture. In recent years, Nanyuki has witnessed infrastructural development, making it an increasingly attractive destination for investors.

In the medium term, the municipality envisages to realize the following priorities:

- Smart urban planning – embrace technology and smart city solutions for efficient urban planning, traffic management and public services.
- Community engagement – foster citizen involvement in decision-making processes and ensure transparency in municipal operations.
- Resilience planning – prepare for and mitigate the impact of natural disasters or emergencies through robust disaster management and resilient plans.

The entity expects to receive a total of Kshs. 15,000,000 representing 0.21 percent of the total budget in 2024/2025 with Kshs.5,000,000 being recurrent expenditure and Kshs.10,000,000 as development expenditure.

5.2.12 Legislative Services

The legislative services of the county assembly involve the creation, review, and implementation of laws and policies at the county level. This includes drafting bills, conducting public consultations, and collaborating with county executive to develop legislation that addresses county's needs. The legislative processes in county aims to enhance governance, promote transparency, and respond effectively to the specific challenges and priorities of the county within the framework of the national legal system. The county assembly plays a crucial role along the budget making process though approval of the county's budget.

In 2024/2025, the County Assembly expects to receive a total of Kshs.557,000,000 representing 8 percent of the total budget with Kshs.527,000,000 being recurrent expenditure and Kshs.30,000,000 as development expenditure.

5.3 Opportunities to be harnessed

The following opportunities and measures of harnessing them are highlighted:

i. Resource Mobilization

The Comprehensive Own Source Revenue Potential and Tax Gap Report for 2022 from the Commission of Revenue (CRA) indicates that Laikipia County has the capacity to generate approximately Kshs. 2.595 billion annually through its own revenue sources. This estimate is based on significant contributions from various sectors, including market center trade fees (Kshs. 858.1 million), hospital and public health services (Kshs. 669.3 million), environment and conservancies administration fees (Kshs. 408.1 million), building plans approvals (Kshs. 189 million), and agricultural transportation fees (Kshs. 137.3 million), among other sources.

Governments possess a spectrum of opportunities to effectively mobilize resources for their initiatives and projects. Public-Private Partnerships (PPPs) emerge as a strategic avenue, where collaboration with private entities not only injects funds but also shares the load and benefits.
Social Bonds offer a specialized financial instrument, directing investments toward projects with distinct social benefits and attracting investors with a commitment to societal well-being. Green Financing presents an environmentally conscious avenue, channeling funds specifically for sustainable projects through instruments like green bonds or funds.

Innovative Financing Models, including social impact bonds or development impact bonds, provide avenues to align financial mechanisms with the goals of projects. The county government can also explore grants, seeking funding from international bodies, bilateral donors, or foundations to support targeted initiatives.
There is need therefore to study the potentials and employ mechanisms of enhancing collection of more own source revenue to ensure a higher proportion is available for development. These measures will include highly innovative ways of revenue generation: the automation of revenue collection systems, expanding tax base and fast-tracking finalization of valuation roll.

ii. Weather patterns

Harnessing opportunities in weather patterns involves leveraging insights and technologies for various purposes. Some opportunities include;

a) Agriculture planning: Leveraging weather forecasts for better crop management, irrigation and pest control to enhance agricultural productivity.
b) Climate change mitigation: implementing strategies to mitigate the impact of climate change based on long term weather patterns and trends.
c) Weather-responsive infrastructure: designing and constructing infrastructure that considers local weather conditions for durability and resilience.
d) Water resource management: monitoring and managing water resources based on weather patterns to address issues like drought and flooding.
e) Renewable Energy: Utilizing weather patterns for solar, wind, and hydropower generation to promote sustainable energy sources.
f) Disaster Preparedness: Using weather predictions to improve early warning systems and enhance preparedness for natural disasters such as floods, and wildfires.
g) Tourism Planning: Incorporating weather forecasts to optimize tourism activities and enhance visitor experiences.

Harnessing opportunities in weather patterns requires collaboration between meteorological agencies, researchers, businesses, and policymakers to make informed decisions and implement effective solutions.

iii. Budget Funding

Opportunities in budget funding can be harnessed through various strategies and considerations. Some key opportunities include:

a. Public-Private Partnerships (PPPs): Collaborating with private entities to fund and execute projects, leveraging both public and private resources.
b. Grants and Donor Funding: Seeking grants from international organizations, NGOs, or bilateral donors to supplement budget allocations for specific projects.
c. Investment in Innovation: Allocating funds for research and development to stimulate innovation, driving economic growth and competitiveness.
d. Cost Efficiency Measures: Identifying and implementing cost-saving measures within government operations to optimize resource utilization.
e. User Fees and Charges: Introducing or adjusting fees for certain government services to generate additional revenue.
f. Debt Financing: Responsibly using loans to finance critical infrastructure projects that have long-term benefits.
g. Tax Reforms: Evaluating and adjusting tax policies to ensure a fair and sustainable revenue stream for the government.
h. Asset Monetization: Exploring opportunities to monetize government assets, such as selling or leasing public properties or infrastructure.
i. Efficient Public Procurement: Implementing transparent and efficient procurement processes to reduce costs and enhance value for money.
j. Strategic Planning: Developing a comprehensive budget strategy aligned with long-term economic goals and priorities.

Effective budget funding strategies often involve a combination of these approaches, tailored to the specific economic context and goals of the government.

iv. Citizen Participation and Civic Education

Harnessing opportunities in citizens' participation and civil education can lead to a more informed and engaged society. Some key opportunities include:

a) Online Platforms: Leveraging digital platforms for civic engagement, providing information, and enabling discussions on important issues.
b) Community Outreach Programs: Organizing events, workshops, and town hall meetings to educate citizens on their rights, responsibilities, and government processes.
c) Youth Engagement: Focusing on educational programs in schools to instill civic values and encourage youth participation in civic activities.
d) Media Collaboration: Partnering with media outlets to disseminate unbiased and accurate information, fostering a well-informed citizenry.
e) Public Awareness Campaigns: Implementing campaigns to raise awareness about civic issues, voter education, and the importance of participating in democratic processes.
f) Community Empowerment: Supporting initiatives that empower local communities to take an active role in decision-making processes.
g) E-Governance Initiatives: Implementing technology-driven solutions to make government processes more accessible and transparent, encouraging citizen involvement.
h) Collaboration with NGOs: Partnering with non-governmental organizations working in the field of civic education and participation to amplify efforts.
i) Feedback Mechanisms: Establishing effective channels for citizens to provide feedback, share concerns, and actively participate in policy discussions.

v. Staff Welfare

Governments can harness staff welfare as an opportunity by prioritizing policies that promote employees' well-being. This includes ensuring fair wages, providing healthcare benefits, and creating a conducive work environment. A content and healthy workforce can lead to increased productivity, reduced absenteeism, and overall economic growth. Additionally, it enhances the government's image as a responsible employer and contributes to societal well-being.

By tapping into these opportunities, the county government can foster a culture of civic engagement, empower citizens, and strengthen democratic processes.