



COUNTY GOVERNMENT OF LAIKIPIA

THE COUNTY TREASURY



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REF: CGL/CEC.F/S/VOL.1/155

6th October, 2023

The Clerk
County Assembly of Laikipia

RE: SUBMISSION-LAIKIPIA COUNTY BUDGET REVIEW AND OUTLOOK PAPER 2023

Pursuant to section 118 of the public finance management Act 2012 which requires *the County Treasury to prepare the County Budget Review Outlook Paper in respect of the county for each financial year; and (b) submit the paper to the county executive committee by 30th September of that year.*

Further in Sub section 3, and 4 states that

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

(4) *Not later than seven days after the CBROP is approved by the county executive committee, the County Treasury shall (a) arrange for the paper to be laid before the County Assembly.*

In compliance to the above Legal requirement, please find the Laikipia County Budget Review and Outlook Paper 2023 which was approved by the County Executive.



SAMUEL W. GACHIGI
CECM - Finance, Economic Planning and County Development
LAIKIPIA COUNTY





COUNTY GOVERNMENT OF LAIKIPIA

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2023

COUNTY VISION, MISSION AND CORE VALUES

Vision Statement

The greatest county with the best quality of life

Mission Statement

To enable every household in Laikipia county to lead a prosperous life

Core Values

People-centeredness

Equity

Accountability

Efficiency

Professionalism

Integrity

Innovativeness

Passion

FOREWORD

The 2023 County Budget Review and Outlook Paper (C-BROP) has been prepared in line with Section 118 of the Public Finance Management Act, 2012 which requires a County Government to prepare this paper each financial year to review achievements of pre-targeted objectives for the previous financial year. This will help measure effectiveness and efficiency in resource mobilization and budget implementation.

The 2023 CBROP is based against a background of world-wide economic slowdown occasioned by the ongoing Russia-Ukraine conflict, Harsh weather patterns, effects of the COVID-19 pandemic, higher-than projected inflation attributed to high global oil and food prices and the impact of the global monetary policy that has created tighter financial conditions.

Towards this end, Laikipia county government put in place several measures to assist in the recovery from the harsh economic conditions and bring people back to productive economic activities. These included

- a) Construction of the aggregated industrial park in Rumuruti to boost trade.
- b) Investments in health of the people through health infrastructure development, leasing of critical medical equipment thus ensuring affordable and accessible health services.
- c) Infrastructural development through improvement of road network in urban and rural areas to spur economic growth through access to markets, movement of people, produce and goods hence creating job opportunities.
- d) Increased water provision through drilling of Boreholes and maintenance of existing water infrastructure.

The fiscal performance of the FY 2022-23 budget was satisfactory. Revenue performance was at 93% while the expenditures were 91% of the approved budget. The 7% Shortfall in revenue was largely due to non-realisation of annual own source revenue target and conditional grants.

Actual year to year Own source revenue collection for the year 2022/23 increased by 11% to KShs 997 million from KShs 902 million in financial year 2021/22. Expenditure performance was mainly affected by non-realised cash flows. In light of these developments, revenues for the FY 2023/24 will be enhanced and keenly monitored to ensure that set targets are achieved.

The expenditure and revenue policy framework for the 2023/24 financial year and the medium term is guided by the following fiscal principles;

- i. Fiscal discipline in the management of Public Finances,
- ii. Aligning Laikipia County development agenda with the National Development Goals,
- iii. Investing in the health to empower human capital to support the development agenda.

- iv. Support economic growth through infrastructure and enterprise development in order to create employment opportunities,
- v. Enhancing public participation in the selection and implementation of projects to ensure equity in service provision.

Fiscal discipline will enable county sectors achieve set objectives at minimum cost. The implementation of the County budget will focus on improved access to health care, enhancement of agriculture productivity, promoting business opportunities through enterprise development and upgrading public infrastructure among others.

To enhance transparency and accountability the county will engage stakeholders in development planning, implementation, and monitoring as required by the Constitution of Kenya 2010, Public Finance Management Act, 2012 and other guiding laws.



Samuel Wachira Gachigi
County Executive Committee Member
FINANCE AND ECONOMIC PLANNING



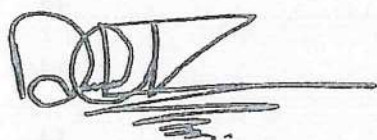
ACKNOWLEDGEMENTS

The preparation of the County Budget Review and Outlook Paper 2023 is in line with the provisions of section 118 of the Public Financial Management Act; 2012. This has been achieved through concerted efforts of various stakeholders.

The Department of Finance and Economic Planning is grateful to H.E. the Governor Joshua Irungu, H.E the Deputy Governor Reuben Kamuri and the entire County Executive Committee for their guidance in planning, implementation and review of the county planning and budget frameworks culminating in the development of this paper.

Special thanks to the CECM Finance and Economic planning Mr. Samuel Wachira for spearheading the formulation of this paper. I also appreciate departmental teams led by Chief Officers for their inputs to this process.

I recognize the inputs of the financial reporting and Revenue departments and register my appreciation to the budget team for the successful compilation and completion of this document. Many thanks to all other stakeholders for all information, effort and dedication towards achievement of this milestone.



Daniel Kingori Ngumi
Chief Officer
FINANCE AND COUNTY TREASURY

TABLE OF CONTENTS

COUNTY VISION, MISSION AND CORE VALUES.....	ii
FOREWORD	iii
ACKNOWLEDGEMENTS	v
CHAPTER ONE.....	11
INTRODUCTION	11
1.1 Legal basis for the preparation of CBROP.....	11
1.2 Fiscal Responsibility Principles in the Public Financial Management Law	11
1.3 Significance of the CBROP.....	12
1.4 Objectives of the CBROP	13
1.5 Structure of the CBROP	13
CHAPTER TWO	14
REVIEW OF FISCAL PERFORMANCE IN 2022/23	14
2.1 Performance Overview and its implications on the Fiscal responsibility principles.....	14
2.2 Fiscal Performance in 2022/23	14
2.3 Fiscal Balance (Net Position)	19
2.4 Implications of 2022/23 Fiscal Performance on 2022 CFSP	19
2.5 Compliance with the fiscal responsibility principles.....	20
CHAPTER THREE	21
RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK	21
3.1 Introduction	21
3.2 Recent Economic Developments.....	21
3.3 Economic Outlook	26
3.4 Progress Report on Budget Implementation	27
3.5 County Economic Outlook and Policies	28
3.6 Medium Term Fiscal Framework	31
3.7 Risks to the Outlook.....	31
CHAPTER FOUR	33

RESOURCE ALLOCATION FRAMEWORK.....	34
4.1 Introduction	34
4.2 Financial Outlook	34
4.3 Medium Term Expenditure Framework	34
4.4 Proposed Budget 2023/24 Framework	36
CHAPTER FIVE:	40
CONCLUSION AND WAY FORWARD	40
5.1 Conclusion	40
ANNEXES.....	42
Annex 1: Deadlines for Submission of Annual Budgets and Feasibility Study Data	42
Annex 2: Analysis of Revenue performance	42
Annex 3: Analysis of Conditional Grants Performance FY 2021/22-2022/23	44
Annex 4: Summary of Proposed Budget by Programme in 2023/2024 ADP	45
Annex 5: Summary of Budget Estimates by sectors FY 2023-24 (Inclusive of Grants).....	46

LIST OF TABLES

Table 1: County Revenue Performance for FY 2021/22-2022/23	15
Table 2: County Expenditure Performance (Recurrent and Development)	16
Table 3: County Expenditure Performance	16
Table 4 : Performance of the Recurrent Budget in FY 2022/2023	17
Table 5: Performance of the Development Budget FY 2022/2023	18
Table 6: Sector 2022 CFSP ceilings as compared to the 2022-23 budget ceilings	19
Table 7: Global Economic Forecast by percentage	22
Table 8: County Economic Performance 2020-2022	26
Table 9: Total Sector Ceiling for the MTEF Period 2023/2024-2025/2026	36
Table 10: Sector Expenditure allocations 2023/2024 (Exclusive of conditional grants)	39

LIST OF FIGURES

Figure 1: Recurrent and Development Performance FY 2022-23.....	16
Figure 2: Recurrent Budget against Actual Performance FY 2022/23.....	17
Figure 3: Development Budget against Actual Performance FY 2022/23	18
Figure 4: Gross County Product (GCP) 2020-2022	26
Figure 5: Gross County Product by Sectors 2020-2022	26
Figure 6: Projected Revenue for FY 2023/24.....	37
Figure 7: Percentage Distribution of Revenue Sources in FY 2023/24	37
Figure 8: Recurrent and Development Expenditures for FY 2022/23- 2023/24	38
Figure 9: Total Expenditures for the FY 2023/234	39

ABBREVIATIONS

ADP	Annual Development Plan
AGPO	Access to Government Procurement Opportunities
CBROP	County Budget Review and Outlook Paper
CDMS	County Debt Management Strategy
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
CSWGs	County Sector Working Groups
EAC	East Africa Community
FY	Financial Year
GDP	Gross Domestic Product
HFIF	Health Facility Improvement Fund
ICT	Information Communication Technology
IEBC	Independent Electoral and Boundaries commission
IFMIS	Integrated Financial Management Information System
KRA	Kenya Revenue Authority
MTEF	Medium Term Expenditure Framework
NSE	Nairobi Securities Exchange
PFM	Public Finance Management
PFMA	Public Finance Management Act

CHAPTER ONE

INTRODUCTION

1.1 Legal basis for the preparation of CBROP

Preparation of the annual County Budget Review and Outlook Paper (CBROP) is guided by section 118 of the Public Financial Management Act, 2012 which states that:

- 1) The County Treasury shall-
 - a) Prepare a County Budget Review and Outlook Paper in respect of the County for each financial year; and
 - b) Submit the paper to the County Executive Committee by the 30th September of that year.
- 2) In preparing its CBROP, the County Treasury shall specify
 - a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year.
 - b) The updated economic and financial forecasts with sufficient information to show changes from the most recent County Fiscal Strategy Paper.
 - c) Information on-
 - (i) Any changes in the forecasts compared with the County Fiscal Strategy Paper or
 - (ii) How actual fiscal performance for the previous financial year may have affected compliance with the County Fiscal Strategy Paper for that financial year, and
 - d) Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- 3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view of approving it, with or without amendments within fourteen days after its submission.
- 4) Not later than seven days after the CBROP is approved by the County Executive, the county Treasury shall-
 - a) Arrange for the paper to be laid before County Assembly and
 - b) As soon as practicable after having done so, Publish and publicize the paper.

1.2 Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution of Kenya 2010 and the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. The PFM Act (Section 107) states that:

- 1) The County government's recurrent expenditure shall not exceed the county government's total revenue.
- 2) Over the medium term a minimum of thirty percent of the County government's budget shall be allocated to the development expenditure.
- 3) The County government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government's total revenue as prescribed by the County Executive Member Finance regulations and approved by the County Assembly.
- 4) 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.
- 5) The County debt shall be maintained at a sustainable level as approved by the County Assembly
- 6) Fiscal risks shall be managed prudently.
- 7) 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.

1.3 Significance of the CBROP

The purpose of this paper is to enable the county government review its previous fiscal performance and its impact on the financial objectives and fiscal responsibility principles set out in Section 107 of the PFM Act; its likely impact on the level of future revenues; expenditures; and set the preliminary sector ceilings to enable sectors prepare their annual estimates. C-BROP helps link policy formulation and planning to service delivery.

This review is based on the 1st fiscal year of implementation of the third County Integrated Development Plan and the Third Medium Term Plan (MTP III 2022-2027), that guided budget preparation and implementation in the County. This C-BROP is based on the MTEF priorities that include

- Development of fiscal framework that projects revenues and expenditure in the medium term (multi-year).
- Development of sectoral programs, objectives, outputs and activities.
- Review of programs, sub-programs and cost estimation.
- Development of sectoral expenditure frameworks, analysis of inter- and intra-sectoral trade-offs, consensus-building on strategic resource allocation.
- Definition of sector resource allocations setting medium term sector budget ceilings.
- Preparation of sectoral budgets and medium-term programs based on budget ceilings

These take into account priority needs of the citizenry in the devolved system of government.

1.4 Objectives of the CBROP

The core objectives of CBROP are:

- (i) To provide details of the actual fiscal performance of the financial year 2022-2023, and deviations from the approved budget of the same year.
- (ii) To specify the updated economic and financial forecasts in relation to the changes from the forecasts in the County Fiscal Strategy Paper of February, 2023.
- (iii) To provide information on any changes in the forecasts compared with the CFSP of February, 2022
- (iv) To specify how actual financial performance for the year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP.
- (v) To provide reasons for any deviation from the financial objectives in the CFSP of February, 2022 together with proposals and timelines to address the deviations.

1.5 Structure of the CBROP

The County Budget Review and Outlook Paper is broadly classified into two: a review section and an outlook section.

It is further organized into five chapters.

- Chapter one introduces the C-BROP giving the legal framework, its significance and objectives.
- Chapter two provides the overview, County fiscal performance and its implications.
- Chapter three gives highlights on the recent economic developments and the outlook for period 2023/24 to medium term and risks to the outlook.
- Chapter four sets out the resource allocation framework across county departments by establishing the resource envelope and allocates these by setting expenditure limits or ceilings for each government department.
- Chapter five provides a conclusion, recommendations and next steps highlighting the value of the Budget Review and Outlook Paper.

CHAPTER TWO

REVIEW OF FISCAL PERFORMANCE IN 2022/23

2.1 Performance Overview and its implications on the Fiscal responsibility principles

2.11 Introduction

This chapter reviews the actual fiscal performance for 2022 -2023 and how this may have affected compliance with the fiscal responsibility principles or the financial objectives in the County Fiscal Strategy Paper 2022 and reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation

2.12 Performance Overview

The revenue estimate for the fiscal year 2022–2023 was KShs. 7,191,415,699. This income was expected from Equitable Share of KShs 5,136,265,679, Conditional Grants of KShs 179,898,881, Equalization Fund of KShs 161,661,764, Own Source Revenue of KShs 1,297,000,000 and opening balances of KShs 416,589,375.

2.2 Fiscal Performance in 2022/23

2.2.1 County Revenue Performance

In FY 2022/23, total realised revenue amounted to KShs 6,707,743,151, this being KShs 5,136,265,679 equitable share, KShs 997,324,350 as Own Source revenue receipts, KShs 145,563,746 as conditional grants, KShs 12,000,000 as Miscellaneous receipts and KShs 416,589,375 as opening balance. Equitable share recorded 100% performance; Own source revenue increased by KShs 94,969,895 from KShs 902,354,455 in 2021/22 to KShs 997,324,350 in 2022/23 representing 11% growth despite the annual revenue target of kshs1.297 billion not being attained. Conditional Grants receipts for 2022/23 decreased by KShs 40,456,129 from KShs 165,882,387 to KShs 125,426,258 (exclusive of opening grant balances of KShs 20,137,617) hence representing a 24% decline.

The following factors negatively impacted revenue performance.

- (a) Delayed release of conditional grants.
- (b) Land and property rates collection activities were not properly implemented due to lack of valuation roll and the proposed changes in the land registry. Non-compliance by rate payers also led to below targeted collections.

- (c) Under realization in collection of parking fees, cess and business permits among others triggered by harsh economic conditions characterized by inflation trends, high fuel prices and the prevailing drought conditions.

Table 1 below summarizes the overall county revenue performance in 2022/23 with comparatives for 2021/2022. It further provides the deviations from the approved revenue estimates and the growth realized against the previous year actuals. Annex 3 and 4 gives detailed analysis of the performance of own source revenue and conditional grants for financial years 2021/22 and 2022/23 respectively.

Table 1: County Revenue Performance for FY 2021/22-2022/23

Total Revenue and Grants	Financial year 2021/22 Actual (KShs)	Financial Year 2022/23		Deviation (KShs) (Actual –Target)	Growth (%) (From 2021/22-2022/23 actuals)
		Targets (KShs)	Actuals (KShs)		
	A	B	C	D=C-B	E=(C-A)/A*100
Opening Balance	24,320,988	5,571,567	5,571,567	0	-77
CRF Returns	759,602	44,930	44,931	1	-94
Opening Balance Emergency Fund	270,925	71,625	71,625	0	-74
Equitable Share	4,725,364,426	5,136,265,679	5,136,265,679	0	9
Own Source Revenue	902,354,455	1,297,000,000	997,324,350	-299,675,650	11
Conditional Grants	165,882,387	179,898,881	145,563,746	-34,335,135	-12
Opening balance Equitable Share	-	410,901,253	410,901,253	0	0
Equalization Fund	-	161,661,764	-	0	0
Conditional Grants B/F 20/21	526,365,809	0	0	0	-100
Miscellaneous receipts	-		12,000,000	12,000,000	0
Total Revenues	6,345,318,592	7,191,415,699	6,707,743,151	-322,010,784	6

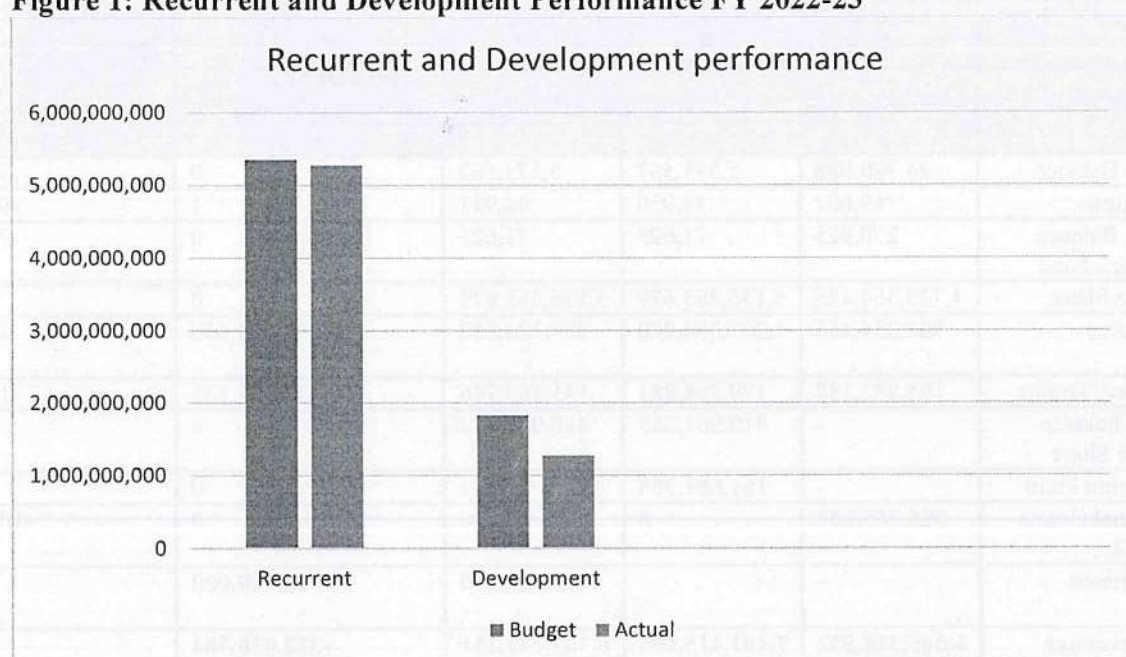
2.3 County Expenditure Performance

Total expenditures by end of June 2023 was KShs 6,559,136,306 against the revised budget estimates of KShs 7,191,415,699. Recurrent expenditure was KShs 5,278,843,809 and Development expenditure was KShs 1,280,292,497.

The table below shows the county expenditure performance in 2022/23,

Table 2: County Expenditure Performance (Recurrent and Development)

	2021/22 Actual (KShs)	Financial year 2022/23		Deviation (KShs)	% Growth
		Target (KShs)	Actual (KShs)		
	A	B	C	D=C-B	E=(C-A)/A*100
(1) Recurrent Expenditure					
County Executive	4,001,902,458	4,695,196,328	4,623,555,751	-71,640,577	16
County Assembly	494,479,300	662,869,078	655,288,058	-7,581,020	33
Total	4,496,381,758	5,358,065,406	5,278,843,809	-79,221,597	17
(2) Development Expenditure					
County Executive	1,779,757,824	1,730,350,293	1,248,130,424	-482,219,869	-30
County Assembly	43,265,974	103,000,000	32,162,073	-70,837,927	-26
Total	1,823,023,798	1,833,350,293	1,280,292,497	-553,057,796	-30
Total Expenditure	6,319,405,556	7,191,415,699	6,559,136,306	-632,279,393	4

Figure 1: Recurrent and Development Performance FY 2022-23**Table 3: County Expenditure Performance**

Departments	Budget	Actual	Budget	Actual	Budget	Actual
	Recurrent-0	Recurrent-0	Development-1	Development-1	Total	Total
Administration	3,825,739,849	3,766,341,039	20,286,323	18,498,767	3,846,026,172	3,784,839,806
Finance	231,796,844	228,867,899	538,511,682	385,224,526	770,308,526	614,092,425
Health	438,181,232	433,005,123	667,660,000	456,409,463	1,105,841,232	889,414,586
Agriculture	43,107,555	42,585,770	110,976,270	84,378,251	154,083,825	126,964,021
Infrastructure	14,336,268	13,300,399	235,066,862	207,531,296	249,403,130	220,831,695
Education	114,099,541	112,335,147	43,026,097	23,524,931	157,125,638	135,860,078
Trade	12,315,450	11,699,761	45,500,000	13,044,600	57,815,450	24,744,360
Water	13,619,589	13,460,343	62,000,000	57,652,676	75,619,589	71,113,018
Rumuruti	2,000,000	1,960,271	7,323,059	1,865,915	9,323,059	3,826,186
Sub Total	4,695,196,328	4,623,555,751	1,730,350,293	1,248,130,424	6,425,546,621	5,871,686,175
Assembly	662,869,078	655,288,058	103,000,000	32,162,073	765,869,078	687,450,131
Grand Total	5,358,065,406	5,278,843,809	1,833,350,293	1,280,292,497	7,191,415,699	6,559,136,306

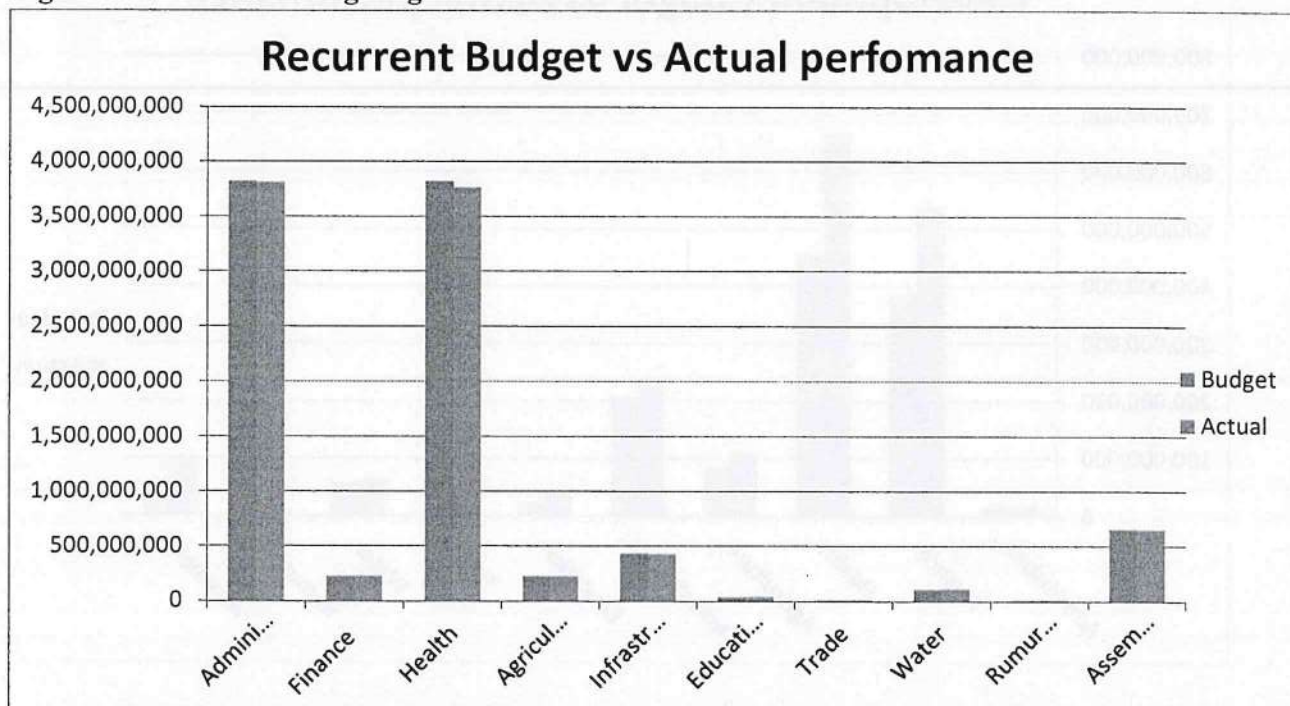
Recurrent Budget performance

The County's recurrent spending stood at Kshs 5,278,843,809 against a target of Ksh 5,358,065,406. This represents a 99% absorption rate. The recurrent expenses accounted for 80 % of total actual County expenditure in the year under review. The County Executive spent Ksh 4,623,555,751 while the County Assembly spent Ksh 655,288,058 and their absorption rate was 98 % and 99% respectively.

Table 4 : Performance of the Recurrent Budget in FY 2022/2023

Department	Budget (KSh)	Actual Performance (KSh)	Deviation (KSh)	Percentage Performance
	A	B	C=B-A	D=B/A*100
4511-Administration	3,825,739,849	3,766,341,039	-59,398,810	98
4512-Finance	231,796,844	228,867,899	-2,928,945	99
4513-Health	438,181,232	433,005,123	-5,176,109	99
4514-Agriculture	43,107,555	42,585,770	-521,785	99
4515-Infrastructure	14,336,268	13,300,399	-1,035,869	93
4516-Education	114,099,541	112,335,147	-1,764,394	98
4517-Trade	12,315,450	11,699,761	-615,689	95
4519-Water	13,619,589	13,460,343	-159,246	99
4523-Rumuruti	2,000,000	1,960,271	-39,729	98
Sub Total	4,695,196,328	4,623,555,751	-71,640,577	98
Assembly	662,869,078	655,288,058	-7,581,020	99
Grand Total	5,358,065,406	5,278,843,809	-79,221,597	99

Figure 2: Recurrent Budget against Actual Performance FY 2022/23



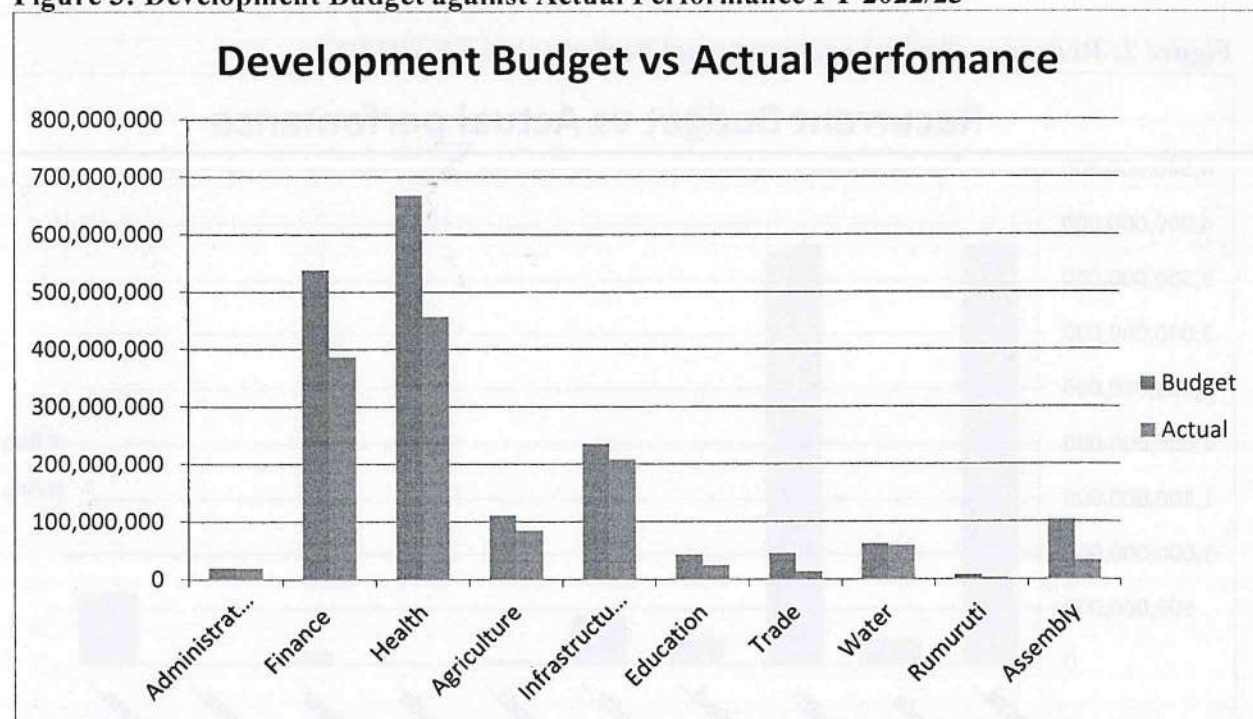
The County's development spending stood at Kshs 1,280,292,497 against a target of Ksh 1,833,350,293. This represents a 70 % absorption rate. The development expenses accounted for 20 % of total actual County expenditure in the year under review. The County Executive spent Ksh 1,248,130,424, while the County Assembly spent Ksh 32,162,073. The County Assembly absorbed 31% of its development money, while the County Executive absorbed 72 %.

The departmental expenditure analysis is outlined in table below

Table 5: Performance of the Development Budget FY 2022/2023

Department	Budget	Actual	Deviation	Percentage Performance
	A	B	B-A	B/A*100
Administration	20,286,323	18498766.87	-1,787,556	91
Finance	538,511,682	385224525.6	-153,287,156	72
Health	667,660,000	456409463.3	-211,250,537	68
Agriculture	110,976,270	84378251.01	-26,598,019	76
Infrastructure	235,066,862	207531296	-27,535,566	88
Education	43,026,097	23524931.32	-19,501,166	55
Trade	45,500,000	13044599.89	-32,455,400	29
Water	62,000,000	57652675.5	-4,347,325	93
Rumuruti	7,323,059	1865914.502	-5,457,144	25
Sub Total	1,730,350,293	1,248,130,424	-482,219,869	72
Assembly	103,000,000	32,162,073	-70,837,927	31
Grand Total	1,833,350,293	1,280,292,497	-553,057,796	70

Figure 3: Development Budget against Actual Performance FY 2022/23



Based on the performance in 2022/23 of the allocated budget against the actual expenditure, the following risks need to be addressed going forward;

- Low absorption of the development budget- the year under review witnessed below average utilization of development expenditures due to under realization of Own source revenues and conditional grants.
- Recurrent expenditure pressures- compensation to employees continues to be the biggest spending item hence the need for continued public service reforms to ensure more resources are freed to support development expenditure.

2.3 Fiscal Balance (Net Position)

In 2022/23 the county achieved a balanced fiscal framework whereby both revenue realization was at 93% and budget absorption was at 91%. Despite this performance, the county did not realize its budgeted revenue hence negatively affecting absorption levels. The reported expenditure was based on available cashflow since county governments use International Public Sector Accounting Standards (IPSAS) cash standard for reporting. Balances and accruing pending bills will be planned for and prioritised in financial year 2023/2024.

2.4 Implications of 2022/23 Fiscal Performance on 2022 CFSP

There were changes in sector ceilings to align the agenda of the incoming county management with the financial resources available as per section 108 (2) of the PFM act 2012 and Regulation no. 39 of the PFM regulations 2015, this is depicted in the table below

Table 6: Sector 2022 CFSP ceilings as compared to the 2022-23 budget ceilings

Departments	Budget 2022-23			CFSP 2022			VARIANCE
	Budget	Budget	Total	Budget	Budget	Total	
	Recurrent	Development		Recurrent	Development		
Administration	3,825,736,806	20,000,000	3,845,736,806	3,290,593,937	47,142,860	3,337,736,797	508,000,009
Finance	231,796,844	376,849,918	608,646,762	79,614,244	266,539,594	346,153,838	262,492,924
Health	375,380,400	667,660,000	1,043,040,400	261,031,965	393,660,641	654,692,606	388,347,794
Agriculture	25,708,016	36,000,000	61,708,016	10,708,016	54,298,304	65,006,320	-3,298,304
Infrastructure	14,336,268	235,000,000	249,336,268	7,536,268	644,549,393	652,085,661	-402,749,393
Education	114,099,541	43,000,000	157,099,541	70,103,136	89,578,948	159,682,084	-2,582,543
Trade	12,315,450	45,500,000	57,815,450	8,215,450	96,000,000	104,215,450	-46,400,000
Water	13,619,589	40,000,000	53,619,589	10,019,589	114,024,255	124,043,844	-70,424,255
Rumuruti	2,000,000	4,983,144	6,983,144	2,500,000	10,000,000	12,500,000	-5,516,856
Sub Total	4,614,992,914	1,468,993,062	6,083,985,976	3,740,322,605	1,715,793,995	5,456,116,600	627,869,376
Assembly	662,869,078	103,000,000	765,869,078	645,869,078	120,000,000	765,869,078	0
Grand Total	5,277,861,992	1,571,993,062	6,849,855,054	4,386,191,683	1,835,793,995	6,221,985,678	627,869,376

The 2022 CFSP own source revenue target was kshs 1.08 billion while the total own revenue collected was kshs 0.99 billion hence a shortfall of kshs 0.1 billion. This was a 91% performance.

However based on the final approved target of kshs 1.29 billion, Own source revenue recorded above average performance however 23% was not realized which negatively affected budget implementation. In order to mitigate this, the County Revenue Board will re-examine the revenue goals and enhance revenue collection moving forward. Some of these measures will include;

- Follow-up on the approval of valuation roll and invest in new land rate management information system.
- Upscale automation of revenue collection and management.
- Expansion of the tax base while maintaining current fees and charges.

2.5 Compliance with the fiscal responsibility principles

PFM act section 107 and PFM regulation. no 25 require county governments to comply with 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 thirty percent of the county government's budget shall be allocated to the development expenditure;
- The county government's expenditure on wages and benefits for its public officers shall not exceed 35% of the county government's total revenue.
- Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- 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.

The county government of Laikipia had mixed performance in complying with the above principles

- Laikipia county total recurrent expenditure was 78% of the realised revenue while 25% of the resources were allocated to development during the FY 23-24 supplementary budget. Total expenditure on wages for the period under review was 55% of the total county revenues, the county had not acquired any debt in relation to section 107(d) of the pfm act and tax rates remained unchanged during the financial year. To ensure stringent compliance, development allocations will be prioritised over the medium term, Human capital management strategies employed to reduce the wage bill, enhancement of own-source revenue by widen the tax base.

CAPITAL TITLES

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Introduction

A summary of recent economic events and their implications for the economy of the County budget for 2012-2013 is provided in this section.

3.1.1 Recent Economic Developments

3.1.1.1 International Scene

The global economy that has been the focus of attention in recent years has been affected by a number of factors. The global economy has been characterized by a number of factors, including a global financial crisis, a global economic recovery, and a global economic downturn. The global economy has been characterized by a number of factors, including a global financial crisis, a global economic recovery, and a global economic downturn. The global economy has been characterized by a number of factors, including a global financial crisis, a global economic recovery, and a global economic downturn.

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Table 3.1 (Global Economic Forecasts by Percentage)

Region	2012	2013	2014
World	2.5	2.5	2.5
Advanced Economies	2.5	2.5	2.5
Emerging Markets	2.5	2.5	2.5
Developing Economies	2.5	2.5	2.5
Low Income Economies	2.5	2.5	2.5
Sub-Saharan Africa	2.5	2.5	2.5
Latin America	2.5	2.5	2.5
Asia	2.5	2.5	2.5
Europe	2.5	2.5	2.5
North America	2.5	2.5	2.5

Indicates projection

CHAPTER THREE

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Introduction

An overview of recent macroeconomic changes and their implications for the implementation of the County budget for 2022–2023 is provided in this section.

3.2 Recent Economic Developments

3.2.1 International Scene

The present economic slump has slowed the speed of economic recovery amid rising inflation, geopolitical tensions, aggressive monetary tightening and increased uncertainty, endangering several countries both developed and developing with the possibility of a recession in 2023. In 2022, the growth momentum of the United States, the European Union, and other developed nations dramatically slowed down, which had a negative effect on the rest of the world economy through a variety of different avenues.

The dollar's strength and tightening global financial conditions made developing nations budgetary and debt vulnerabilities worse. Since late 2021, about 85% of central banks around the world have tightened monetary policy and increased interest rates rapidly in an effort to curb inflationary pressures and prevent a recession. According to the IMF World Economic Outlook Report released on July 2023, the rate of global inflation in 2022 was around 8.7%.

The global economy has shown resilience but the growth is slowing and outlook remains weak. In 2022, global economic performance was at 3.2%. The projected global growth is 3% for both 2023 and 2024. The growth is being held back by persistent inflation and higher borrowing costs. The table below shows IMF growth forecast.

Table 7: Global Economic Forecast by percentage

Region	2022	2023*	2024*
World	3.2	3.0	3.0
United States	2.1	1.8	1.0
China	3.0	5.2	4.5
Euro area	3.5	0.9	1.5
India	7.2	6.1	6.3
Sub Saharan Africa	3.9	3.5	4.1
United Kingdom	4.1	0.4	1.0

*indicates projections

Growth in sub-Saharan Africa will decline to 3.5% this year. Amid a global slowdown, activity is expected to decelerate for a second year in a row. Still, this headline figure masks significant variation across the region. The funding squeeze will also impact the region's longer-term outlook. A shortage of funding may force countries to reduce resources for critical development sectors like health, education, and infrastructure, weakening the region's growth potential.

The global economic forecast faces a set of risks and challenges that may negatively impact the projection. Inflation, cost of living crisis, trade wars in world's largest economies (USA and China), capital outflows from emerging markets, widespread cyber-crime and cyber insecurity, widespread social unrest, climate change impacts and the continued conflict in Eastern Europe are some of the risks that pose challenge to the world economy. The possible mitigation actions include: taming inflation, maintain financial stability, curbing budget deficit while supporting the vulnerable, advancing debt relief for poor countries and adaptation of efforts to reverse effects of climate change among others.

According to the World Trade Organization Report, June 2023, trade growth was favourable during the first quarter of 2023 for both goods and services. Following the slump in the second half of 2022, both the volume and value of global merchandise trade increased.

Trade volume growth in 2022 was slower than expected at 2.7% following a fourth quarter flop, but still stronger than worst case scenarios considered at the start of the war in Ukraine. World merchandise trade volume is projected to grow 1.7% in 2023 before picking up to 3.2% in 2024. The value of world merchandise trade rose 12% to US\$ 25.3 trillion in 2022, inflated in part by high global commodity prices. The value of world commercial services trade increased 15% in 2022 to US\$ 6.8 trillion. Digitally delivered services exports were worth US\$ 3.82 trillion in the same year.

The current global economic slowdown is likely to force more workers to accept lower quality, poorly paid jobs which lack job security and social protection, according to a new International Labour Organization (ILO) report. There is also a projection that global employment growth will be only 1.0 % in 2023, less than half the level in 2022. Global unemployment is slated to rise slightly in 2023, by around 3 million, to 208 million corresponding to a global unemployment rate of 5.8 %. The moderate size of this projected increase is largely due to tight labour supply in high-income countries. This would mark a reversal of the decline in global unemployment seen between 2020-2022.

3.2.2 Domestic Performance

Kenya's economy continued to grow in 2022, although more slowly than the 7.5% seen in 2021. Despite subdued performance in agriculture and slower global growth, real GDP increased by 5.5% in 2022, boosted by the services sector. The government's Bottom-Up Economic Transformation Agenda, which is focused on economic turnaround and inclusive growth, is expected to support the economy's anticipated recovery to 6.1% in 2023. GDP accelerated in the first three quarters of 2022, averaging 5.5%. Comparatively, the economy expanded by 6.7% in the first quarter and 5.2% in the second, as opposed to 2.7% and 11.0% in comparable quarters in 2021. In the third quarter of 2022, the economy grew by 4.7% compared to a growth of 9.3% in the corresponding quarter of 2021. The third quarter of 2022 saw a remarkable increase mostly in the service sectors, including: operations related to accommodation and food service, wholesale and retail trade, professional, administrative, and support services, education, and financial and insurance activities. However, the fall in activities in the mining and quarrying, agriculture, forestry, and fishing sectors hampered the increase.

In the third quarter of 2022, the agriculture industry saw a reduction of 0.6% compared to a gain of 0.6% in the same quarter of 2021. Unfavourable weather conditions that persisted in the first three quarters of 2022 were mostly blamed for the sector's performance downturn. Due to increased production of fruits, coffee, and cane, the sector's performance was protected from a more severe contraction.

During 2022, services dominated the supply side of the economy while home consumption dominated the demand side. Higher prices in food and energy increased inflation from 6.1% in 2021 to 7.6% in 2022. Subsidies and an increase in the policy rate to 8.25% from 7% helped to restrain inflation. The fiscal deficit narrowed to 6.3% of GDP from 8.2% in 2021 due to improved revenue collection and adherence to the International Monetary Fund fiscal recommendations. Public debt rose to 70% of GDP from 68% in 2021, driven by higher interest payments and exchange rate depreciation. The current account deficit widened to 6.0% of GDP in 2022 from 5.5% in 2021, driven by the lower trade deficit.

At the end of 2022, the Kenyan shilling was worth 123.3 US dollars compared to 110.2 dollars at the end of 2021. The Kenyan Shilling continued to weaken against the US Dollar from 123.8 in January to 126.3 in April to 139.5 in June and finally at 143.7 in August. It also depreciated against the Sterling Pound from 151.3 in January to 167.2 in April before reporting 182.8 in August 2023. The trend is replicated for the Euro which exchanged at KSh 133.39 in January, 151.42 in June

and at KSh 156.97 in August. The East African currencies reported poor performance with the Kenyan shilling depreciating against the Ugandan Shilling KSh 29.64 in January to KSh 26.08 in June and KSh 25.54 in August while depreciating against the Tanzanian Shilling KSh 18.78 in January, KSh 17.19 in June and KSh 17.22 in August.

Tourism sector recovered remarkably in 2022. International arrivals expanded by 50.3% due to the reopening of the country's source markets, relaxation of travel restrictions and the rising rate of COVID-19 vaccination. Hotel bed-nights occupancy rose by 45.1%, domestic tourism also had positive growth, with bed nights recording a 16% increase in 2023 (January – June), closing at 2.3 million, compared to 2.02 million same period last year. In the first half of 2023, visitors' arrival at the country's biggest airport and regional aviation hub, the Jomo Kenyatta International Airport in Nairobi, was the main entry point recording 589,553 visitors. Mombasa's Moi International Airport was the second entry point with 65,468 arrivals, while other airports recorded combined arrivals of 3,671 mainly small planes and private jets. Moreover, entries through border points totalled to 189,118, with Ugandan and Tanzanians crossing over mainly for business.

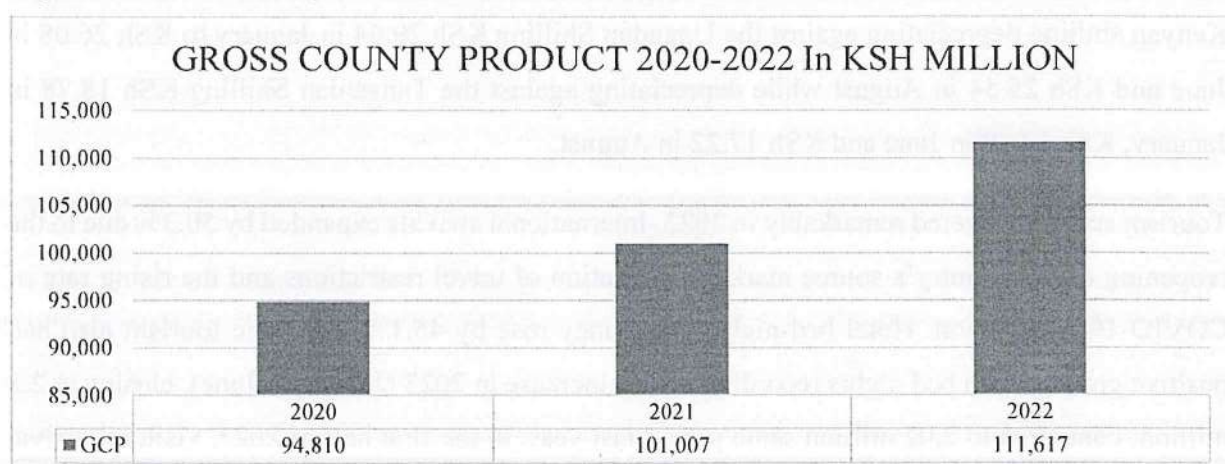
3.2.3 County Economic Performance

Laikipia County has increased its own source revenue in recent years. The county recorded KSh 997,324,350 Own source revenue an increase of KShs 94,969,895 from KShs 902,354,455 in 2021/22. This represents 11% growth. This has been attributed by the digitization of revenue collection which helped track the payment of county revenues, sensitizing the community on matters of revenue and having a committed Revenue Board workforce. Other contributing factors for OSR increment are more investment coming to the county because of political goodwill, establishment of business support infrastructure, extending deadlines for payment of single business permit, and offering waivers for interests and penalties for existing land rates among others.

In addition, the national government in partnership with the county government plans to implement the following programs; Aggregated industrial park, Livestock value chain support project, Provision of fertilizer subsidy De-Risking, Inclusion and Value Enhancement of pastoral economies.

Laikipia's Gross County Product (GCP) increased by 10.5% from KSh 101,007 million in 2021 to KSh 111,617 million in 2022. The growth is attributed to gains in the majority of county sectors. The growth is as depicted in the following figure 3.

Figure 4: Gross County Product (GCP) 2020-2022



The sectors that recorded remarkable growth in 2022 are; Transport and storage (18.82%), construction section (12.29%) agriculture, forestry and fishing (9.54%), and wholesale and retail trade, and repair of motor vehicle sector (9.36%).

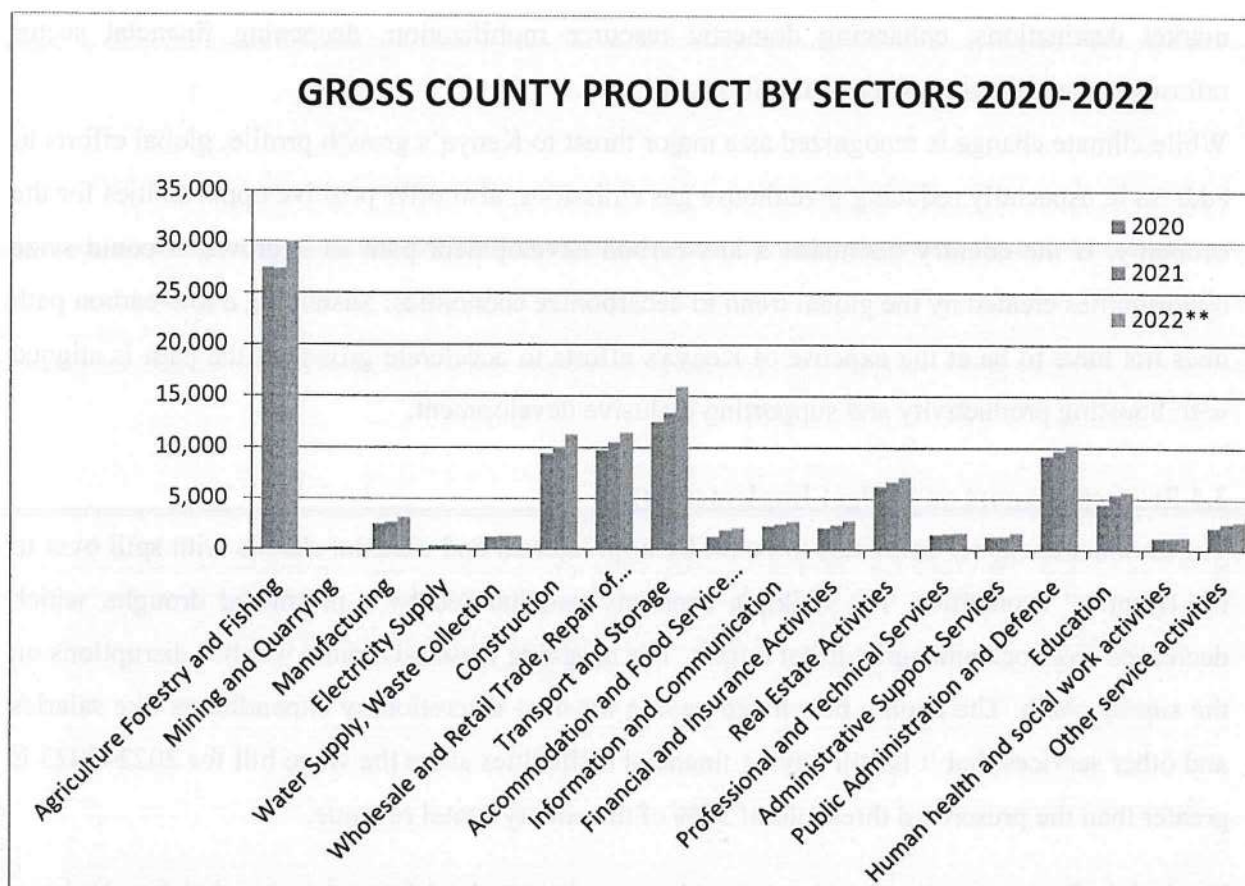
The County economic performance for the period 2020-2022 is as captured in the following table

Table 8: County Economic Performance 2020-2022

Economic Activities	GCP at Current Prices, KSh Million		
	2020	2021	2022**
Agriculture Forestry and Fishing	27,469	27,414	30,028
Mining and Quarrying	136	161	210
Manufacturing	2,535	2,710	3,202
Electricity Supply	417	435	442
Water Supply, Waste Collection	1,246	1,326	1,351
Construction	9,450	10,074	11,312
Wholesale and Retail Trade, Repair of Motor Vehicles	9,752	10,522	11,507
Transport and Storage	12,522	13,424	15,950
Accommodation and Food Service Activities	1,285	1,960	2,160
Information and Communication	2,346	2,552	2,788
Financial and Insurance Activities	2,180	2,453	2,877
Real Estate Activities	6,267	6,687	7,137
Professional and Technical Services	1,552	1,639	1,719
Administrative Support Services	1,274	1,348	1,665
Public Administration and Defence	9,191	9,706	10,269
Education	4,484	5,444	5,660
Human health and social work activities	1,186	1,257	1,288
Other service activities	2,217	2,636	2,852
FISIM1	-701	-740	-801
Total	94,810	101,007	111,617

The trend in each of the sectors is as clearly depicted in figure 4.

Figure 5: Gross County Product by Sectors 2020-2022



3.3 Economic Outlook

It is anticipated that global growth will slow from an estimated 3.2% in 2022 to 3% in 2023 and 2024. While the projection for 2023 is slightly better than what was projected in the World Economic Outlook (WEO) for April 2023, it is still low by historical standards. Economic activity continues to be affected by the increase in central bank policy rates to combat inflation. Global inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024.

On the domestic front, GDP is projected to grow 5.6% in 2023 and 6.0% in 2024, driven by services and household consumption. Inflation is projected to rise to 8.6% in 2023 and 5.9% in 2024, driven by food and energy inflation. Monetary policy is expected to remain tight. Following the fiscal consolidation route which aims to reduce the fiscal deficit, it is anticipated that the budget deficit will decrease to 6.1% of GDP in 2023 and 5.4% of GDP in 2024. Due to a rebound in global demand, the current account deficit is anticipated to decrease to 5.2% of GDP in 2023 and 5.0% in 2024. The outlook is subject to considerable risks, including the effects of a prolongment of Russia's invasion of Ukraine on commodity prices, tight global financing, drought, and slow global economic recovery. Possible risk mitigation measures include diversifying exports and

market destinations, enhancing domestic resource mobilization, deepening financial sector reforms and accelerating structural reforms.

While climate change is recognized as a major threat to Kenya's growth profile, global efforts to address it, especially reducing greenhouse gas emissions, also offer positive opportunities for the economy. If the country maintains a low-carbon development path as it grows, it could seize opportunities created by the global trend to decarbonize economies. Sustaining a low-carbon path does not have to be at the expense of Kenya's efforts to accelerate growth if the path is aligned with boosting productivity and supporting inclusive development.

3.4 Progress Report on Budget Implementation

The national economy continues to be hit by both internal and external shocks with spill over to the counties' economies. The Laikipia economy was harmed by a protracted drought, which decreased livestock and agricultural output. The on-going Russia-Ukraine war has disruptions on the supply chain. The county prioritized paying for non- discretionary expenditures like salaries and other services, but it is still having financial difficulties since the wage bill for 2022–2023 is greater than the prescribed threshold of 35% of the county's total revenue.

The Public Procurement and Asset disposal system has evolved from an unregulated system to a legally regulated system that is in line with international standards. Despite this noteworthy development, there are still gaps in the county procurement systems, necessitating guidance on a number of fronts, including the institutional framework, human resource development, public procurement operations, integrity, transparency and accountability, as well as addressing new issues. In accordance with the constitution and the Public Procurement and Disposal Act of 2015, the County Annual Procurement Plan 2023/24 and two-year prequalification plan (2023/24-24/25) are in place and uploaded in IFMIS. The county will continue to ensure its procurement process is fair, equitable, transparent, competitive, sustainable and cost effective. Additionally, it is anticipated that ongoing awareness-raising on AGPO compliance and the use of the e-procurement system will promote inclusivity and effectiveness in supply chain management.

3.5 County Economic Outlook and Policies

In order to ensure continued growth and recovery among the most important priority sectors locally, the County Government will keep putting policies, plans and reforms into place. Increased production of goods and services in the following sectors will contribute to steady growth in agriculture, horticulture, wholesale and retail commerce, tourism, construction, manufacturing and transport.

The county government's fiscal plan prioritizes spending in support of the following areas that are essential to enhancing and sustaining the county's economic growth;

a) Health and wellness.

Laikipia County continues to heavily invest in the health sector cutting across human and capital resource inputs in order to improve well-being of its citizens. Measures put in place to improve the healthcare service delivery in the county include; establishment of 24-hour NHIF accredited centres in each of the 15 wards to coordinate better referrals, construction of new health centres and equipping of the existing ones, giving hospitals authority to incur expenditure for smooth running of the facilities, expansion of specialist staff to boost their capacity, the creation of functional Community Health Units (CHU) in every area of the county, the improvement of working conditions for healthcare workers, the encouragement of community healthcare workers, the universal enrolment in the social health insurance program, the establishment of service delivery dispensaries in every area, the opening of a second KMTC College in the county and the support of nutrition programs in every health facility.

b) Pending bills.

Accrual of pending bills has a negative effect on economic growth through jeopardizing the financial stability of the suppliers and contractors. Delayed payment of suppliers reduces their confidence working with the government which may affect the latter's operations. In this regard, the county government has set aside funds to help clear the pending bills accrued over the years.

c) Education and Early Childhood Development.

The county continues to increase investment in education sector so as to increase access to quality education. Measures put in place in this sector include; employment of more ECDE teachers, increased bursary allocation, construction of more and equipping ECDE centres, initiation of a feeding programme for ECDE children and integration of ICT in learning and training centres.

d) Energy, Roads Infrastructure and Urban development.

The county will support the development of wind and solar energy farms, the adoption of renewable energy by the general public and the facilitation of an enabling legal and policy environment for expanding sustainably the production, distribution, and marketing of alternative energy sources.

The county road networks will be improved through the county allocated funds and the national government will be lobbied to pave significant roads classified as KeNHA and KeRRA roads, existing roads will be maintained and rehabilitated, new roads particularly in areas prone to insecurity will continue to be opened. The county intends to support efficient approval for housing

and other structural drawing approvals, issuance of title deeds for plots in small towns and shambas, completion of the surveying of administrative boundaries within the county, prompt resolution of land issues and disputes, fencing and development of county property under physical planning and urban development properties.

e) Business Growth and Wealth Creation

The county administration has prioritized expanding access to affordable credit for businesses and farmers by increasing funding for co-operative revolving and enterprise funds and negotiating with financial service providers. In collaboration with the national government, the county has allocated funds to establish County Aggregation Industrial Park in Rumuruti. The industrial park will promote investment, boost exports and create employment. Other measures to spur economic growth include: the establishment of business advisory services to provide training and support, the facilitation of business incubation and acceleration support services, the construction of modern markets in the county, the provision of street lighting and the reduction of the county's cost of doing business by reviewing and rationalizing all licensing and business approvals.

f) Agriculture, Livestock and Food Security

Food security continues to be a challenge both at the national and county level. Climate change is one of the primary issues threatening Kenya's food security. Agriculture is largely supported by rain-fed systems, which are susceptible to droughts and floods. Crop failures have become more common, which has also contributed to food shortages and rising food costs.

The county, in collaboration with the national government, continues to make significant investments in the agricultural sector to reduce food insecurity through a variety of interventions such as providing subsidies for irrigation tools and equipment, providing incentives for climate-smart agricultural practices, building mega dams and desilting existing dams, setting up value-added and agro-processing facilities, providing subsidized farm inputs and strengthening agricultural institutions. The development of fodder production by farmers, livestock breed improvement, the promotion of animal health, investments in value addition, processing of meat and other livestock products are some of the measures put in place to fully utilize the potential of livestock production.

g) Youth empowerment and job creation

Youth unemployment continues to be a challenge in the country. Unemployment is attributed to a number of factors that include; rapid growth of the population and the labour force, information problems in the labour market, structural adjustment programs, slow or declining economic growth and the labour market setup among others. The county has put measures to promote skills and

business training among the youth in order to mitigate the risks posed by youth unemployment. These include; establishment, modernization and equipping of TVETs, provision of bursary to students pursuing tertiary education and setting up of innovation fund. The county plans to build the capacity of emerging businesses, establish innovation and incubation hubs in each sub county, host annual business competitions and exhibitions, provide business funds to youth and market connections and implement the 30% government procurement rule in order to encourage enterprise development among young people. Other measures include; facilitation of structured youth engagement platforms, development of youth leadership and training, improvement of sports and recreation facilities, supporting rehabilitation of youths from substance abuse and engagement of CHWs in providing psychosocial support.

h) Water and Sanitation

The county government plans to promote universal access to safe domestic water through construction of boreholes, provision of storage tanks, water management and distribution to all households, establishment of rural water services board, promotion of rainwater harvesting, storage, and treatment, extension of water infrastructure to more households in all the three municipalities, construction of more dams and water pans to increase supply for domestic and livestock consumption, provision of water facilities in schools and TVETs, construction of new sewer treatment plants and up-scaling of solid waste management systems in the county.

i) Relocation to Rumuruti county offices

The county operations are transiting to the gazetted county headquarters in Rumuruti municipality. Finance department in particular will start operating in their new offices from 2nd October 2023. The plan is to have minimum interruption of services including staff settlement for unhindered service delivery.

3.6 Medium Term Fiscal Framework

In the medium term the County's fiscal policy objective will focus on efforts to expand the county's major sectors of Health, Infrastructure, Agriculture, Water and Education. To ensure sustainable resource usage, other sector allocations will be appropriated to optimal levels. Prudent fiscal policy is the key to maintaining economic stability in the county.

The County Government has made a commitment to act within the approved fiscal framework. It will keep up its vigorous attempt to mobilize more revenue. The economic agenda will focus on inclusive and sustainable growth that creates job opportunities and guarantees a better future for all county inhabitants.

The county will comply with the fiscal responsibility standards contained in section 107 of the PFM Act, 2012. To boost funding for development efforts, the fiscal strategy also considers numerous alternative revenue sources in addition to increasing local income mobilization and rationalizing spending.

In order to increase effectiveness and decrease wastage, the county must rationalize expenditures. Development, salaries and wages, and operations and maintenance make up the top three expense categories.

3.7 Risks to the Outlook

a) Man-made and natural risks

Occurrence of disasters, both man-made and natural shatter lives. Sudden catastrophic disasters such as earthquakes, tsunamis, hurricanes and floods cause destruction. Slow-onset disasters such as droughts inflict persistent damage over time. The economic damage caused by disasters varies. Capital assets and infrastructure such as housing, schools, factories and equipment, roads, dams and bridges are lost. Human capital is depleted due to the loss of life, the loss of skilled workers and the destruction of education infrastructure that disrupts schooling. Disasters also affect natural resources such as forests and rivers. Recurring disasters such as droughts cause adaptive behaviour change among people. Farmers tend to invest less for fear of loss.

b) Technological Risks

Undeniably, technology has a significant impact on every aspect of our life. Technology drives change in everything from daily activities to social functioning and economic development is no exception. However, lack of online security and exposure of sensitive data is a drawback when it comes to technology. Business entities, government and individuals are exposed to the dangers lurking on the internet, because even when defensive measures are taken, they can fall victim to theft or data hijacking, causing major economic loss.

c) Inflationary shocks

Since 2017, the national inflation rate has increased to record levels. Over the medium term, production and consumption prices are likely to be impacted by the high inflation brought on by disruptions in the global supply chain, high fuel prices and a decrease in food production. This could increase the price of providing public services and the expense of carrying out County Government projects.

d) Financial reliability

The growing demand by county departments and entities for increased budgetary allocation has frequently resulted in an overestimation of own source revenues. As a result, OSR has consistently underperformed over time. In order to avoid overstretching the current budgetary attitude, it is necessary to limit the expectations of various entities. There has been persistent under absorption on the expenditure side, particularly for development. In order for the County to produce a respectable budget outcome and minimize the differences between the planning and budget processes, these tendencies must be reversed.

e) Pending Bills.

The County's responsibility for unpaid bills currently totals KSh 2,095,616,327. Failure to fulfill these commitments exposes the county to reputational harm in situations where suppliers and contractors may seek legal remedies. Additionally, failure to pay suppliers and contractors may lead to closure of their enterprises. More detrimentally, suppliers and contractors may be reluctant to work with the County Government, which would hinder the county's capacity to provide services and carry out crucial development initiatives.

f) Wage Bill

The compensation to employee in the FY 2022/23 was at 55% this was occasioned by new recruitments, conversion of employment status, annual increments, promotions, implementation of pension schemes among others. The policy review on taxes and terms of County public service in general to affect all pending promotions will further increase the wage bill. If left unchecked and without an increased match in county revenue sources, continued rise in wage bill will put a strain on the limited fiscal space and further affect the County Governments' ability to meet its financial obligations in other core expenditure areas.

CHAPTER FOUR

RESOURCE ALLOCATION FRAMEWORK

4.1 Introduction

This section highlights the 2023/24 resource envelope. It further highlights changes in the forecasts compared with the County Fiscal Strategy Paper 2022,

4.2 Financial Outlook

The county financial outlook is mirrored on the country and global macroeconomics, the world economic shocks will have a significant impact in the prospects of a thriving county economy. This may be further amplified by the expected environmental challenges especially the forecasted el- Nino phenomenon. These factors may contribute to a dampened county financial outlook.

4.3 Medium Term Expenditure Framework

The CFSP 2023 lays the framework for resource allocation in the 2023/24 financial year and the medium term. Based on the recent developments and the economic outlook, the CFSP identified key priority areas across the county sectors. With increased budgetary allocations in health care service, infrastructure development and water services. These priority areas are expected to support economic development

The County Integrated Development Plan, Annual Development Plans and County Fiscal Strategy Paper will continue to guide resource allocations in the medium term. In prioritizing core areas of financing and public investment focus will be towards optimal funding of Agriculture, livestock and food security, Enterprise development and wealth creation, Health and wellness, Water for domestic, livestock and irrigation, Education and early childhood development, Youth empowerment and job creation, Infrastructure and energy development. Specific interventions across the key sectors are as highlighted below;

Agriculture, Livestock and Fisheries Development; The priorities are promotion of irrigation and farm water harvesting, agro-processing and value addition, soil conservation, enhanced extension services, market and market linkages, subsidized farm inputs, fodder production and storage, livestock breed improvement, animal health promotion, livestock products value addition and processing and fisheries development.

Medical Services and Public Health; The sector focuses on efficient and effective management of human resource in health sector, essential medical supplies and healthcare infrastructure

development, increased health insurance coverage (NHIF), support to community health units (CHUs) and community health volunteers (CHVs), promotion of health and wellbeing programmes in learning institutions, strengthen emergency referral and rehabilitative services, digitize and automate health care service and improve scope of health service delivery at all levels.

Water, Environment and Natural Resources; The focus will be on; increased access to safe water for domestic use, promote rain water harvesting, storage and treatment, development, rehabilitation and maintenance of water infrastructures such dams, pans and boreholes, support to water management boards and community water projects, establishment of sewage system in Rumuruti municipality and expansion of Nanyuki and Nyahururu sewage systems, enhanced solid waste and drainage management in urban areas, support to human/wildlife conflict mitigation initiatives, climate change adaptation and mitigation, disaster reduction, natural resource management and support to integrated range land rehabilitation.

Roads, Public works, Land and Energy; The focus will be on development and maintenance of road network in urban and rural areas, construction and maintenance of bridges and footbridges, urban planning and development, support to building inspectorate and approval services, support to physical planning service (land surveying, mapping and titling), promote the adoption and use of green energy such solar, wind and biogas and support to affordable housing initiatives.

Trade, Tourism, Creative Economy and Co-operatives; The sector aims at creating an enabling environment for business, mobilization of resources for investments and promotion of sustainable tourism. The county government prioritizes strengthening co-operative and enterprise revolving funds, operationalize “Hustler Fund” in partnership with national government, support manufacturing Programmes, expand financial inclusion through SACCOs and other financial institutions, support business promotion and advisory services, construct new and rehabilitate existing market structures and business parks, support micro and small enterprise through research and financing, facilitate business certifications and licensing processes.

Education, Sports, Youths and Social Services; The focus is on school infrastructural and capacity development at ECDEs and vocational training centres, capacity development of ECDE teachers and vocational trainers, feeding programme for ECDE children; provision of specialized equipment and training materials, scholarships and bursaries to needy learners in secondary schools, vocational and tertiary institutions and in universities, establishment of innovation and business incubation hubs, facilitate women, youth and persons with disabilities enterprises to be

able to participate in Government procurement opportunities (AGPO), youth empowerment through information communication and technology (ICT), youth inclusion and participation in public affairs and governance and promotion of sports and creative arts in the county

Table 9: Total Sector Ceiling for the MTEF Period 2023/2024-2025/2026

Total Expenditure (Ksh)			Projections		% Share of Total Expenditure		
County Sectors	Estimates 2023/2024	CFSP Ceilings 2023/24	2024/2025 (KShs)	2025/2026 (KShs)	Estimates	Projections	Projections
					2023/2024	2024/2025	2025/2026
Public Service and County Administration	3,320,055,793	3,326,379,793	3,652,061,372	4,017,267,510	48.6	48.6	48.6
County Public Service Board	16,000,000	8,985,000	17,600,000	19,360,000	0.2	0.2	0.2
Finance, Economic Planning and Enterprise Development	611,754,500	612,755,499	672,929,950	740,222,945	9.0	9.0	9.0
Laikipia County Revenue Board	79,900,000	59,309,999	87,890,000	96,679,000	1.2	1.2	1.2
Laikipia County Development Authority	10,990,000	5,990,000	12,089,000	13,297,900	0.2	0.2	0.2
Laikipia Heath Services	518,613,800	520,781,720	570,475,180	627,522,698	7.6	7.6	7.6
LHS Nanyuki	328,104,280	329,104,280	360,914,708	397,006,179	4.8	4.8	4.8
LHS Nyahururu	227,699,500	228,699,500	250,469,450	275,516,395	3.3	3.3	3.3
Agriculture, Livestock and Fisheries	81,890,000	81,890,000	90,079,000	99,086,900	1.2	1.2	1.2
Land, Housing and Urban Development	422,919,610	412,773,854	465,211,571	511,732,728	6.2	6.2	6.2
Education and Youth	165,910,000	213,110,000	182,501,000	200,751,100	2.4	2.4	2.4
Trade, Tourism and Co-operatives Development	295,800,000	295,800,000	325,380,000	357,918,000	4.3	4.3	4.3
Gender culture and social services	38,200,000	0	42,020,000	46,222,000	0.6	0.6	0.6
Water, Environment and Natural Resources	110,100,000	110,100,000	121,110,000	133,221,000	1.6	1.6	1.6
Rumuruti Municipality	7,500,000	7,500,000	8,250,000	9,075,000	0.1	0.1	0.1
Nanyuki Municipality	2,000,000	2,000,000	2,200,000	2,420,000	0.0	0.0	0.0
County Assembly	595,809,049	540,000,000	655,389,954	720,928,949	8.7	8.7	8.7
Total	6,833,246,532	6,755,179,645	7,516,571,185	8,268,228,304	100.0	100.0	100.0

NB: Conditional grants for 2023/2024, 2024/25 and 2025/26 are excluded

4.4 Proposed Budget 2023/24 Framework

(a) Revenue Projections

In the FY 2023/2024 the County government expects to receive total revenue amounting to KShs 7,246,677,517 comprising of equitable share allocation of KShs. 5,358,246,532 Own source revenues projected at KShs. 1,475,000,000; conditional grants to the tune of KShs. 413,430,985 (comprising of climate smart agriculture project KShs 94,870,86, DANIDA grant KShs 7,623,000, UNICEF KShs 10,000,000, Agricultural sector development support program KShs 1,933,282 and Locally-Led climate action programme KShs. 11,000,000, Livestock value chain support project KShs. 28,647,360, De-Risking and value chain support project KShs.90,941,980, Provision of subsidy fertilizer KShs. 66,899,161, Court fines KShs. 1,515,334 and aggregated industrial park KShs 100,000,000

Figure 6: Projected Revenue for FY 2023/24

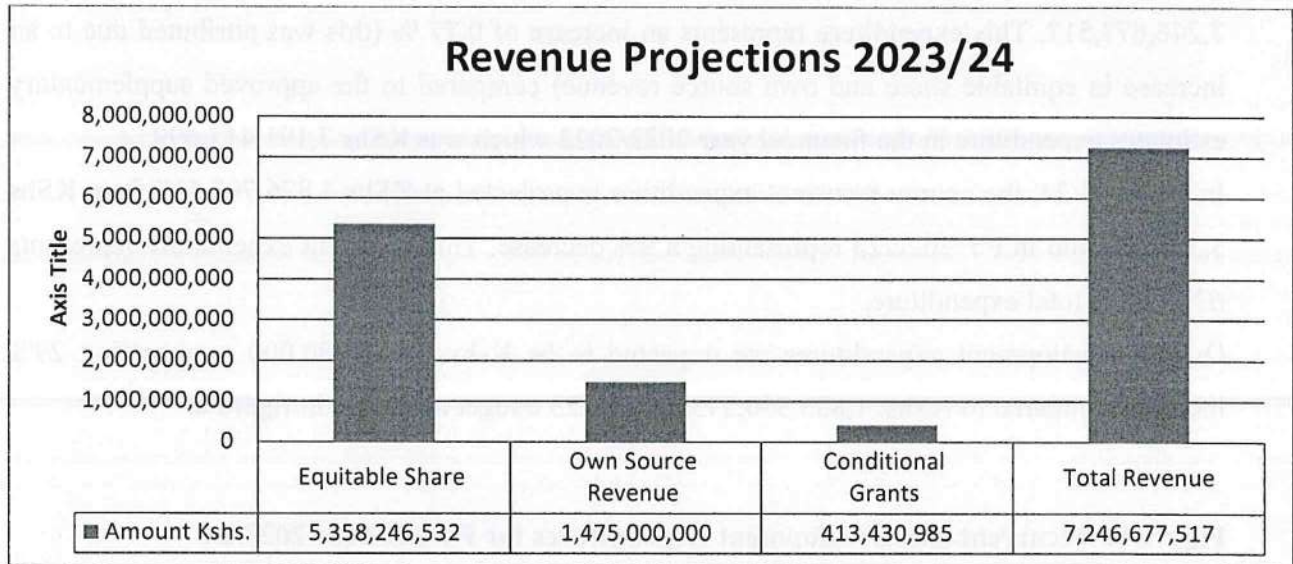
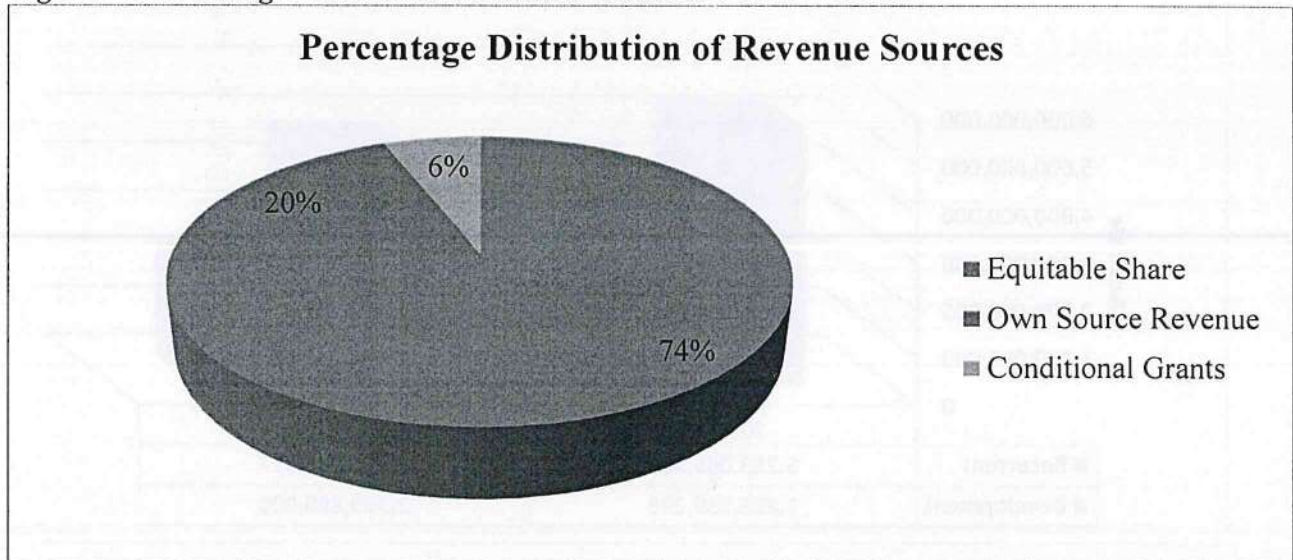


Figure 7: Percentage Distribution of Revenue Sources in FY 2023/24



The key sources of local revenue include: land rates, business permits, cess, building plans approval fees, vehicle parking fees and natural resource exploitation. The respective contributions on own sources revenue are detailed in annex 3.

(b) Expenditure Forecast

In the financial year 2023/24 the approved budget's total expenditure is estimated at KShs 7,246,677,517. This expenditure represents an increase of 0.77 % (this was attributed due to an increase in equitable share and own source revenue) compared to the approved supplementary estimates expenditure in the financial year 2022/2023 which was KShs 7,191,415,699.

In FY 2023/24, the county recurrent expenditure is projected at KShs 4,876,797,517 from KShs 5,358,065,406 in FY 2022/23 representing a 9% decrease. This recurrent expenditure represents 67% of the total expenditure.

Overall development expenditures are expected to be Kshs. 2,369,880,000 representing 29% increase compared to KShs. 1,833,350,293 in 2022/23 budget as shown in figure 8.

Figure 8: Recurrent and Development Expenditures for FY 2022/23- 2023/24

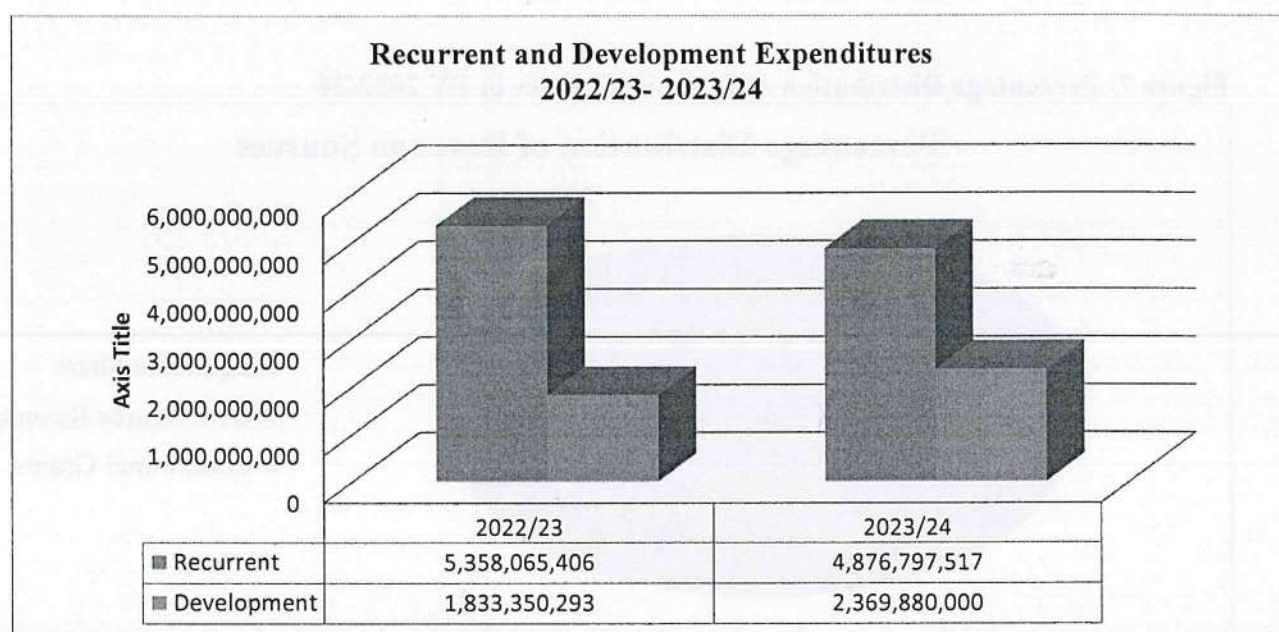
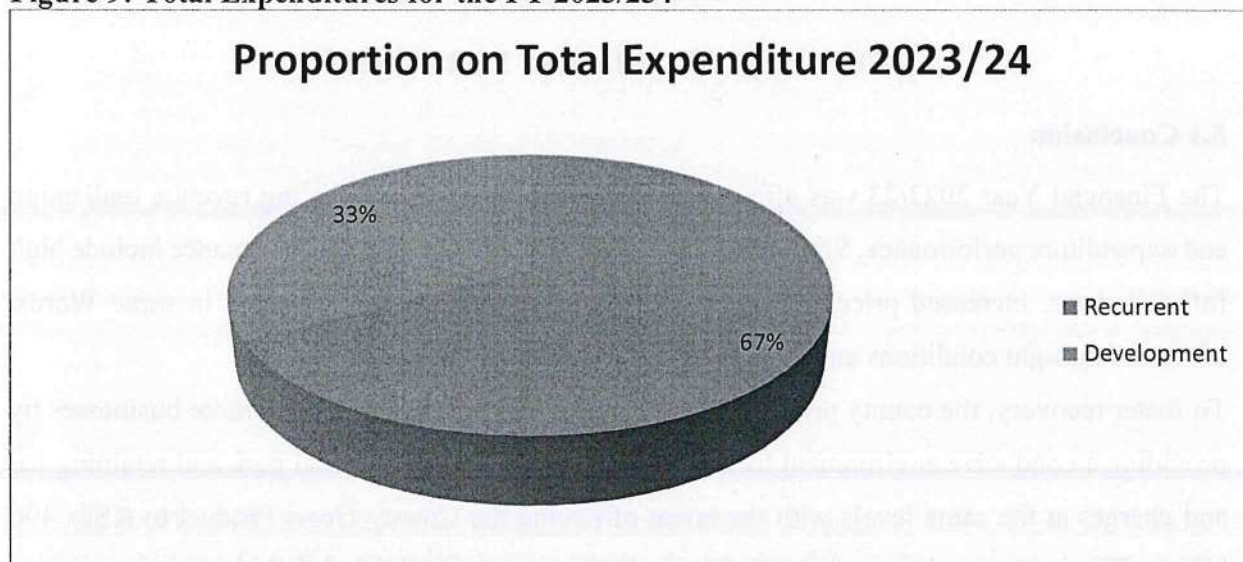


Figure 9: Total Expenditures for the FY 2023/234



The major spending sectors include: County administration and public service (48.8%), Health services (15.7%), Finance, Economic Planning (10.5%), County assembly (8.7%) and Lands Housing and Urban Development (6.2%) as provided in table 8 below;

Table 10: Sector Expenditure allocations 2023/2024 (Exclusive of conditional grants)

Department	Recurrent (Kshs)	Development (Kshs)	Total (Kshs)	% Allocation
County Administration, Public service and Office of the Governor	3,316,955,793	19,100,000	3,336,055,793	48.82
Finance, Economic Planning and County Treasury	191,000,000	511,644,500	702,644,500	10.28
Health and Sanitation	361,982,080	712,435,500	1,074,417,580	15.72
Agriculture, Livestock and Fisheries	21,500,000	60,390,000	81,890,000	1.20
Infrastructure and Public works	37,619,610	385,300,000	422,919,610	6.19
Education and youth	102,000,000	63,910,000	165,910,000	2.43
Trade, Tourism and enterprise Development	20,000,000	275,800,00	295,800,000	4.33
Gender culture and social services	23,000,000	15,200,000	38,200,000	0.56
Water, Environment and Natural Resources	21,000,000	89,100,000	110,100,000	1.61
Rumuruti Municipality	2,500,000	5,000,000	7,500,000	0.11
Nanyuki Municipality	1,000,000	1,000,000	2,000,000	0.03
County Assembly	565,809,049	30,000,000	595,809,049	8.72
Grand Total	4,664,366,532	1,893,080,000	6,833,246,532	100

Note: All personnel emoluments are paid from the County administration and public service department

CHAPTER FIVE:

CONCLUSION AND WAY FORWARD

5.1 Conclusion

The Financial Year 2022/23 was affected by economic depression affecting revenue realization and expenditure performance. Some of the challenges that affected fiscal performance include high Inflation rates, increased prices of goods and services, insecurity experienced in some Wards, advanced drought conditions and continued effects of covid-19.

To foster recovery, the county prioritized strategic initiatives to grow and promote businesses by providing a conducive environment for investment including the industrial park and retaining fee and charges at the same levels with the intent of raising the County Gross Product to KShs 400 billion. This is expected to create more jobs and raise average individual daily incomes.

Health is wealth; the county has continued to majorly invest in health by building the necessary capital infrastructure, human resource and operational capacity.

The proposals contained in the 2023 CBROP are geared towards realising the development objectives contained in the County Integrated Development Plan (2023-2027), Annual Development Plan and the fiscal responsibility principles outlined in the PFM Act 2012.

Since budgetary resources are limited, the county departments should purpose to;

- Prioritize their programmes within the available ceilings to ensure that use of public funds is in line with county government priorities and financial prudence.
- Minimize pending bills; all departments will be required to prioritize payment of outstanding liabilities (pending bills).
- Adhere to the principles of project management for example by preparing bills of quantities in advance, proper planning and supervision of projects.
- Prudently consider detailed costing of projects or programs, identification of deliverables (output and outcomes), proper administration and implementation plans for efficient and effective utilization of resources.
- Adhere to the budget calendar as outlined in Budget Circular of August 2023 as detailed in Annex 1.

To mirror this, effective budget implementation at the county level will be facilitated through capacity building and the development of systems for close monitoring and evaluation of spending

entities to ensure that resource application bears maximum benefits to the citizens. The involvement of all stakeholders in budget execution will be key in enhancing overall budget implementation. In addition, the prioritization of public needs will be key in shaping the final budget policies and allocations.

The county will continue to strengthen its revenue collection and management systems with the goal of generating more revenues while ensuring the stability of the fiscal framework and financial health of the County. The identification of other sources of revenue for example implementation of the new valuation roll will avail more resources for development programmes. The Revenue Board will enhance revenue collection measures in order to ensure that the various projections for revenue streams provided in Annex 3 will be realized.

ANNEXES

Annex 1: Deadlines for Submission of Annual Budgets and Feasibility Study Data

S/No	Activity	Due Date
1	Issue County Treasury Budget Circular	30 th August, 2023
2	Submit County Annual Development Plan to the County Executive Committee	28 th August, 2022
3	Submit County Annual Development Plan to the County Assembly	1 st September, 2023
4	Submit the County Budget Outlook Paper (CBROP) to the County Executive Committee	26 th September, 2023
5	Submit the County Budget Outlook Paper (CBROP) to the County Assembly	29 th September, 2023
6	Launch/Convene Sector Working Groups	6 th November, 2023
7	Submit Sector Working Groups Reports to the County Treasury	30 th November, 2023
8	Submission of Budget Proposals and Feasibility Study data by County Sectors to County Treasury	15 th December, 2023
9	Review and Analysis of Annual Budget Proposals by County Budget Team	15 th January- 29 th January, 2024
10	Public Participation Meetings on CFSP	6 th February -9 th February 2024
11	Submit the County Fiscal Strategy Paper (CFSP) to the County Executive Committee	20 th February, 2024
12	Submit the County Debt Management Strategy (CDMS) to the County Executive Committee	20 th February, 2024
13	Submit the County Fiscal Strategy Paper (CFSP) to the County Assembly	28 th February, 2024
14	Submit the County Debt Management Strategy (CDMS) to the County Assembly	28 th February, 2024
15	Dispatch of Reviewed Annual Budget Proposals to Sectors	15 th March, 2024
16	Sector to submit draft budget proposals to County Treasury (Program based and itemized)	28 th March, 2024
17	Conduct Public Participation Fora on Annual Budget Estimates	8 th -11 th April, 2024
18	Submit County Annual Budget Estimates to the County Executive	23 rd April, 2024
19	Submit Finalized County Annual Budget Estimates to the County Assembly	29 th April, 2024
20	Submit Proposed Annual Procurement Plans to the Supply Chain Unit	31 st May, 2024
21	Submit County Annual Cash Flow Projections to CRA and copied to IBEC and National Treasury	15 th June, 2024
22	Submission of Finance Bill to the County Assembly	30 th April, 2024
23	Quarterly /Cumulative Compliance Reports of Revenue and Expenditure	Within two weeks after the end of every quarter

Annex 2: Analysis of Revenue performance

	Revenue Targets	Actuals	Actuals	Target	Actuals	Target
	Revenue Class	2020/2021	2021/2022	2022/2023	2022/2023	2023/2024
1	1510202 CILOR Other Years	-	-	-	-	-
2	1520101 Land Rates Current Year	78,981,301	38,685,467	72,600,000	64,621,497	111,632,725
3	1520102 Land Rate Penalties	2,540,737	2,113,806	10,000,000	1,230,419	2,020,251
4	1520103 Land Rates Other Years	14,490,118	5,591,349	11,000,000	8,539,653	28,745,293
5	1520104 Other Property Charges	-	-	-	19,000	31,346
6	1520201 Business Permits, Current Year(2)	97,044,645	73,343,510	103,000,000	93,342,189	147,182,245
7	1520202 Business Permits Late Payment Penalties, Current Year	2,338,677	2,504,428	4,000,000	2,137,358	3,346,402
8	1520203 Business Permits, Other Years (Including Penalties)	606,687	224,950	1,000,000	350,000	486,540
9	1520304 Wheat & Maize Cess	5,290,810	17,137,348	17,000,000	2,046,310	3,440,493
10	1520311 Fruits & Vegetables / Produce Cess	10,725,390	5,029,810	7,000,000	15,521,914	22,817,218
11	1520314 Log Cess	676,640	599,950	800,000	41,900	81,665
12	1520315 Charcoal Cess	257,980	-	-	-	20,754

	Revenue Targets	Actuals	Actuals	Target	Actuals	Target
	Revenue Class	2020/2021	2021/2022	2022/2023	2022/2023	2023/2024
13	1520321 Livestock Cess	14,162,417	11,974,409	20,000,000	14,005,060	23,267,478
14	1520322 Goat Cess	719,390	-	-	-	-
15	1520501 Ground/Plot Rent - Current Year	1,714,201	566,334	4,000,000	1,058,599	1,001,967
16	1520502 Ground Rent - Other Years	30,428	126,320	1,000,000	40,113	66,178
17	1520503 Stand Premium	379,400	1,600	-	-	-
18	1520504 Temporary Occupation License (TOL)?TOP	1,463,800	351,500	1,500,000	187,300	548,556
19	1530101 Debts Clearances Certificate Fee	1,662,600	1,208,200	2,000,000	1,521,903	1,639,233
20	1530102 Application Fee	5,343,000	4,119,524	7,700,000	5,211,042	8,139,100
21	1530103 Plot Transfer Fee	700,900	1,609,000	1,000,000	410,600	693,408
22	1530104 Plot Subdivision Fee	5,645,700	19,588,350	30,000,000	27,178,625	36,613,390
23	1530105 Business Subletting / Transfer Fee	2,850,400	581,500		845,200	1,283,538
24	1530106 Isolation Fee (Surcharge on Business Permit)	-	-		2,000	3,300
25	1530107 Document Search Fee	16,000	18,000		8,000	15,673
26	1-2901 encroachment	-	-	2,000,000	14,000	85,789
27	1530203 Impounding Charges	1,090,000	774,990		585,870	1,114,764
28	1530202 Court Fines	406,500	143,000		231,700	109,216
29	Liquor licenses	23,092,000	11,890,010	20,000,000	22,968,516	34,887,491
30	1530221 Telephone Calls Reimbursement/Salary recovery(income)	210,974	584,270			-
31	1530301 Sand, Gravel, and Ballast Extraction Fees	52,558,860	50,512,483	60,000,000	39,441,650	59,827,153
32	1530302 Quarry Extraction Fees	3,693,800	3,073,000	4,000,000	993,300	1,660,351
33	1530321 Garbage Dumping/Conservancy Fee	26,142,942	17,336,477	36,000,000	22,473,794	24,455,516
34	1530331 Game and Nature Park Fee	6,780,994	11,396,532	14,000,000	13,185,498	21,766,742
35	1550101 Market Entrance / Gate Fee	11,559,695	9,494,210	15,000,000	8,011,696	15,026,282
36	1550102 Market Plots Rent	90,150	-			-
37	1550103 Market Shops Rent	108,080	-			-
38	1550104 Market Kiosks Rent	-	-			14,848
39	1550105 Market Stalls Rent	3,125,982	-			-
40	1550201 Enclosed Bus Park Fee	28,027,270	32,638,473	40,000,000	33,887,850	52,110,280
41	1550211 Other Vehicles Enclosed Park/Reserved Fees (Cars, Lorries, etc.)	1,607,450	1,100,000	2,000,000	1,612,000	2,824,444
42	1550221 Street Parking/ smotorbike Fee	25,910,147	35,544,214	45,000,000	31,955,116.9	53,419,495
43	1550225 Clamping Fee	11,894,190	-		6,007,150	10,153,397
44	1550228 Clamping Tampering Fee	55,500	-			
45	Boda boda Fees	6,500	61,300		167,800	-
46	1560101 Housing Estates Monthly Rent	21,361,444	18,268,946	25,000,000	26,154,680	38,562,313
47	1560103 Damages Recovery / Eviction Fee	8,400	-			-
48	1560201 Social Hall Hire	49,900	163,000	50,000	248,010	409,165
49	1560211 Stadium Hire	8,000	116,000	50,000	93,010	181,494
50	1570131 Vocational/Training School Fee	10,383,000	29,755,791	25,000,000	10,385,000	72591
51	Public health licenses	17,201,310	12,645,210	20,000,000	16,134,749	22,307,890
52	1580211 Health Centres Services/Hospital fee	265,857,132	398,880,236	562,000,000	467,253,034	632,532,501
53	Medical Examination Certificate	445,400	255,440		238,300	423,337

	Revenue Targets	Actuals	Actuals	Target	Actuals	Target
	Revenue Class	2020/2021	2021/2022	2022/2023	2022/2023	2023/2024
54	1580231 Public Toilets Fee	200	-		47,910	79,042
55	Annual Renewal Certificates	34,000	-		75,100	154,091
56	1580241 Burial Fees	207,990	183,100		284,600	469,036
57	1580311 Disinfestation Fee (Insects, Worms, Rodents, etc.)	-	-			-
58	1580401 Slaughtering Fee	9,025,780	15,770,002	18,000,000	15,337,882	29,562,787
59	1580402 Hides & Skins Fee	521,210	20,000	4,000,000	83,750	138,170
60	1580403 Manure Sale	2,111,400	407,950	3,000,000	109,450	347,529
61	1580411 Slaughter Houses Inspection Fee	5,895,000	-		598,105	883,266
62	Vaccination	-	1,097,000		188,150	430,431
63	livestock Movement Permit	101,100	491,500		762,730	1,315,387
64	1590101 Beacon Search Pointing Fee	60,250	31,460		16,500	27,222
65	1590102 Survey Fee	12,179,628	1,612,922	15,500,000	1,229,920	2,032,412
66	Hoarding Fee	355,500	632,000		1,038,000	1,808,997
67	1590111 Buildings Plan Preparation Fee	4,442,303	1,252,363	5,000,000	676,207	993,498
68	1590112 Buildings Plan Approval Fee	15,859,559	30,285,605	41,000,000	15,244,279	24,912,741
69	1590113 Buildings Inspection Fee	3,041,497	3,202,490	3,500,000	1,243,400	1,998,558
70	1590121 Right-of-Way / Way-Leave Fee (KPLN, Telkom, etc.)	517,800	-	-	2,512,100	3,515,954
71	1590132 Sign Boards & Advertisement/promotion Fee	15,126,255	18,565,056	25,000,000	19,406,369	32,621,865
72	1590201 Fire-Fighting Services	4,160,350	5,661,560	6,300,000	4,750,705	7,934,980
73	1590202 weight & measures	1,062,370	761,510	2,000,000	573,540	735,230
74	Disposal of Assets	6,377,600	2,371,000	10,000,000	-	16,993
	Totals	840,396,633	902,354,455	1,297,000,000	997,324,350	1,475,000,000

Annex 3: Analysis of Conditional Grants Performance FY 2021/22-2022/23

Receipt	Actual FY 2021/22	Total Budget FY 2022/23	Amounts received in FY 2022/23
Domestic Grants	A	B	C
Medical Leasing Equipment (non- receivable)	0	110,638,298	0
Kenya Urban Institutional Grant (KUIG)	0	2,339,915	2,339,915
Kenya Climate Smart Agriculture Project (KCSAP)	95,323,024	66,288,424	66,193,250
EU IDEAS LED	18,744,940	8,687,846	
UNICEF Primary Health Care Grant	11,797,412	10,000,000	4,929,300
Emerging LAPTRUST Grant	1,499,400	0	0
Transforming Health Care	28,389,361	36,205,271	
Agricultural Sector Development	5,500,000	17,399,539	16,524,414
DANIDA Grant	4,628,250	16,595,561	13,439,250
Locally Led Climate Action Program		22,000,000	22,000,000
Total Amount	165,882,387	179,516,586	125,426,129
Grand Total	165,882,387	290,154,854	125,426,129

Annex 4: Summary of Proposed Budget by Programme in 2023/2024 ADP

Sector	Programme	Amount (KShs.)	Sector Total
County Coordination, Administration, ICT and Public Service	County Administration	620,490,760	4,062,770,760
	Human Capital Management and Development	3,166,880,000	
	County Public Service Board	18,500,000	
	Information Communication and Technology	19,500,000	
	Public Safety, Security, Enforcement and Disaster Management	161,400,000	
	Public Participation and Civic Education	76,000,000	
Finance Economic Planning and County Development	Development Planning Services	25,000,000	271,700,000
	Public Finance Management Services	40,700,000	
	Budget Management	19,000,000	
	Administration and support services	80,000,000	
	Laikipia County Development Authority	12,000,000	
	Laikipia County Revenue Board	95,000,000	
Medical Services and Public Health	General Administrative and Planning Services	561,500,000	1,216,500,000
	Curative, Rehabilitative and Palliative Health Services	595,000,000	
	Preventive and promotive Health Services	60,000,000	
Agriculture, Livestock and Fisheries Development	Administration and support services	116,100,000	580,029,000
	Crop Development and Management	74,000,000	
	Irrigation Development and Management	65,000,000	
	Livestock Resource Development, Management and Development	119,000,000	
	Veterinary Services Management	102,329,000	
	Fisheries Development and Management	103,600,000	
	KCSAP Project	0	
	ASDSP Project	0	
	EU- IDEAS	0	
Infrastructure, Roads, Public Works and Urban Development	Physical Planning and Land Survey Services	124,000,000	1,101,100,000
	Energy	270,000,000	
	Road network improvement	685,000,000	
	Administration planning and support services.	22,100,000	
Trade, Tourism, Creative Economy and Co-Operatives	Administration, planning and Support services	92,000,000	439,450,000
	Trade Development and promotion	133,000,000	
	Tourism Development and Promotion	97,000,000	
	Cooperative Development and Marketing	41,450,000	
	Industrialization and SME development	76,000,000	
Water, Environment, Natural Resources and Climate Change	General Administration, Planning and Support Services	30,700,000	1,256,610,000
	Water Development	877,500,000	
	Environment and Natural Resources	348,410,000	
Education Youth Sports and Social Development	Administration, Planning and Support Services	36,000,000	434,000,000
	Education and Training	285,000,000	
	Sports, Talent and Social Development.	113,000,000	
County Assembly	General Administration Support Services	497,560,000	620,560,000
	County Assembly infrastructure services	123,000,000	
	Total		9,982,719,760

Annex 5: Summary of Budget Estimates by sectors FY 2023-24 (Inclusive of Grants)

Sector/Sub-sector Name	Amount (KShs.)	As percentage (%) of the total Budget
County Administration and Public Service Management	3,336,055,793	46
Finance Economic Planning and County Development	704,159,834	9.7
Medical Services and Public Health	1,092,040,580	15.1
Agriculture, Livestock and Fisheries Development	365,182,651	5.0
Infrastructure, Lands, Housing and Urban Development	422,919,610	5.8
Education and youth	165,910,000	2.3
Trade, Tourism, Cooperatives, and Industrial Development	395,800,000	5.5
Gender culture and social services	38,200,000	0.5
Water, Environment and Natural Resources	121,100,000	1.7
County Assembly	595,809,049	8.2
Nanyuki Municipality	2,000,000	0.0
Rumuruti Municipality	7,500,000	0.1
Total	7,246,677,517	100