COUNTY GOVERNMENT OF THARAKA NITHI

DEPARTMENT OF FINANCE, ECONOMIC PLANNING AND TRADE

COUNTY FISCAL STRATEGY PAPER FOR 2022/2023 FY

December 2021

To obtain copies of the document, please contact:
County Treasury - Budget Office
County Head Quarters
Tharaka Nithi County
P.O Box 10 - 60406
KATHWANA, KENYA
Tel: 1513
Website: www.tharakanithi.go.ke
Email:treasury@tharakanithi.go.ke

CFSP 2021 will be published on the website at: www.tharakanithi.go.ke within 7 days of adoption by the County Executive Committee

Vision

A prosperous, industrialized and cohesive County

Mission

Enhance sustainable socio-economic growth and optimal utilization of resources

Core Values

As Tharaka Nithi County, we are committed to championing these core values as the guiding codes for our operations:

$(ICT)^2$

Integrity

Straightforwardness, ingenuousness, honesty and sincerity are an integral part of our undertakings which we shall firmly adhere to in every duty to our society.

Inclusiveness

We believe in equity and equality. As a County we do not regard status or personal preferences but approach our work as guided by principles of fairness and non-bias. People from diverse backgrounds or communities are involved in the County development and we incorporate the needs, assets, and perspectives of communities into the design and implementation of county programs.

Citizen-focused

We consistently endeavour to create enduring relationships with our citizens; in so doing our approach goes beyond standard citizen participation principles and makes their input an integrated, formalized part of setting county projects/program goals, performance measures, and standards.

Creativity & Innovativeness

We thrive on creativity and ingenuity. We seek the innovations and ideas that can bring a positive change to the County. We value creativity that is focused, data-driven, and continuously-improving based on results.

Transparency and Accountability

We will remain accountable to our stakeholders and will acknowledge responsibility for our actions and decisions. Thus, we shall always endeavour to be transparent, answerable and liable at all times.

Team work

Every person is important and has a part in county development. We endeavour to build a workplace environment that cultivates person’s uniqueness, encourages staff participation, collaboration and integration of diverse skills and capabilities.

Table of Contents

List of tables

List of Figures

Foreword

The 2022 County Fiscal Strategy Paper is against a background of expected global recovery after a slump in 2020 occasioned by the negative effects of the COVID 19 experience. The Kenyan economy rebounded strongly in the second quarter of 2021 with Real GDP growing 10.1% supported by easing of COVID 19 containment measures. The economy is expected to grow at 6% in 2021 from the contraction of 0.3 % in 2020. In the FY 2021/22 the economy is projected to recover 5.9% as compared 2.9% in the last FY. This will be supported by the prevailing stable macroeconomic environment, ongoing implementation of the strategic priorities of the government, the third economic stimulus program and the national development agenda.

The 2022 CFSP is anchored on the second CIDP (2018-2022) whose final year of implementation will be 2022/23. This County Fiscal Strategy Paper, CFSP 2022 outlines the broad strategic priorities and policy goals of County Government for implementation in financial year 2022/23 and the Medium Term. With regard to fiscal policy, performance in the FY 2020/21 was satisfactory despite the slight underperformance in revenue and elevated expenditures associated with the adverse impact of COVID-19 pandemic and the ensuing containment measures adopted in March 2020.

In the first quarter of FY 2021/22, revenues were below the target due to the delayed release of equitable share and conditional grants. Furthermore, there are unfavourable economic conditions, which might adversely affect revenue performance and will be considered during finalization to the FY 2022/23 budget. In light of this, the Government fiscal policy continues to focus on enhanced revenue mobilization, expenditure prioritization and ensuring fiscal balance.

The Government will continue implementation of cost–cutting measures including operational reforms and alignment of resources to programmes in the CIDP. In this regard, detailed budgets of all units have been scrutinized to reduce nonessential expenditures, and ensure completion of ongoing projects with particular emphasis placed on projects nearing completion to ensure that citizens benefit from such public investments. The FY 2022/23 budget is being prepared under a revised budget calendar that considers the preparations for the 2022 General Elections. Therefore, Departments are expected to adhere to the strict deadlines in the revised budget calendar to enable finalization of the FY 2022/23 by march 2022.

Finally, I would like to express my gratitude to all those who have participated in this year budget process at various stages by providing valuable information, comments and positive criticism that has seen us improve over time. Specifically, I convey my appreciation to staff of various dockets, Members of County Assembly, the private sector, civil society, members of the public and all interested persons and/or groups who have so far participated in the budget process in FY 2022/22.

Ms. DOROTHY I. KINYUA NAIVASHA
COUNTY EXECUTIVE COMMITTEE MEMBER,
FINANCE, ECONOMIC PLANNING AND TRADE
THARAKA NITHI COUNTY

Acknowledgements

The CFSP 2022 has been prepared in accordance with the provisions of the Public Finance Management Act, 2012, Section 117. It outlines the current state of the economy, provides macro-fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of the County Government spending plans, as a basis of the FY 2022/23 budget and medium-term framework. This document is expected to give members of the public a clear understanding of Tharaka Nithi County's public finances and guide public debate on current economic and development matters.

The preparation of the CFSP 2022 was prepared through consultation and cooperation between all county departments. Public participation was done at Ward level. More strategic information was also obtained from the county Sector Working Groups and other government agencies.

We express our gratitude to the leadership of His Excellency the Governor and the entire County Executive Committee Members for their support and inputs.

I would like to acknowledge the unlimited support and guidance by the CECM, Finance, Economic Planning and Trade and the dedicated team from the County Budget and Economic Planning Unit who dedicated valuable time to put together this strategy paper.

Finally, I take this opportunity to thank the entire staff of Tharaka Nithi County Government for their exemplary dedication and commitment to public service

MR. ZEPHANIAH RWANDA MBAKA,
CHIEF OFFICER,
FINANCE AND ECONOMIC PLANNING.

Abbreviations and Acronyms

ADP	Annual Development Plan
ATI	Agricultural Training Institute
BOP	Balance of Payments
CBROP	County Budget Review and Outlook Paper
CCO	County Chief Officer
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CEREB	Central Region Economic Bloc
CIDP	County Integrated Development plan
CORe	County Own Revenue
COG	Council of Governors
CPI	Consumer price Index
CRA	Commission of Revenue Allocation
EAC	East Africa Community
ECDE	Early Childhood Development & Education
FY	Financial Year
GCP	Gross County Product
GDP	Gross Domestic Product
GIS	Geographic Information System
HIV	Human Immunodeficiency Virus
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
Kshs	Kenya Shillings
MTDS	Medium-term Debt Management Strategy
LAN	Local Area Network
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NSE	Nairobi Securities Exchange
OSR	Own Source Revenue
PE	Personnel Emoluments
PEM	Public Expenditure management
PFM	Public Finance Management
PWDs	People With Disabilities

REA	Rural Electrification Authority
SACCO	Savings and Credit Cooperatives
SRC	Salaries and Remuneration Commission
USA	United States of America
YP	Youth Polytechnic

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 Act, 2012 that states that:

(1) County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.
(2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
(3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the medium term.
(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term.
(5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of—
    (a) The Commission on Revenue Allocation;
    (b) The public;
    (c) Any interested persons or groups; and
    (d) Any other forum that is established by legislation.
(6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.
(7) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.
(8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

County Treasury Fiscal Responsibility Principles

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

(a) the County Government's recurrent expenditure shall not exceed the County Government's total revenue
(b) Over the medium term a minimum of thirty percent of the County Government's budget shall be allocated to the development expenditure
(c) The country government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly
(d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
(e) The county debt shall be maintained at a sustainable level as approved by county assembly

(f) The fiscal risks shall be managed prudently
(g) Reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

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

CHAPTER ONE: COUNTY STRATEGIC BLUE PRINT

1.1 Introduction

The County Fiscal Strategy Paper (CFSP) is a primary financial policy statement which sets out the broad strategic priorities and policy goals that will guide the county government in preparing its budget for both the following financial year and over the medium term. The CFSP includes an assessment of the current state of the economy and the financial outlook over the medium term. Through this, the government is able to achieve its priorities and within the context of limited resources within the medium-term expenditure framework.

The journey to transform Tharaka Nithi into a thriving, prosperous County whose people are inspired to achieve tremendous progress is steadily being realized. The Governor's manifesto presented a transformational agenda for the County for the period 2017-2022, an agenda which continues to guide the sector priorities. The 2nd County Integrated Development Plan (CIDP) for 2018-2022 and the subsequent Annual Development Plans (ADPs) have placed key focus on programmes, projects and initiatives required to achieve the governor's manifesto and the National Government's "Big 4 Agenda" towards implementation of the Kenya's Vision 2030.

This paper provides a review of the fiscal performance of FY 2020/21, the fiscal performance of first half of the FY 2021/22; highlights of the recent economic developments and economic outlook; broad strategic priorities and policies for FY 2022/23 as outlined in the Medium-Term Expenditure Frame work and in the approved County Integrated Development Plan (CIDP) 2018-2022.

1.2 Overview and General Context:

This County Fiscal Strategy Paper (CFSP) 2022, will strive to implement programmes set out in the CIDP 2018-2022. The County Integrated Development Plan (CIDP) outlines the broad strategic development issues and the fiscal framework, together with the summary of National and County Government public expenditure management. These broad policies and priorities are anchored in the national development agenda.

This CFSP has been prepared against a background of a projected global economic recovery amidst uncertainty relating to new COVID-19 mutations. Global growth in 2021 is projected at 6.0 percent from a contraction of 3.2 percent in 2020 (WEO July 2021). However, most of the developing economies are projected to experience a more challenging recovery from the COVID-19 pandemic compared to their developed economies counterpart. This is largely because of the uneven access to COVID-19 vaccine which is therefore likely to impact negatively on the full resumption of economic activities in the developing economies.

The Kenyan economy contracted by 0.3 percent in 2020 compared to a growth of 5.0 percent in 2019. This performance reflects the adverse effects of the COVID19 pandemic, which disrupted activities mainly in the services sectors particularly wholesale and retail trade, education, accommodation and restaurant, and transport and storage. The economy is expected to rebound to 6.0 percent in 2021, supported by the continued reopening of the services sectors, recovery in manufacturing, and stronger global demand. This is reflected robust performance of construction, manufacturing, education, real estate and transport and storage sectors.

The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that supports exports. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since the end of 2017. The year-on-year inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven by higher food prices. However, the inflation rate remained within the target range supported by muted demand pressures.

The foreign exchange market has largely remained stable but partly affected by tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic. In this regard, the Kenya Shilling to the US Dollar exchanged at Ksh 110.9 in October 2021 compared to Ksh 108.6 in October 2020. The current account deficit is estimated at 5.5 percent of GDP in the 12 months to August, and is projected at 5.2 percent of GDP in 2021

1.2.1 County Specific Context:

Kenya's partial economic recovery has contributed to Tharaka Nithi County upholding all development priorities with the Big Four Agenda, despite the uncertainty that was triggered by the Covid-19 pandemic. The County Government has increased its investment in flagship projects with long term impact as a way of ensuring sustained development and actualization of Vision 2030 agenda. The county government has been preparing county economic development planning documents which are aligned to the National Government's Medium-Term Plan (MTP III) and the Big 4 agenda. The critical programmes to be implemented are expected to stimulate the County's Socio-Economic development. This CFSP covers the following nine broad priorities that the county government intends to achieve during its tenure;

a) Transform agriculture for improved production and productivity
b) Ensure access to quality and affordable health care services
c) Provide efficient, affordable and reliable infrastructure and services for sustainable economic growth
d) Promote quality, inclusive, diverse, accessible education and promote cohesion
e) Conducive Environment and sustainable exploration and exploitation of natural resources
f) Create conducive business and tourism environment
g) Attain efficient, equitable and sustainable use of land resource, spatial planning and development of urban areas
h) Ensure provision of efficient and effective public service delivery
i) Strengthen the democratic arena and fostering good governance.

1.3 Programmes for achieving the County Strategic Blueprint's Objective

This County Fiscal Strategy Paper articulates priority economic policies and structural reforms as well as sector-specific expenditure programs to be implemented under the Medium-Term Expenditure Framework for FY 2022/23 and FY 2023/24 and FY 2024/25 in order to achieve the County Government's development goal to ensuring a secure, resilient and globally competitive county in service delivery.
Every strategic objective is achieved by various priority strategies as outlined below.

1.3.1 Transform agriculture for improved production and productivity

Agriculture plays a strategic role in the progress of economic development for any society. Through increase in agricultural production, there is potential rise in per capita income in the rural community alongside production of primary raw materials that set stage for industrialization. Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Provision of subsidized high-quality inputs to the farmers
b) Encourage conservation agriculture
c) Training and capacity building of farmers by operationalizing the ATI
d) Improve on produce marketing.
e) Operationalization of community grain stores, cooling plants and develop other preservation techniques as well as policy intervention to curb food wastage after bumper harvests.
f) Promote value addition and processing plants in the county.
g) Enhance extension services
h) Improvement of livestock productivity.
i) Improvement of animal feed and nutrition
j) Improve pest and disease control mechanisms
k) Encourage use of disease and drought resistance and resilience crops and animals.
l) Capacity build farmers, creation of awareness and focus on value chain development
m) Development of domestic and irrigation water supply systems/schemes.
n) Metering water projects for efficiency.
o) Rain water harvesting and development of storage reservoirs.
p) Enhance protection, conservation and management of water sources.

1.3.2 Ensure access to quality and affordable health services

Health sector is among the key priority sectors in Tharaka Nithi County Government and it envisions a county free from preventable diseases and ill health. To achieve this, the following priority economic policies, structural reforms and sector-specific expenditure programs will be implemented:

a) Upgrading Chuka Level 4 Hospital to a fully pledged level 5 Hospital (County Referral Hospital)
b) Improve diagnostic services through procurements and installation of specialized equipment in the referral hospital
c) Strengthen the county emergency services and referral system
d) Investment in renovations and creating of spaces for missing services in the existing health facilities

e) Strengthen the medical facilities by procuring and equipping them with the requisite medical equipment
f) Increase the workforce numbers and recruit specialist across all the cadres
g) Increasing allocation for essential medicines and medical supplies and supply them on time.
h) Supplement cost of health services to the elderly, persons living with disabilities and any other special cases as identified.
i) Computerization of health systems in all County health facilities for efficiency and effective service delivery.
j) Conduct support supervision to improve on leadership and governance
k) Improve service delivery through customer satisfaction and demand creation
l) Enhance capacity development for technical staff on essential services.

1.3.3 Provide efficient, affordable and reliable infrastructure and services for sustainable economic growth.

Infrastructure is key to achieving investment, increased production, access to essential services and overall economic growth. The County Government has put in place the following priority economic policies, structural reforms and sector-specific expenditure programs:

a) Spot improvement of feeder roads
b) Tarmacking of roads
c) Opening up new roads
d) Grading and maintenance of rural access roads
e) Construction of bridges and footbridges
f) Provision of construction machinery and equipment
g) Provision of modern ICT infrastructure and equipment
h) Procurement and maintenance of revenue surveillance systems
i) In collaboration with the National government, expand electricity connection – Last mile connectivity
j) Promote use of alternative and renewable energy.

1.3.4 Promote quality, inclusive, diverse, accessible education and promote cohesion

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

a) Empowerment of PWDs and other vulnerable groups
b) Completion and renovation of ECDE classrooms
c) Provision of teaching and learning materials.

d) Enhancement of bursary funds
e) Strengthening of supervision services
f) Capacity Building of Youth Polytechnic staff & ECDE teachers and care givers
g) Refurbishment and rehabilitation of Youth Polytechnics and procurement of equipment and materials
h) Inspection and quality assurance of institutions
i) Completion of stadia
j) Procurement of equipment, tools and training of sportspersons.
k) Organize music festivals to enhance cohesion and cultural growth
l) Youth empowerment program
m) Promotion of sporting activities

1.3.5 Conducive environment and sustainable exploration and exploitation of natural resources

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

a) Waste management
b) Climate change mitigation and adaptation
c) Afforestation and reforestation for restoration and protection of water catchment areas
d) Agroforestry promotion
e) Encourage safe and sustainable exploration and exploitation of natural resources
f) Formulating relevant policies on mining, climate change and pollution control.
g) Mapping and identification of gazetted and a non-gazetted areas for mineral resources in collaboration with national government.
h) Rehabilitation of degraded lands

1.3.6 Create conducive business and tourism environment

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

a) Strengthening and support to cooperative societies.
b) Formation of producer business groups
c) Inspection, investigation and monitoring of the trade affairs in the county
d) Calibration and verification of traders' equipment for standardization and consumer protection
e) Formation and rehabilitation of cooperatives to enjoy economies of scale and easy access to farmers
f) Market widening, surveys and creation of data bank to enhance market access
g) Value addition to agro-processing units / industrial units

h) Capacity building and awareness creation to all traders
i) Development and diversification of tourism products
j) Branding, advertising and creative tour packaging
k) Develop niche products
l) Holding annual cultural festivals to promote integration
m) Establishment and promotion of ecotourism ventures.

1.3.7 Attain efficient, equitable and sustainable use of land resources, spatial planning and development of urban areas

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

a) Land adjudication in collaboration with national government
b) Development planning
c) Market infrastructure development
d) Resource mapping
e) Improvement and maintenance of urban and market roads
f) Mapping of land uses
g) Approval of survey plans in collaboration with national government
h) Digitizing of all land and planning data
i) Market and urban Centre development, upgrade and beautification.
j) Street lighting and installation of floodlights

1.3.8 Ensure provision of efficient and effective public service delivery

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

a) Performance management
b) Ensuring there is adequate office space
c) Carry out staff training and development
d) Perform staff recruitment, placement, trainings and re-designation
e) Enforcing work ethics
f) Storing, updating and securing staff files
g) Financial management
h) Revenue collection and administration.
i) Resource mobilization and engaging development partners
j) Strict enforcement of financial regulations and regular auditing
k) Conducting public participation and civic education
l) Develop county plans and budget in accordance with the PEM Cycle

m) Monitoring and evaluating progress of county projects
n) Regular data collection and management to help in planning
o) Ensure good labour relations through dialogue.

1.3.9 Strengthen the democratic arena and fostering good governance

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

a) Oversight of county activities especially with respect to public expenditure
b) Approving overall policy within set deadlines
c) Development of county legislations
d) Vetting and approval of appointments of state officers
e) Capacity development for County Assembly members and staff.

1.4 Outline of County Fiscal Strategy Paper

This section gives the outline of the County Fiscal Strategy Paper. The CFSP has five chapters with chapter one giving the County's strategic blueprint. It sets the pace and direction of the whole document. It captures the County Government's 'big idea' on how it intends to transform the county during its tenure of office. Chapter two outlines the recent economic developments and policy outlook in which the 2022/23 MTEF budget is to be prepared. It reviews the latest information on the macroeconomic variables and their latest trends at the national level, gives an update on fiscal performance and any emerging challenges. The chapter also relates the growth outlook for Kenya as contained in the Budget Policy Statement to the county's own economic policy settings. Chapter three gives an overview of the fiscal framework that supports the county economic growth over the medium term while continuing to provide adequate resources to facilitate the development agenda and fiscal priorities of the County Government. This is undertaken in the context of the wider national economic environment and after assessing the county's current economic environment. The chapter also sets out the County Government's fiscal policy stance in light of its strategic blueprint's objective and also provides an update on the county's progress in enacting and implementing fiscal structures to enable it to be fully compliant with the PFM Act 2012 and PFM Regulations 2014. Chapter four gives a clear picture of the county's resource base and the spending priorities in terms of sectors and outlining the sector-based expenditure ceilings. Chapter five provides a summary of the main changes and decisions to be put to effect and the way forward.

CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

2.1 Overview

The Kenyan economy contracted by 0.3 percent in 2020 compared to a growth of 5.0 percent in 2019. This performance reflects the adverse effects of the COVID19 pandemic, which disrupted activities mainly in the services sectors particularly wholesale and retail trade, education, accommodation and restaurant, and transport and storage.

The economy is expected to rebound to 6.0 percent in 2021, supported by the reopening of the services sectors, recovery in manufacturing, and stronger global demand. This is reflected robust performance of construction, manufacturing, education, real estate and transport and storage sectors.

The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that supports exports. Year on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since the end of 2017. The year-on-year inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven by higher food prices. However, the inflation rate remained within the target range supported by muted demand pressures.

The foreign exchange market has largely remained stable but partly affected by tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic. In this regard, the Kenya Shilling to the US Dollar exchanged at Ksh 110.9 in October 2021 compared to Ksh 108.6 in October 2020. The current account deficit is estimated at 5.5 percent of GDP in the 12 months to August, and is projected at 5.2 percent of GDP in 2021

2.2 Gross Domestic Product Growth and Main Drivers by Sector

The economy contracted by 0.3 percent in 2020 from a growth of 5.0 percent in 2019 following the adverse impact of COVID-19 pandemic and the resultant swift containment measures. The government's priority was premised on the need to safeguard the lives of Kenyans and Kenyan residents while at the same time cushioning the economy from the effects of COVID-19 pandemic.

Consequently, the health crisis required the introduction of temporal restrictive measures to curb the spread of the virus which resulted to negative impacts on some key sectors of the economy. Many businesses especially those related to tourism and educational activities closed down during the second quarter of 2020. Pick up of economic activities resumed in the third quarter of 2020 with further improvements in subsequent quarters

The contraction was spread across all sectors of the economy but was more dismal in accommodation and food services activities, education, and transport sectors. The overall performance of the economy in 2020 was cushioned from a deeper slump by accelerated growths in agricultural production (4.8 percent), mining and quarrying (6.7 percent), construction activities (11.8 percent) and health services (6.7 percent).

The agriculture sector was more vibrant in 2020 compared to 2019 despite a contraction in global demand in 2020. The sector's Gross Value Addition was 4.8 percent in 2020 compared to 2.6 percent in 2019. This was mainly on account of favorable weather conditions in 2020 which improved production of food crops 3 Draft 2022 Budget Policy Statement such as beans, rice, sorghum and millet and, livestock and related products such as milk and meat. Improved production of cash crops such as tea and sugarcane also supported the sectors growth.

The performance of the industry sector improved to a growth of 3.8 percent in 2020 compared a growth of 3.4 percent in 2019. This was mainly on account of improved performance of the construction sector. The construction sector grew by 11.8 percent in the 2020 compared to a growth of 5.6 percent in 2019. The strong growth was attributed to the continued investments in road infrastructure by the Government, expanded construction in the housing sub-sector and the ongoing rehabilitation of the Metre Gauge Railway (MGR).

Electricity and water Supply sector grew by 0.1 percent in 2020 compared to a growth of 1.7 percent in 2019 mainly on account of decline in thermal and wind generation despite the increase in hydro generation. Activities in the manufacturing sector slowed down in 2020 mainly due to COVID-19 containment measures. The sector is estimated to have contracted by 0.1 percent in 2020 compared to 2.5 percent growth in 2019 mainly on account of significant contractions in production in key food products such as processing of coffee and manufacture of beverages. The manufacture of leather and wood products also contracted during the review period.

Services sector was adversely affected by the closure of the economy thereby recording negative growths in most of the sectors in 2020. The sector contracted 4 Draft 2022 Budget Policy Statement by 2.2 percent in 2020 compared to a growth of 6.7 percent in 2019. Accommodation and Food Services was adversely affected by the COVID -19 containment measures compared to other service sectors and contracted by 47.7 percent in 2020 compared to a growth of 14.3 percent in 2019. This was due to restrictions of international travels while domestic travel was negatively impacted on by restriction of movement to and from some counties and zones for some months especially in the second quarter of 2020. Most hotels and restaurants also either closed or scaled down their operations due to public health measures taken to prevent the spread of the pandemic as well significant reduction in the number of customers.

Transportation and storage sector contracted by 7.8 percent compared to a growth of 6.3 percent 2019. The sector’s performance was constrained by the COVID-19 pandemic containment measures including restriction of movement across the borders as well as and within the country, social distance in public service vehicles and arrangements of working remotely. However, the sector was cautioned from a deeper contraction by an increase in freight transport through the Standard Gauge Railway from 4,159 thousand tonnes in 2019 to 4,418 thousand tonnes in 2020. Information and Communication sector’s growth slowed to 4.8 percent in 2020 compared to 7.5 percent growth in 2019. The growth was mainly supported by increased uptake of digital services as the COVID-19 measures which resulted in increased remote working and learning activities remotely as well as rise in cashless payments for financial transactions.

Similar to the global economy, Kenya’s economy is projected to rebound in 2021 to 6.0 percent from an earlier projection of 7.0 percent in the 2021 BPS. The downward revision was due to the impact of containment measures between March and July period as a result of the third wave of the COVID-19 pandemic

The recovery in 2021 reflects the lower base of 2020 when most service sectors were adversely affected by the closure of the economy thereby recording negative growths. The outlook in 2021 will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda, Economic Recovery Strategy and other priority programmes as outlined in the Third Medium Term of Vision 2030.

Weather conditions are expected to be favourable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes.

The Government is currently focusing on the implementation of the Economic Recovery Strategy (ERS) that aims at restoring the economy to a strong growth path, creating jobs and economic opportunities across all regions of the country with a view to tackling social and income inequalities. It is expected that the successful implementation of the Economic Recovery Strategy which is also aligned to the "Big Four" Agenda will promote inclusive growth and transform the lives of Kenyans.

2.3 Recent economic Developments

2.3.1 Global and Regional Economic Developments

Global growth in 2021 is projected at 5.9 percent from a contraction of 3.1 percent in 2020 (WEO October 2021). Due to uneven access to COVID-19 vaccine in these economies and rapid spread of Delta and the threat of new variants which are therefore likely to impact negatively on the full resumption of economic activities, most of the emerging markets and developing economies are projected to experience a more challenging recovery from the COVID-19 pandemic.

The advanced economies are projected to recover to 5.2 percent in 2021 from a contraction of 4.5 percent in 2020 which reflects the broader vaccinations coverage across the group and anticipated legislation of additional fiscal support.

Due to improved exports and commodity prices, and the rollout of vaccination programmes. recovery in both private consumption and investment as economies re-open, the economic growth in the Sub-Saharan Africa region is projected at 3.7 percent in 2021 from a contraction of 1.7 percent in 2020. However, the recent increase in infection rates in sub-Saharan Africa are expected to weigh down the region's recovery in 2022 as indicated in the table below.

Table 1: Global Economic Growth, Percent

Economy	2019	2020*	2021**	2022**
World	2.8	(3.1)	5.9	4.9
Advanced Economies	1.6	(4.5)	5.2	4.5
Of which: USA	2.2	(3.4)	6.0	5.2
Emerging and Developing Economies	3.7	(2.1)	6.4	5.1
Of which: China	6.0	2.3	8.0	5.6
India	4.0	(7.3)	9.5	8.5
Sub-Saharan Africa	3.2	(1.7)	3.7	3.8
Of which: South Africa	0.2	(6.4)	5.0	2.2
Nigeria	2.2	(1.8)	2.6	2.7
EAC-5	6.5	(0.2)	5.7	5.3
Of which: Kenya***	5.0	(0.3)	6.0	5.8

** Estimate ** Projected *** National Treasury Projection*
EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda

Source of Data: October 2021 WEO; ***Projections by the National Treasury

The East Africa Community (EAC) economy contracted by 0.2 percent in 2020 from a growth of 6.5 percent in 2019 following the adverse impact of COVID-19 pandemic and the resultant swift containment measures which resulted to negative impacts on some key sectors of the economy especially due to close down of most businesses impacts on some key sectors of the economy especially due to close down of most businesses.

2.3.2 Local Economic Trends

2.3.2.1 The Broad Money Supply Trend

Relatively lower Net Foreign Assets (NFA) and reduced growth in the net lending to Government component of the Net Domestic Assets (NDA) led to moderated growth of Broad money supply, M3, to 8.7 percent in the year to September 2021 compared to a growth of 10.7 percent in the year to September 2020**.**

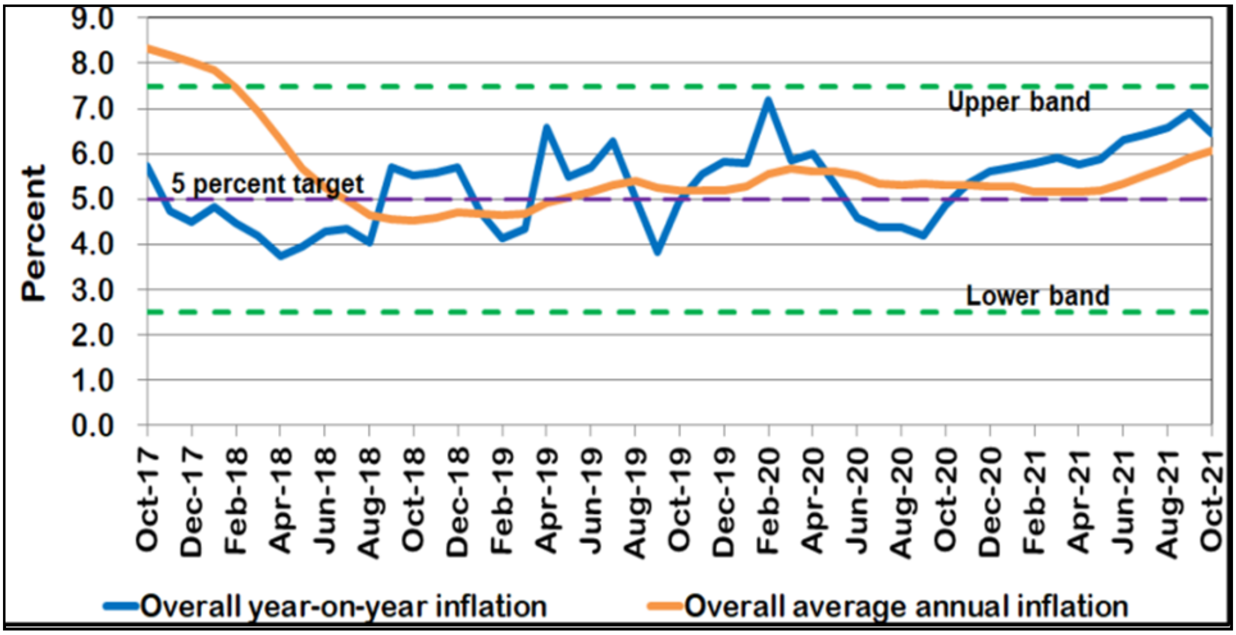
Compared to a contraction of 10.3 percent in the year to September 2020, Net Foreign Assets (NFA) of the banking system in the year to September 2021 contracted by 11.7 percent. The decline in NFA of the Central Bank was largely due to scheduled debt service and other central bank operations. The NFA of commercial banks also declined during the review period as a result of a decrease in deposits abroad.

Net Domestic Assets (NDA) registered a growth of 13.6 percent in the year to September 2021, a decline compared to a growth of 17.3 percent over a similar period in 2020. This moderation mainly reflected a slowdown in net lending to government resulting from a reduced utilization of Government deposits at the Central Bank of Kenya. Net credit flows to the private sector and other public sectors improved during the review period.

2.3.2.2 The Inflation Rate Trend

Year-on-year overall inflation rate has remained low, steady and within the policy target range of 5+/-2.5 percent since end 2017. Due increase in food prices, inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven. However, the rate remained within the target range for the given period.

Figure 1 Inflation rates



Source of Data: Kenya National Bureau of Statistics

2.3.2.3 The Interest Rate Trend

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent on 28th September 2021 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by COVID-19 pandemic. The money market was relatively liquid in October 2021 supported by Government payments. As such, the interbank rate remained low but increased slightly to 5.3 percent in October 2021 from 2.7 percent in October 2020. Interest rates on the Treasury bills remained relatively stable in October 2021.

The 91-day Treasury Bills rate was at 7.0 percent in October 2021 compared to 6.5 percent in October 2020. Over the same period, the 182-day Treasury Bills rate increased to 7.4 percent from 6.9 percent while the 364-day also increased to 8.3 percent from 7.8 percent. Food inflation remained the main driver of overall inflation in October 2021, contributing 3.8 percentage points, an increase, compared to a contribution of 2.3 percentage points in October 2020. The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly tomatoes, spinach, beef with bones, onions, oranges and Potatoes (Irish). Fuel inflation contributed 1.6 percentage points to overall inflation in October 2021 compared to 1.7 percentage points in October 2020 following relatively lower international oil prices largely on account of build-up of oil inventories amid concerns on supply growth.

The contribution of core inflation to overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies. The contribution of core inflation to overall inflation increased to 0.9 percentage points in October 2021 from 0.7 percentage points in October 2020, reflecting a pick-up in economic activity and the effects of the implemented tax measures. Kenya's year-on year inflation rate compares favourably with the rest of Sub-Saharan Africa countries

2.3.2.4 The Balance of Payments Trend

The balance in the merchandise account reduced by USD 979.9 million to a deficit of USD 10,069.7 million in the year to August 2021 mainly due to increased payments on imports despite an improvement in the export earnings (Table 3). In the year to August 2021, exports grew by 9.9 percent primarily driven by increased receipts from exports of horticulture and manufactured goods. On the other hand, imports of goods increased by 10.4 percent in the year to August 2021 mainly reflecting increases in imports of oil and other intermediate goods.

39. Net receipts on the services account declined by USD 577.4 million to USD 143.3 million in the year to August 2021 compared to USD 720.8 million in a similar period in 2020 mainly on account of lower receipts from transport and travel services. The balance on the primary account improved by USD 151.6 million to a deficit of USD 1,440.5 million in the year to August 2021, due to lower reinvestment related outflows. Secondary income inflows remained resilient and increased by USD 674.0 million during the review period supported by remittances.

The capital account balance improved by USD 278.3 million and registered a surplus of USD 412.2 million in the year to August 2021. Net financial inflows also improved to USD 5,923.5 million in August 2021 compared to USD 4,157.9 million in August 2020. The net financial inflows were mainly in the form of other investments, portfolio investments and financial derivatives. Direct investments recorded net financial outflows during the same period.

2.3.2.5 The Exchange rate trend

The foreign exchange market has largely remained stable but partly affected by tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic. In this regard, the Kenya Shilling to the US Dollar exchanged at Ksh 110.9 in October 2021 compared to Ksh 108.6 in October 2020.

The Kenya Shilling has remained relatively stable weakening by 2.0 percent against the US Dollar in the year to October 2021. This depreciation of the Kenya Shilling was lower than the currencies of most of sub-Saharan countries. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and favorable horticultural exports.

2.3.2.6 The stock market trend.

Activity in the capital markets improved in October 2021 compared to October 2020, with equity share prices increasing as shown by the NSE 20 Share Index. The NSE 20 Share Index stood at 1,960 points by end of October 2021, an increase compared to 1,784 points by end October 2020. Market capitalization also increased to Ksh. 2,775 billion from Ksh. 2,150 billion over the same period indicating increased trading activities

2.3.3 Impact of the Macro-economic performance indicators to the County

Global inflation spikes resulting from pandemic dynamics led to supply chain shortcomings and driven up the prices of rent. Further, negative real interest rates influenced the increased cost of loans, affecting European American and emerging market economies. Regardless, Kenya has sustained economic reforms amidst global responses to COVID-19 and retain its position as the best-performing economy in East Africa. Through increased monitoring of transformative global trends, the country continues to invest in industrial investments, transportation, and financial integration. These are the divergent global responses to COVID-19 that have affected the local economy.

However, the county government strategies have proven effective in addressing social development concerns including increased investment in education and healthcare to narrowing inequality. In addition, the weak private sector investment in the country has influenced the vulnerability of the local economy to external and internal shocks and will continue to be supported at national level to manage debt and sustain a growth rate of 6.6%.

Source: National Treasury, 2021

Table 2: GDP Trends 2019-2022

Macroeconomic stability preserved over the current MTEF period is dependent on inflation, interest rates, and exchange rates. The average growth rate for advanced economies during 2019 was estimated at 1.6%, while recording rates of -4.6% and 5.6% during 2020 and 2021. It is estimated that a growth of 4.4% will be recorded during 2022. Kenya has performed better than other emerging market and developing economies, with 5.4%, 0.6%, and 6.6% recorded for 2019, 2020, and 2021. That is compared to 3.7%, -2.1%, and 6.3% recoded for emerging markets during 2019, 2020, and 2021. A growth of 5.8% is expected during 2022, as compared to 5.2% expected for all developing economies.

Source: National Treasury, 2021

Figure 2 GDP Trends 201

Economy	2019	2020*	2021**	2022**
World	2.8	(3.2)	6.0	4.9
Advanced Economies	1.6	(4.6)	5.6	4.4
Of which: USA	2.2	(3.5)	7.0	4.9
Emerging and Developing Economies	3.7	(2.1)	6.3	5.2
Of which: China	6.0	2.3	8.1	5.7
India	4.0	(7.3)	9.5	8.5
Sub-Saharan Africa	3.2	(1.8)	3.4	4.1
Of which: South Africa	0.2	(7.0)	4.0	2.2
Nigeria	2.2	(1.8)	2.5	2.6
EAC-5	6.5	(0.2)	5.7	5.3
Of which: Kenya***	5.4	0.6	6.6	5.8

** Estimate ** Projected *** National Treasury Projection*
EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda

2.4 Update on Fiscal Performance and Emerging Trends for FY 2020/21

More needs to be done to address late disbursements to counties and a shorter budget calendar attributed to the upcoming elections and increase the autonomy of counties vulnerable to changes in the national economy. The National Treasury estimates that during the MTEF 2022-2024 period, fiscal consolidation through resource mobilization and rationalization of expenditure will remain key responses to stabilizing growth and therefore support counties in their bid to complete development projects from the previous MTEF period.

2.4.1 Revenue

The total revenue and grants received during the first three months of the FY 2021/21 amounted to Kshs 752.9 million. This amount comprised Kshs 695.3 million as equitable share allocation and Kshs 57.5 million from local sources. Kshs 373.8 million from balances carried forward at the beginning of the accounting period are expected in FY 2021/22. The total revenue received represented 12.9 per cent of the annual revenue projections of Kshs 5,801 million. The revenue collected represents a 16 percent utilization rate, while the local revenue collected also represents a 16% utilization rate when compared to projected collections anticipated amounting to Kshs 350 million.

The local revenue collection for the first three months of the financial year 2020/21 was Kshs 57.5 million, with revenue streams under health services/hospitals, Cess fees, single business permit market and slaughter fees, liquor inspection fees and vehicle parking fees remaining major sources of local collections.

2.4.2 Expenditure

The total expenditure for the first quarter of the FY 2021/22 is Kshs 979.2 million which comprised of Kshs 798.9 million for recurrent expenditure, Kshs 122.1 million for development and Kshs 58.2 million under County Assembly. The recurrent expenditure represents 17 per cent of the annual recurrent budget estimates while the development expenditure represents 6 per cent of the annual development budget estimates.

2.4.3 Fiscal performance FY 2020/21

During the first quarter of FY 2020/21 the revenues realised were at 13.3%, with equitable share recording a 16% performance, local revenues at 16% and grants 0%. In comparison, total revenue realized during the financial year 2020/21, was of Kshs 5,428 million which comprised the equitable share allocation of Kshs 4,262 million, Kshs 254.7 million from local own revenue sources and Kshs 643.9 million as grants. The closure of the financial year resulted in unspent balances amounting to Kshs 373.8 million. From the receipts, Kshs 3,264.2 million was used to finance recurrent expenditure, while Kshs 1,346.9 million was utilized as development expenditure. Further, Kshs 429 million was transferred to the County Assembly services.

2.4.4 Comparison of Actual Performance against Budget

Table 3: Comparison of Actual Performance against Budget

PARTICULARS	2020/21 FY Actual	2021/22 FY Budget Estimates	2021/22 Actual (first Quarter)	% Utilisation
TOTAL REVENUE & GANTS	**5,413,388,574**	**5,801,903,290**	**752,921,134**	13%
Unspent Bal from Previous FY	252,554,178	373,811,941	0	0%
Revenue (Total)	**5,160,834,396**	**5,428,091,349**	**752,921,134**	14%
Equitable Share Allocation	4,262,115,600	4,214,198,393	695,342,567	16%
Local Revenue	254,745,602	350,000,000	57,578,567	16%
Grants (Total)	643,973,194	863,892,956	-	0%
Total Expenditure	**5,413,388,574**	**5,801,903,290**	**979,225,544**	17%
Recurrent	3,264,152,209	3,343,161,283	798,914,764	24%
Development	1,346,399,471	2,010,742,007	122,104,219	6%
County Assembly	429,024,953	448,000,000	58,206,561	13%
Unspent Bal Current FY	373,811,941	-	-	-

2.5 Significant Economic, Legislative and Financial Events

There are risks to this macroeconomic outlook emanating from domestic as well external sources. On the domestic front, the emergence of new COVID-19 variants that may require broader reinstatement of containment measures, in the country and its trading partners could lead to renewed disruptions to trade and tourism. Other risks relate to lower agricultural output due to potential adverse weather conditions and continued desert locust infestation in the northern region of the country, which could potentially reduce production of food crops and animal feeds. Additionally, increased public expenditure pressures, particularly wage and other recurrent expenditures would put a strain to the fiscal space.

The upside risk to the domestic economy relate to faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support faster reduction in fiscal deficit and debt accumulation. Additionally, potential lower oil prices in the international market would result in improved terms of trade.

The National Policy to Support Enhancement of County Governments' Own-Source Revenue and the County Governments (Revenue Raising Process) Bill 2018 which is currently before Parliament for legislation into law will play a crucial role in enhancing county governments' OSR. The objective of the bill is to regulate the manner in which Counties introduce/vary fees and charges. The rationale for the proposed legislation is to address multiplicity of fees and charges and avoid infringement of Article 209(5) of the Constitution which provides that county government revenue raising powers should not prejudice national economic policies, economic activities across county boundaries or the national mobility of goods, services, capital or labor.

The National Policy to Support Enhancement of County Governments' Own Source Revenue aims to address challenges in collection and administration of decentralized taxes, fees and charges. In order to support implementation of the Policy, a range of national level legislative reforms have been proposed, which are intended to improve performance of County Governments' revenue sources. The National Treasury in collaboration with the Ministry of Lands and Physical Planning is in the process of developing National Rating Bill on Property.

The Commission on Revenue Allocation is in the process of developing a model tariffs and pricing policy and guidelines on the same. Once the model tariffs and pricing policy is developed, county governments are expected to customize this model policy to develop their respective tariffs and pricing policy to guide the provision of public services as provided for in Section 120 of the County Government Act. The tariffs and pricing policy will provide the rationale for levying fees and charges, as well as a basis for setting fee/charge levels. The policy will also provide the citizens with information in understanding and interpreting fees and charges they pay and the services they should expect to receive.

2.6 Economic Policy and Outlook

The global economic recovery continues to strengthen, largely support by the gradual reopening of economies, relaxation of COVID-19 restrictions particularly in the major economies, ongoing deployment of vaccines and strong policy measures. Nevertheless, the outlook for global growth remains highly uncertain due to the resurgence of infection, the reintroduction of containment measures and even pace of vaccinations across the globe.

As such the global is expected to moderate to 3.4 percent over the medium term reflecting projected damage to supply potential and forces that preceded the pandemic, including slower labour force growth due to aging population in advanced economies and some emerging market economies. The emerging market economies and low income developing countries have been hit harder and are expected to suffer more significant medium-term losses, which is an increase from 3.1 percent projected in 2020. However, 2022 is expected to experience only 4.9% growth due to advanced changes in the economy as a result of the pandemic. The IMF cites policy changes in a post -pandemic world, increased food prices, and transitory inflation pressures as a major cause of declined growth. Additionally, emerging markets are expected to face worsening conditions and require stringent financial conditions to address slow recovery.

Further, the forecasted economic recovery is anticipated to impact the cost of commodities such as crude oil. Political instability in the Middle East ensues with the exit of the U.S military from Afghanistan, which is an additional impediment to international trade advances during this year that will impact advanced economies. The multinational enterprise crackdown by the Chinese government is expected to affect technology and innovation, while the continued effects of Brexit will continue to affect monetary policy.

Sequential growth in the emerging markets is expected to expand in 2021 by 6.9% after a 2020 contraction of -1.9%, attributed to the changes made in response to unprecedented volatility caused by COVID-19. The U.S economy is set to grow between 6.5% and 7% up from 3.9 percent in 2019. Accelerated growth is anticipated in the latter quarters of 2021 according to analysts, due to widespread recovery efforts that will improve domestic borrowing to pre-COVID19 levels. However, downside risks are a threat to this projection, due to customized government responses set to address the concerns in the emerging nations such as India (where the pandemic resulted in an alarming number of cases) and East and Southern Africa (where fiscal imbalances prevail and reliance on external investments to boost consumption remains high).

In sub-Saharan Africa, progress in dominant sectors such as tourism and industry continue to be ravaged by the effects of travel restrictions, leading to severe loses in the business travel sector and air travel overall. Cargo is anticipated to become a major revenue stream, with adjustments being made to foster sustenance of related sector.

Over the medium term economic growth in Tharaka Nithi county is expected to sustain economic growth due to continued adherence to the fiscal responsibility principles of prudent and transparency in management of public resources in line with the constitution and the PFM Act 2012.

Table 4: Macroeconomic Indicators Underlying the Medium Term Fiscal Framework

	2021/22	2022/23	2023/24	2024/25	2025/26
National Account and Prices	**Annual Percentage change**				
Real GDP	6.3	5.8	5.9	6.0	6.1
GDP Deflator	5.2	4.8	5.3	5.2	6.0
CPI Index (eop)	5.0	5.0	5.0	5.0	5.0
CPI Index (Avg)	5.0	5.0	5.0	5.0	5.0
Terms of Trade (-deterioration)	1.1	0.2	0.2	0.3	0.4
	PERCENTAGE OF GDP				
Investments and savings					
Investments	19.8	20.5	20.7	21.1	21.2
Gross National Savings	13.8	15.6	15.4	15.4	15.4
Central Government Budget					
Total Revenue	16.4	17.2	18.1	18.1	17.4
Total expenditure and Net lending	24.3	23.6	22.7	22.2	21.5
Overall balance Commitment basis (excluding. Grants)	-7.9	-6.4	-4.7	-4.1	-4.1
Overall balance Commitment basis (including. Grants)	-7.5	-6.0	-4.4	-3.8	-3.8
Primary budget balance	3.0	-1.1	0.2	0.5	0.3
External Sector					
Current external balance, including official transfers	6.0	-4.9	-5.3	-5.7	-5.9
Gross international reserve coverage in months of imports	5.8	5.8	5.8	5.9	5.9

2.7 Risks to the Outlook

This sub-section deals with the risks associated with the outlook of the proposed budget 2022/23 and the medium term.

Risks	*Mitigation measures*
2.8.1 Risk in Changes in Macroeconomic Assumptions Unexpected changes in in macroeconomic variables create risks to both revenue and expenditure projections in this CFSP as they play a key role in the formulation of the budget. Some of these risks include adverse changes in real GDP growth rates, inflation rate, exchange rate and volatility of commodity prices that affect the County's own source revenue. However, on the overall, any negative external and internal shocks to our economy may adversely affect transfers from the national government and may significantly affect the funds allocated to Tharaka Nithi County.	Tharaka-Nithi County understands that the risks in macro-economy largely affect the programmed spending on the development budget. The National Treasury has developed a national mitigation of measure by establishing the Public Investment Management Unit which will be responsible for ensuring that all capital projects are planned, appraised and evaluated before funds are finally committed in the budget. Tharaka Nithi County shall ensure that capital projects planning, appraisal and evaluation are conducted efficiently and necessary commitments made through to ensure that funds are allocated early in the financial year. To this end the County will develop comprehensive work plans, procurement plans and cash flow projections and ensure these are submitted as required (by the 15 June of each financial year) to mitigate the effects of any adverse macroeconomic changes and ensure that if this risk crystalizes then the effects are borne by the National government.
2.8.2 Shortfall in County Revenue The third revenue sharing formula proposed by CRA will lead to reduction of Tharaka Nithi county revenue significantly. The County Government has projected as part of its revenue envelope own source revenue that will be used for budgetary support. Own source revenue generation has continued to face challenges that has resulted in consistent drop in the revenue collected and the failure to achieve the targets in the past. The County Government anticipates to loose Kshs 400 million in reduction of equitable share should the CRA third generation formula proposed for sharing revenue be approved by the Senate	Understanding the own source revenue environment, the county has in the FY 2019/20 MTEF reduced the budget to reflect more closely the expected revenue given the current environment. However, in the medium term the government will undertake measures aimed at expanding the revenue base and increasing tax compliance through the integration of technology in revenue collection. Further, the County will develop legislation over key revenue sources and develop enforcement mechanisms to stem the revenue leakages. The County Treasury proposes budget cuts and other austerity measures geared towards consolidating the fiscal position to be in tandem with anticipated changes.
2.8.3 Contingent Liabilities Tharaka Nithi County Government continues to face potential litigation on the pending bills and/or due to lack of compliance on the various statutory	The County will continue to ensure full compliance with contractual agreements and with statutory requirements imposed by the various national agencies.

Risks	*Mitigation measures*
requirements including the myriad of requirements imposed by Kenya Revenue Authority. Though there were no active cases at the time of the development of this CFSP, the possibility of such being brought remains a risk.	Further, the county will seek to revamp its legal department to ensure that the implementing departments get the requisite legal advice when dealing with all contractual matters.

CHAPTER THREE: FISCAL POLICY BUDGET FRAMEWORK

3.1 Overview

This sub-section provides a summary of the section and the key actions the County Government has decided to take in the budget allocation.

3.2 Fiscal Policy Status

The County's Economic and Budgetary policy together with the County Fiscal Strategy Paper (CFSP) 2022, lays down the outline for the preparation of the County's Budget estimates. It highlights the Policies, Programmes and Initiatives (PPIs) for the County Government for implementation in the Financial Year 2022/23 and over the Medium Term. The priorities therein are anchored in the County Integrated Development Plan (2018-2022), and the Annual Development Plan for 2022/23 Financial Year. The priorities are in line with the government's Socio-economic Transformative Agenda and other policy guidelines. This is aimed at creating sound enablers towards the county's development and prosperity in the long run.

3.3 Fiscal Strategy Paper's Obligation to Observe Principles

Tharaka Nithi County Government pledges fiscal discipline as set out in PFM Act, 2012 as well as adoption of best practices. In reiteration of commitments to prudent fiscal policy, the County Government recognizes that the fiscal principles it adheres today will have implications in the future.

3.3.1 Fiscal Responsibility

In order to ensure prudence and transparency in management of resources, the County Treasury shall be guided by the fiscal responsibility principles as spelt out the PFM Act 2012, section 107 and that; In this regard, the County Government will;

a) Ensure there is sound fiscal policies and uniform practices for managing county resources.

b) Ensure that there is equitable sharing of burdens and benefits of the use of resources and public borrowing between the present and future generation. Thus, the County Government shall make prudent policy decisions today so that it does not impose an unnecessary debt burden on future generations;

c) Ensure that development portfolio is not crowded out by increasing wage burden;

d) Ensure adherence to the ratio of development to recurrent of at least 30:70 on annual basis and over the medium term, as set out in the legal framework- Section 107(2) of the PFM Act 2012

e) Adhere to Regulation 25 (1) (b) of the PFM (County Governments) that requires that County wage bill shall not exceed 35% of the total revenue hence the County Government will implement guidelines to enforce compliance; and

f) Tharaka Nithi County Government will make prompt payments for contracted goods and services.
g) Upon approval of the borrowing framework by Parliament, 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. Short term borrowing shall be for purposes of cash management.
h) Public debt and obligations shall be maintained at a sustainable level as approved by the County Assembly.
i) 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 future. The County Government will not deviate from other fiscal responsibility principles stipulated in Section 107 of the PFM Act 2012 but will make appropriate modification to the financial objectives to be contained in the CFSP to reflect the real circumstances.

3.3.2 Fiscal Structural Reforms

In order to strengthen the county's return on investment position, the FY 2022/2023 Budget framework will consider other vital reforms including;

a) Strategic policy direction: There will be proper prioritization taking into consideration of the Governor's agenda, the national agenda, social equity and environmental conservation.
b) Strict prioritization of projects: Only high impact projects will be undertaken in FY 2022/2023 budget in strict compliance with Public Investments Management guidelines (PIM) to increase efficiency and effectiveness of public spending.
c) Priority to complete all ongoing projects by the departments and its agencies.
d) Strictly manage growth of recurrent budgets especially use of goods and services.
e) Allocation based on realistic outcomes and achievable results.

3.3.3 Debt Financing Policy

Tharaka Nithi County has a robust framework for prudent debt management. It provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the budget in the financial year 2022/2023, taking into account both the costs and risks. The debt strategy complements the proposed National Medium Term Debt Sustainability Framework which is concerned with long-term sustainability of national debt. Whereas the contemplated debt level is sustainable, long-term debt sustainability depends on a number of factors such as growth in total revenue, sound macro-economic policy mix, policies and guidelines issued by the National

Treasury on prudent debt management. Our focus as a County is to settle the short-term debts as soon as possible. In every budget cycle, we ensure that part of the allocations is towards settlement of outstanding debts and ensuring timely payments.

3.4 Budget Framework Proposed for FY 2022/23-2024/25 MTEF

Tharaka Nithi County Government continues to give priority to programmes that are aimed at ensuring social economic transformation of the County. Given the resource constraints, there is need to balance between short term and long-term development objectives. Therefore, it is important that expenditure rationalization is undertaken in order to free resources for economic recovery programs in light of the COVID 19 shocks.

Investing in health care services, food security, water and sanitation and construction of roads will continue to be priority areas of action. Completion of ongoing and operationalization of completed projects will be the top priority across the sectors.

In order to address the issue of pending bills, fiscal consolidation will be the key budget framework in the medium term. This will be achieved by ensuring that the FY 2022/2023 budget framework continues to support fiscal discipline and expenditure rationalization. To achieve this, funding will go to critical needs of the county with the aim of achieving clear outputs and outcomes and ensuring resource efficiency. Further, the government will ensure departments' requests for resources are realistic and take into account the resource constraints, in light of the fiscal consolidation policy.

3.4.1 Revenue Projections

The county total revenue projections for the FY 2022/23 amounts to Ksh 5,474.2 million which includes the equitable share, local revenue and loans and conditional grants. Based on the Draft 2022 Budget Policy Statement, the County is expected to receive Ksh 4,214.2 million as equitable share and Ksh 909 million from the loans and conditional grants allocation. The county own revenue sources are estimated to be Ksh 350 million which will be achieved through improved administration and supervision and expanding the tax base. In the medium term, 77 per cent of the county revenues will be financed by the equitable share, 16.6 per cent from loans and conditional grants and 6.4 per cent from county own revenue sources.

Table 5: County Government Revenue Sources by Type

Financial Year	2020/21 Actual	2021/22 Estimates	2022/23 Projected	2023/24 Projected	2024/25 Projected	% Total 2022/23
Equitable Share	4,262,115,600	4,214,198,393	4,214,198,393	4,424,908,313	4,646,153,728	76.98%

User Fees forgone	8,218,119	8,695,500	5,695,500	-	-	0.10%
Fuel Levy	115,085,841	-	-	-	-	0.00%
Medical equipment	-	153,297,872	153,297,872	-	-	2.80%
Supplement for construction of county headquarters		76,000,000	76,000,000		-	1.39%
Youth Polytechnics Grant	60,799,894	-	-	-	-	0.00%
Kenya Climate Smart Agriculture (KCSAP)	266,688,820	350,000,000	350,000,000	370,000,000	380,000,000	6.39%
Other Loans and Grants	193,180,520	275,899,584	325,000,000	520,000,000	546,000,000	5.94%
Own Source Revenue	254,745,602	350,000,000	350,000,000	367,500,000	385,875,000	6.39%
Other receipts	252,554,178	373,811,941	-	-	-	0.00%
Total	**5,413,388,574**	**5,801,903,290**	**5,474,191,765**	**5,682,408,313**	**5,958,028,728**	**100.00%**

Table 6: County Government Revenue Trend

Financial Year	**2020/21**	**2021/2022**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**% of 2021/22 Total**
Equitable Share	4,262,115,600	4,214,198,393	4,214,198,393	4,424,908,313	4,646,153,728	4,878,461,415	76.98%
Loans and grants	643,973,194	863,892,956	909,993,372	890,000,000	926,000,000	972,300,000	16.62%
Own Source Revenue	254,745,602	350,000,000	350,000,000	367,500,000	385,875,000	405,168,750	6.39%
Other Receipts	252,554,178	373,811,941	-	-	-	-	0.00%
Total	**5,413,388,574**	**5,801,903,290**	**5,474,191,765**	**5,682,408,313**	**5,958,028,728**	**6,255,930,165**	**100.00%**

The chart below shows the actual revenue sources for FY 2020/21, and the projected revenue for FY 2021/22, FY 2022/23 & FY 2023/24.

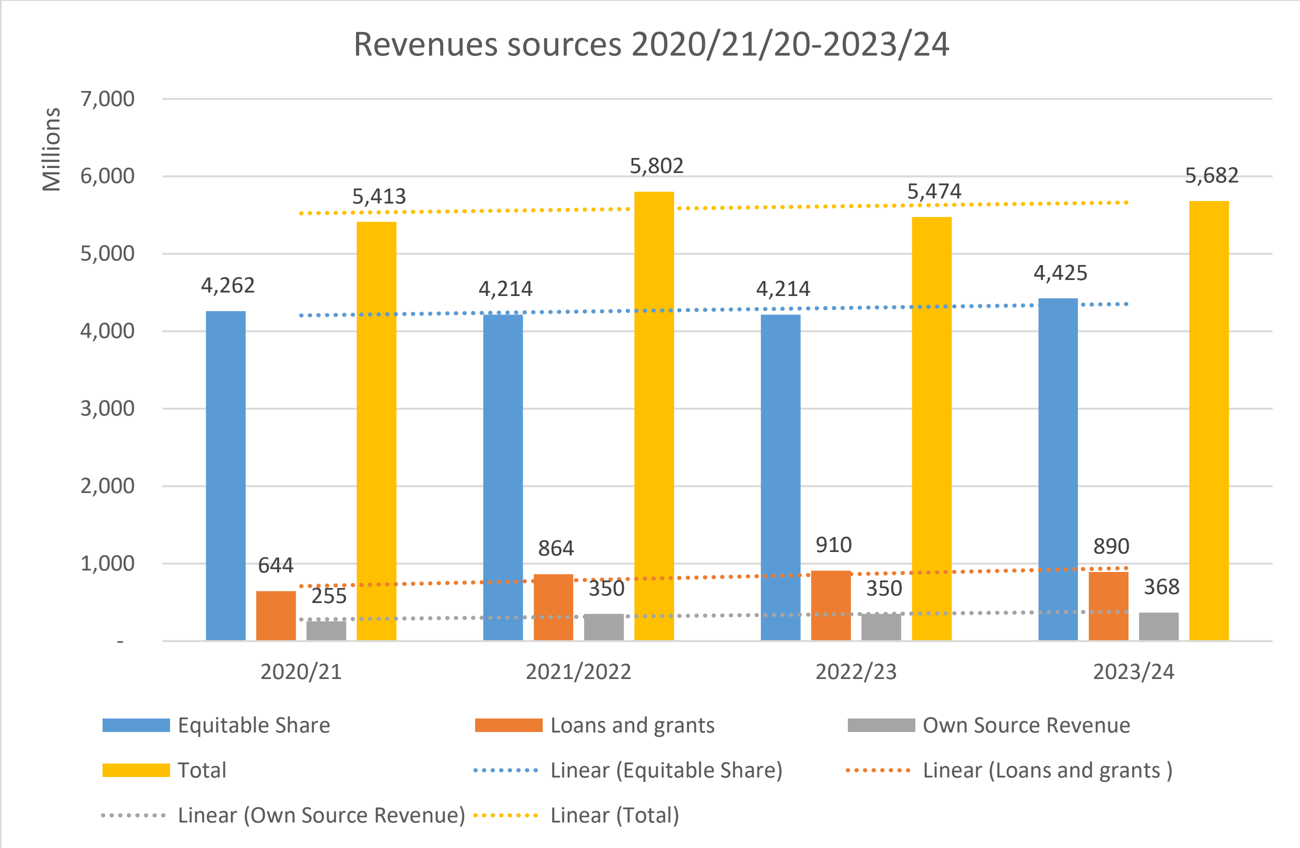


Figure 3: County Revenue by Source, Estimates, Actual and Trends

3.4.2 Expenditure Projections

From table, the total expenditure for the FY 2022/23 is expected to be at Ksh 5,474.2 million which is lower than the budgeted total expenditure for the FY 2021/22 of Ksh 5,801.9 million. The decrease in the projected expenditure is mainly due to the unspent balances.

Table 7: Estimates vs Actual Expenditure FY 2018/19- 2022/23

FINANCIAL YEAR	2018/19	2019/20	2020/21	2021/22	2022/23
Estimates	5,721,000,703	5,119,073,806	5,857,834,974	5,801,903,497	5,474,191,765
Actual	4,873,932,327	4,479,989,745	5,554,449,574	0	-
Deviation	847,068,376	639,084,061	303,385,400	-	-

This is further illustrated in Figure 4 below:

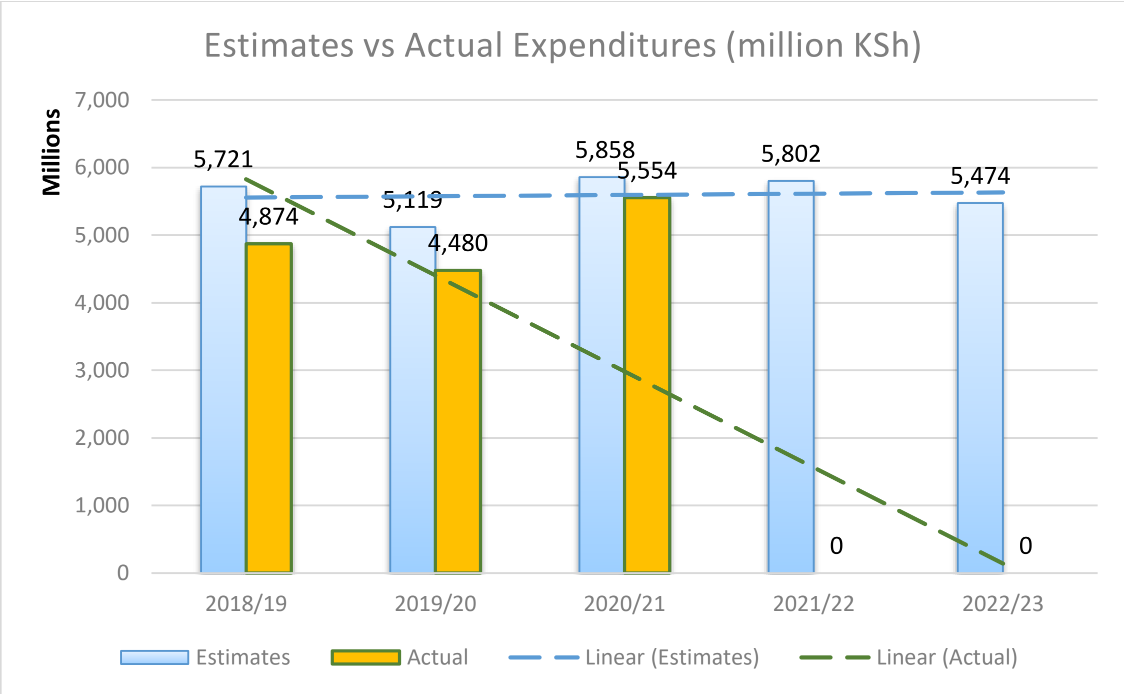


Figure 4: Estimates versus Actual expenditures (Million Ksh)

Figure 4 shows the expenditure by economic classification with the highest expenditure going to personal emoluments.

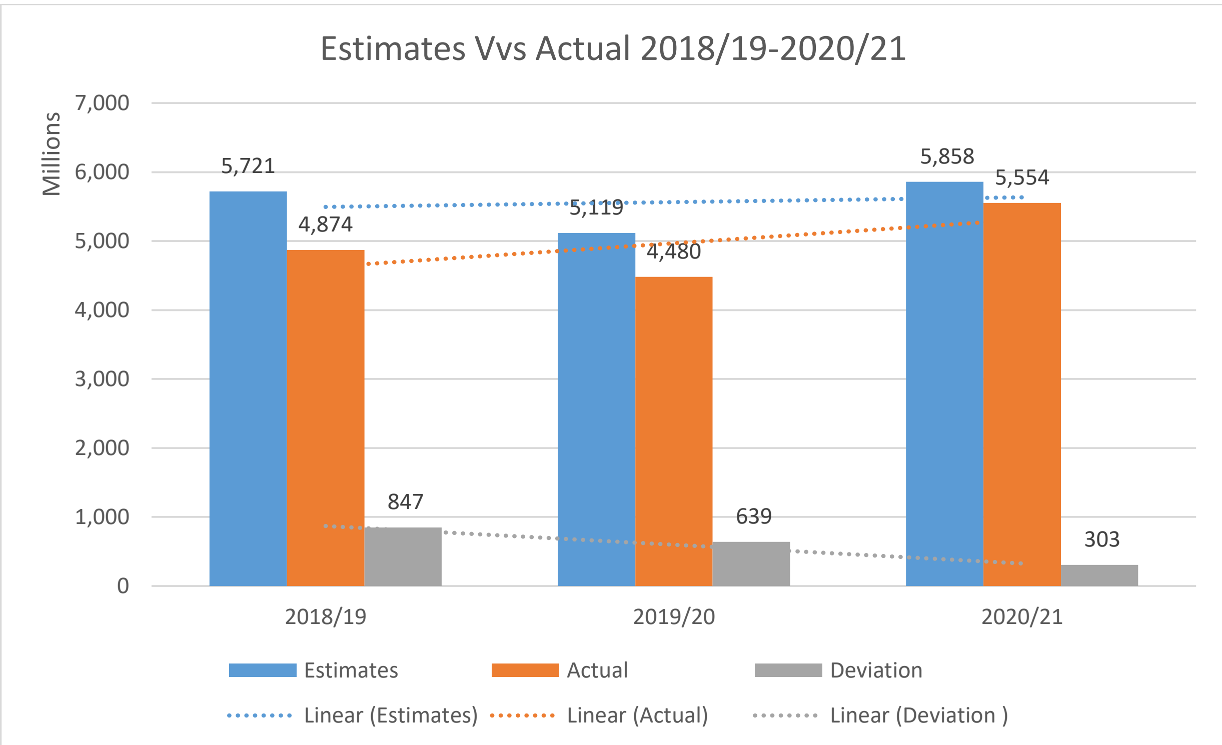


Figure 5: Actual expenditure by economic classification from 2018/19 FY - 2020/21 FY

Table 8: County Government Fiscal Projections FY 2022/23 MTEF

	2020/21 FY	2021/22 FY	2022/23 FY	2022/23 FY	2022/23 FY	2023/24 FY	2023/24 FY	2024/25 FY
Particulars	**Actual Expenditure**	**Budget Estimates**	**Projections CFSP 2021**	**Projections CFSP 2022**	**CBROP 2021**	**CFSP 2022**	**CBROP 2021**	**CFSP 2022**
TOTAL REVENUE & GRANTS	5,160,834,396	5,428,091,349	5,589,041,279	5,474,191,765	5,449,908,313	5,682,408,313	5,722,403,729	5,958,028,728
Other Receipts	252,554,178	373,812,148	-	-	-	-	-	-
Revenue (Total)	**5,413,388,574**	**5,801,903,497**	**5,589,041,279**	**5,474,191,765**	**5,449,908,313**	**5,682,408,313**	**5,722,403,729**	**5,958,028,728**
Equitable Share Allocation	4,262,115,600	4,214,198,393	4,424,908,313	4,214,198,393	4,424,908,313	4,424,908,313	4,646,153,729	4,646,153,728
Local Revenue	254,745,602	350,000,000	367,500,000	350,000,000	350,000,000	367,500,000	367,500,000	385,875,000
Grant income	643,973,194	863,892,956	796,632,966	909,993,372	675,000,000	890,000,000	708,750,000	926,000,000
Sub Total	**5,160,834,396**	**5,428,091,349**	**5,589,041,279**	**5,474,191,765**	**5,449,908,313**	**5,682,408,313**	**5,722,403,729**	**5,958,028,728**
Total Expenditure	**5,039,576,426**	**5,801,903,290**	**5,589,041,279**	**5,474,191,765**	**5,449,908,313**	**5,682,408,313**	**5,722,403,729**	**5,958,028,728**
Recurrent	3,687,251,222	3,766,161,283	3,860,156,429	3,655,081,364	3,690,087,330	3,822,266,713	3,874,591,697	4,066,599,098
Recurrent as % of CG Total Revenue	*68%*	*65%*	*69%*	*67%*	*68%*	*67%*	*68%*	*68%*
Personnel Emolument	2,391,657,907	2,155,622,424	2,269,562,899	2,300,851,835	2,455,943,953	2,379,562,899	2,578,741,151	2,427,885,800
Operations & Maintenance	1,295,593,315	1,610,538,859	1,590,593,530	1,354,229,529	1,234,143,377	1,442,703,814	1,295,850,546	1,638,713,298
Personnel Emoluments as % of CG Revenue	*44%*	*37%*	*41%*	*42%*	*45%*	*42%*	*45%*	*41%*
Development	1,352,325,204	2,035,742,007	1,728,884,850	1,819,110,400	1,759,820,983	1,860,141,600	1,847,812,032	1,891,429,630
Development as % of CG Total Revenue	*25%*	*35%*	*31%*	*33%*	*32%*	*33%*	*32%*	*32%*
Unspent Bal Current FY	373,812,148							

From table 8, the total revenues for the FY 2021/22 are estimated to be Ksh 5,801.9 million comprising some equitable allocations of Ksh 4,114.1 million and Ksh 373.8 million as exchequer balances relating to the FY 2020/21. The fiscal projections indicate that the equitable share will remain increase to Ksh 4,214.2 in FY 2022/23 million and increase Ksh 4,424.9 million in the FY 2023/24, while the county own source revenues are projected to be Ksh 350 million and Ksh 367.6 million over the same period.

The projected recurrent expenditure for FY 2022/23 is Ksh 3,655.1 million representing 67 per cent of the county government total revenue, while Ksh 1,819.1 million will be utilized for development expenditure which is 33 per cent of the total revenue of the county government. Expenditure by economic classification is presented in table 9. The personal emolument for the FY 2022/23 is estimated at 42 per cent of the county government total revenue.

3.4.3 Recurrent Expenditure Forecasts

Table 9: Actual Expenditure by Economic Classifications - FY 2020/21-2023/24 MTEF

	Actual Expenditure	**Budget Estimates**	**Projections**		
Particulars	**2020/21FY**	**2021/22 FY**	**2022/23 FY**	**2023/24 FY**	**2023/24 FY**
Total Expenditure	**5,039,576,426**	**5,801,903,290**	**5,474,191,765**	**5,682,408,313**	**5,958,028,728**
Recurrent	3,687,251,222	3,766,161,283	3,655,081,364	3,822,266,713	4,066,599,098
Personnel Emolument	2,391,657,907	2,155,622,424	2,300,851,835	2,379,562,899	2,427,885,800
Operations & Maintenance	1,295,593,315	1,610,538,859	1,354,229,529	1,442,703,814	1,638,713,298
Recurrent as % of CG Total Expenditure	73.17%	64.91%	66.77%	67.26%	68.25%
Personnel Emoluments as % of CG Expenditure	47.46%	37.15%	42.03%	41.88%	40.75%
O&M as % of CG Expenditure	25.71%	27.76%	24.74%	25.39%	27.50%

Expenditure by economic classification is presented in the following graph.

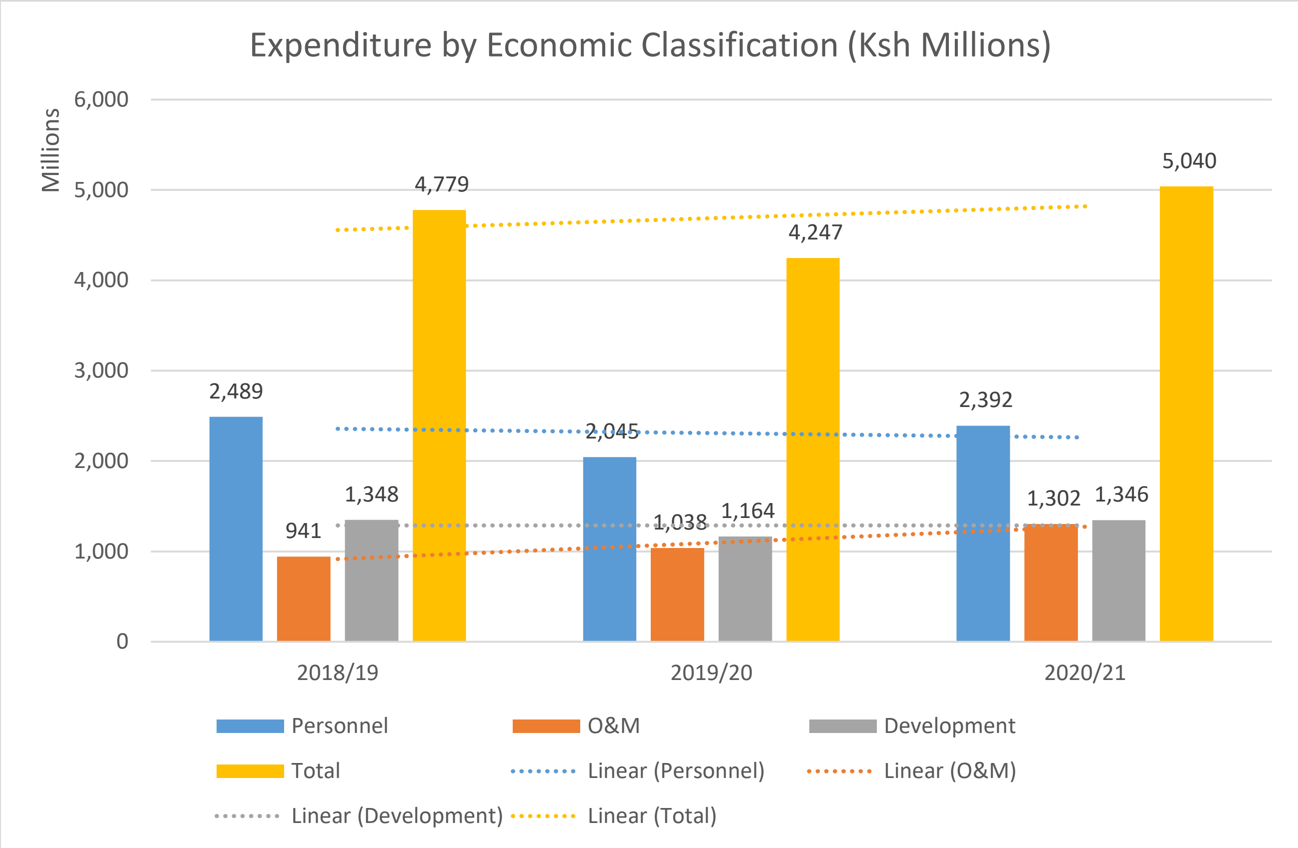


Figure 6: Actual Expenditure by Economic Classifications from FY 2019/20 – FY 2023/24

3.4.4 Development and Net Lending

The development expenditure allocation for FY 2022/23 is projected to be Ksh 1,819.1 million which represents 33 per cent of the total county resource envelope. This is above the minimum 30 per cent threshold required as per the public finance regulations and is expected to increase in the medium term and has been achieved through fiscal consolidation. The actual for FY 2020/21 and projected development expenditure over the medium term are presented in Table 10.

Table 10: Actual and Projected Development Expenditure

	Actual Expenditure	**Budget Estimates**	**Projections**		
Financial Year	**2020/21 FY Actual Expenditure**	**2021/22 FY Budget Estimates**	**2022/23 FY Projections**	**2023/24 FY Projections**	**2024/25 FY Projections**
Total Expenditure	5,039,576,426	5,801,903,290	5,474,191,765	5,682,408,313	5,958,028,728
Development	1,352,325,204	2,035,742,007	1,819,110,400	1,860,141,600	1,891,429,630
Development as % of CG Total Revenue	27%	35%	33%	33%	32%

Figure 7 shows the comparison of actual and projected expenditure on development by the county government over the period 2019/20-2023/24 financial years.

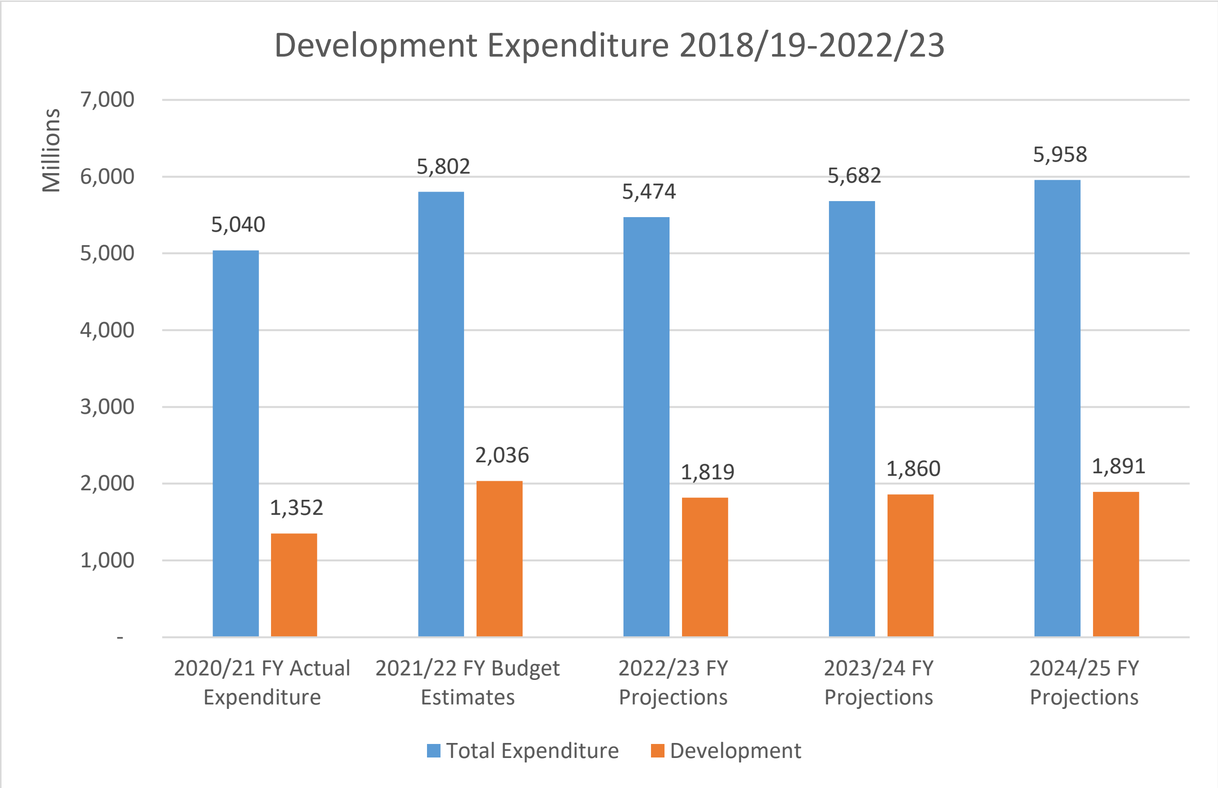


Figure 7: Projected Development Expenditure 2019/20 – 2023/24

3.4.5 Fiscal Balance and Deficit Financing

Based on the projected revenues and expenditures, the county aims at achieving a nil deficit (excluding grants) unless the local and equitable share disbursements are below optimal. In such a scenario where the two main revenue streams are below the target levels, then the county will resort to supplementary budget adjustments to cover the gap by the third quarter within the financial year.

3.5 Summary

The 2022/2023 financial year budget will be financed through the equitable share allocation, county own revenue sources and loans and conditional grants. The main source of funding will be through the equitable share constituting 77 per cent of the total revenue sources. This will be followed by loans and grants with 16.6 per cent and finally, the county own sources with 6.4 per cent.

CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK

4.0 Overview

The FY2022/23 budget and the Medium Term Budget Framework builds on the Governments effort to support economic recovery and mitigate against the adverse effects of the COVID-19 pandemic. The Government will also continue with the fiscal consolidation plan by containing expenditures and mobilization of revenues. In this regard, departments will be encouraged to adopt efficiency in allocation of resources through cost budgeting and reduce non-priority spending. This framework sets out the medium-term expenditure priorities and budget constraints against which sector plans can be developed and refined.

4.1 Resource Envelope

The resource envelope available for allocation among the spending County Departments is based on the prevailing medium term fiscal framework which is outlined in chapter 3. The county government will endeavour to mobilize resources from development partners funding the budgetary requirements of the County Government in key priority areas of food security, water and environmental programmes. Sustaining reforms in revenue administration that have seen own source revenues triple over the last three years is key in mobilizing resources for development. As per Article 175 of the Constitution, the need for county governments to have reliable revenue is a key principle in the devolution framework. To achieve this, the county will continue to strengthen the legal and institutional framework for raising tax and non-tax revenue streams in addition to improving capacity in revenue collection and administration.

For the FY 2022/2023, locally mobilized revenue or County Own Revenue (CORe) will finance about 6.4 % per cent of the expenditure priorities in the projected budget of Kshs 5,474.2 million. In the FY 2022/23, the county is plans to raise Kshs 350 million from its own revenue sources which will then increase to Kshs. 367 million in financial year 2023/2024 based on the revenue potential as per the revenue performance over the last two FY years. This will be achieved by ensuring improved revenue administration and expanding the tax base. Equitable share from national government will account for 77.0 per cent of total budget resources while loans and conditional grants will be 16.6 per cent.

Table 11: Resource Envelope for FY 2020/21-2022/23

Details	FY 2020/21	FY 2021/22	FY 2022/23	% 2022/23 Total
Equitable share	4,514,669,778	4,588,010,541	4,214,198,393	77.0%

Grants	643,973,194	863,892,956	909,993,372	16.6%
CORe	254,745,602	350,000,000	350,000,000	6.4%
TOTAL	**5,413,388,574**	**5,801,903,497**	**5,474,191,765**	100.0%

4.2 Spending Priorities

The medium-term budget framework for 2022/23 – 2024/25 has taken into account the need to ensure fiscal consolidation and prioritize resources towards economic recovery from the COVID 19 shocks. In particular, the budget framework has focused on supporting the national development Agenda, Post Covid-19 Economic Recovery Programme. Figure 9 provides the projected baseline ceilings for the FY2022/23 and the medium-term, classified by county department.

Health sector's overall goal is to attain the highest possible standards of health care to all in accordance with the Constitution and the Kenya Vision 2030. National policy and legal frameworks underscore the "right to health" and recognizes provision of equitable, accessible and affordable health care of the highest attainable standards to all Kenyans. The National and County Governments have their specific functions that are complementary towards achievement of quality, efficient and affordable Universal Health Coverage (UHC) for all Kenyans, being one of the pillars of the "Big Four" Agenda. The county government is committed to supporting the health sector in terms of adequate human resources, health care financing, provision of commodities and developing the required infrastructure. The county government will invest Kshs 1637.3 million for medical services programs and Kshs 459.7 million for public health and sanitation preventive services in the FY 2022/2023. This allocation comprises of Kshs 1,536.4 million and Kshs 306.4 million for recurrent medical services and health public respectively. The development allocation in the health sector will be Kshs 253.24 million to support the improvement of infrastructure. The funding to the sector also includes Kshs. 159 million in form of loans and grants for leasing of medical equipment and DANIDA funding.

The Agriculture Sector continues to play a vital role in the rural economy. Strengthening and improving the performance of the agricultural sector and enabling the engagement of the citizens in this process is a prerequisite and a necessary condition for economic growth. The County government is geared towards developing capacity of farmers, promoting modern methods of farming, offering high quality seeds; seedlings and fertilizers, revitalizing the coffee sector, improving tea buying centers as well as ensuring extension services are easily accessible. The sector has been allocated Kshs 706.7 million of which Kshs 192.2 million has been allocated for recurrent expenditure and Kshs 494.1 million for development programmes. The Agriculture and cooperatives sub sector has been allocated Ksh 590.3 million while the he livestock, veterinary and fisheries sub sector development programs have been funded to the tune of Kshs 116.4 million comprising of Kshs 86.4 million for recurrent and Kshs 30 million for development.

The water, environment and natural resources sector plays a critical role in our economy, securing, stewarding and sustaining the environment and natural capital of the country. In FY 2022/23, the county government will commit Kshs 174.6 million towards water services, irrigation and environment programs. This comprises of Kshs 69.6 million for recurrent expenditure and Kshs 105 million for the different development initiatives.

Access to improved road infrastructure is a key enabler for socio-economic development. To enhance economic growth, the county government will for the year 2022/2023 focus on completing all ongoing project, road tarmacking, opening of new roads, expansion and maintenance of feeder roads as well as construction of bridges and footbridges for easy linkages. The total budget allocated to Roads, Infrastructure, Public works and ICT for the FY 2022/2023 is Kshs. 404 million where Kshs. 300.6 million is for development and Kshs. 103.4 million for the recurrent expenditure. The Energy sub sector has a total allocation of Kshs. 109.8 million where Kshs. 23.8 million will be spent for recurrent purpose and Kshs. 86 million for development expenditure.

Education and youth training is a key social service sector for the county. The Government has prioritized human capital development by investing in quality and relevant education including revamping the Vocational Education and Training (TVET) sub sector. Towards this the County has planned to commit Kshs. 319. Million to the Education sector. The Education and Youth training sub sector has been allocated Ksh 248.3million of which Ksh 203.1 million is for recurrent costs and Ksh 45.1 is for development expenditure. The youth, sports, culture and tourism sub sector has been allocating Ksh 71 million with Ksh 45.8 million as recurrent and Ksh 25.2 and development expenditure.

The public administration sector is a fundamental pillar of the county service delivery framework. It provides overall county leadership, oversight and policy direction; prudent public finance management for transparency and accountability; coordinates county and sectoral development planning; management of population policy; ensures effective and efficient county public service; as well as the development of a sound legislative and regulatory framework. In the FY 2022/23 the sector has been allocated of Kshs. 1,363.9 million comprising Kshs 142.3 million allocated to the Office of the

Governor, Kshs. 122.9 million for Public Administration and Devolution Affairs, Kshs 483.2 million allocated to the Finance, Economic Planning and Trade, Kshs 490 million for the County Assembly and Kshs 25.3 million for the County Public Service Board.

The Lands, physical planning and urban development sector has been allocated Kshs 264.2 million in the FY 2021/22. This comprises of Kshs. 94.2 million for recurrent expenditure and Kshs 170.0 million for development. The development expenditure will be used to fund the completion of Kathwana modern market, completion of carbon paving at Chogoria town, tarmacking of Marimanti town, waste management skips among others.

The overall total ceilings for the FY 2021/22 and the per cent share of total expenditure per sector is further illustrated in the pie chart in Figure 11.

Sectoral Ceilings

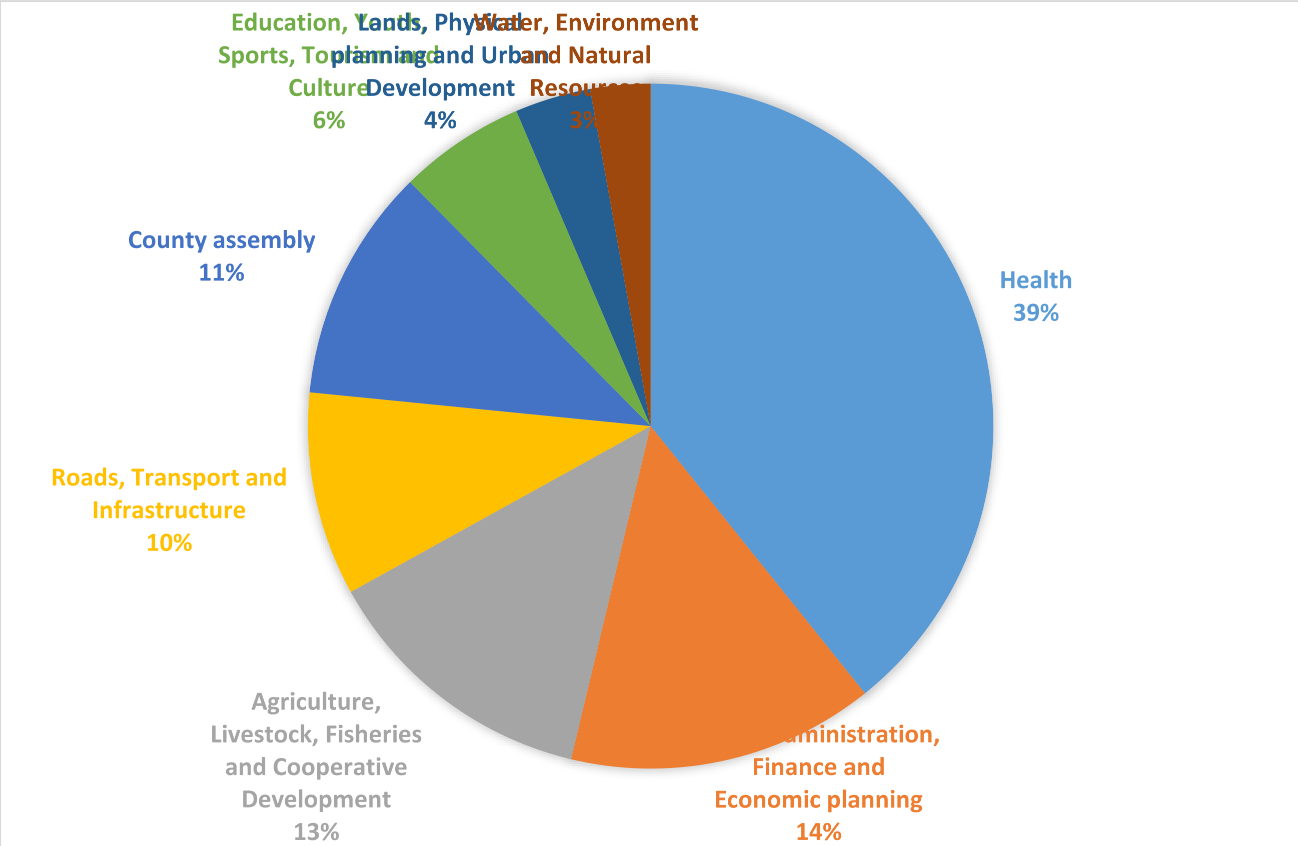


Figure 8: Pie Chart Presentation of Sector Allocation % of Total Expenditure

The overall expenditure and allocations in terms of percentages as per the sectors in this CFSP is well indicated in the above pie chart. Health Sector is a top priority and take the biggest share (39%)

followed by public administration, finance and Economic planning at 14%, Agriculture sector (13%) and roads, infrastructure, ICT and Public Works and comes third with (10%).

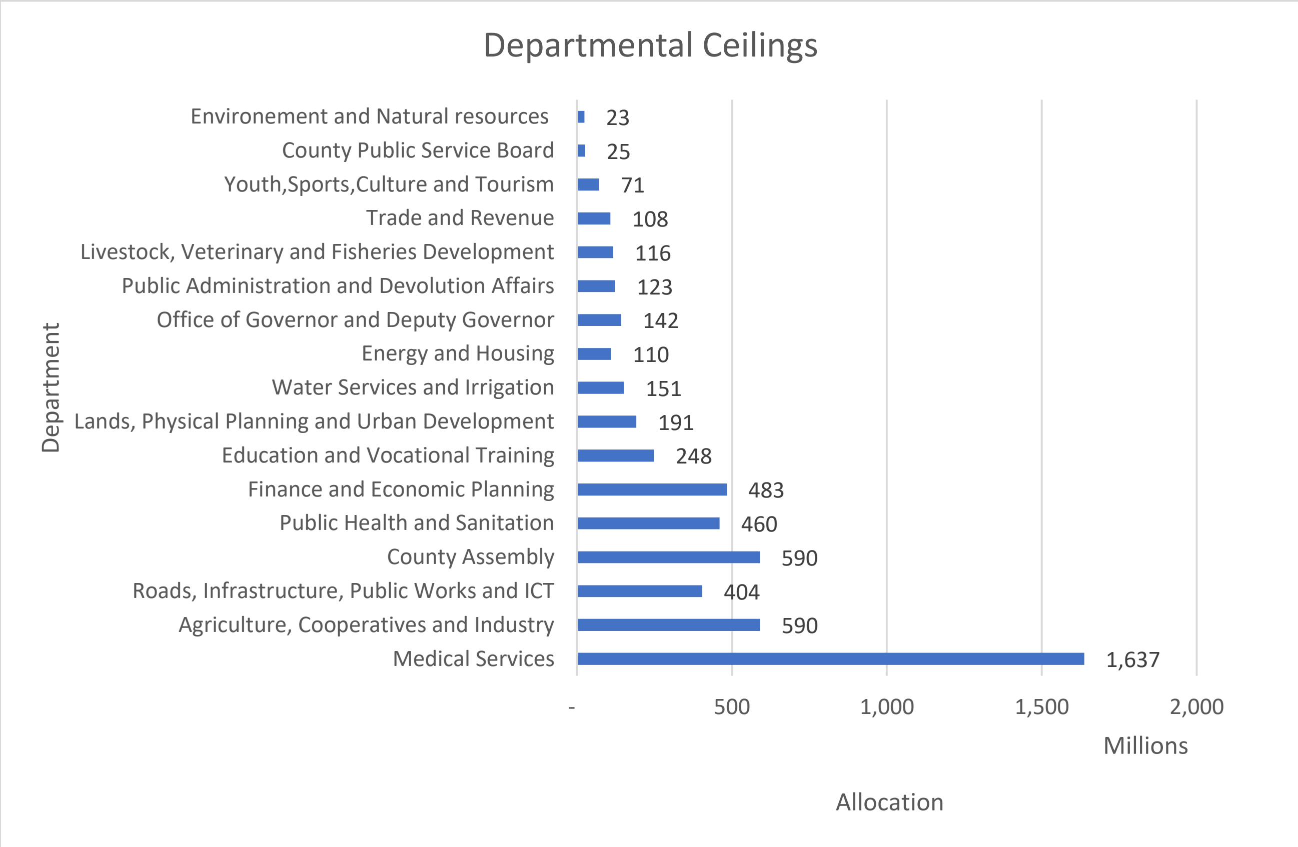


Figure 9 : Graphical Presentation of the departmental Allocations

4.3 Medium Term Expenditure Estimates

The summary of indicative departmental ceilings for FY 2022/23 is indicated that informs the Sector Ceilings for FY 2021/22 and MTEF as shown in table 12 below.

Table 10 : 2022/23 Sector Ceilings

Department	PE	O&M	Grants - Rec	Total Rec	Ord. Dev	Grants - Dev	Total Dev	Grand Total
Agriculture, Cooperatives and Industry	96,177,840	29,964,500	-	126,142,340	52,948,800	411,230,460	464,179,260	590,321,600
County Assembly	-	455,000,000	-	455,000,000	135,000,000		135,000,000	590,000,000
County Public Service Board	14,933,400	10,400,000	-	25,333,400		-	-	25,333,400
Education and Vocational Training	154,444,800	48,701,700	-	203,146,500	45,110,900	-	45,110,900	248,257,400
Energy and Housing	18,101,480	5,657,900	-	23,759,380	10,000,000	76,000,000	86,000,000	109,759,380
Environment and Natural resources	12,140,000	6,299,600	-	18,439,600	5,000,000		5,000,000	23,439,600
Finance and Economic Planning	72,837,000	146,682,900	-	219,519,900	20,000,000	243,769,540	263,769,540	483,289,440
Lands, Physical Planning, Urban Development, Environment and Natural Resources	59,058,000	22,188,700	-	81,246,700	90,000,000	20,000,000	110,000,000	191,246,700
Livestock, Veterinary and Fisheries Development	65,591,265	20,851,729	-	86,442,994	30,000,000		30,000,000	116,442,994
Medical Services	1,220,413,400	310,239,800	5,695,500	1,536,348,700	100,947,828	-	100,947,828	1,637,296,528
Office of Governor and Deputy Governor	56,015,000	86,260,700		142,275,700	-	-	-	142,275,700
Public Administration and Devolution Affairs	97,604,300	25,350,000	-	122,954,300	-	-	-	122,954,300
Public Health and Sanitation	255,523,400	50,887,000	-	306,410,400	-	153,297,872	153,297,872	459,708,272
Roads, Infrastructure, Public Works and ICT	32,439,400	70,984,000	-	103,423,400	300,605,000	-	300,605,000	404,028,400
Trade and Revenue	87,039,000	20,572,500	-	107,611,500	-	-	-	107,611,500
Water Services and Irrigation	33,254,750	17,945,000	-	51,199,750	100,000,000	-	100,000,000	151,199,750
Youth, Sports, Culture and Tourism	25,278,800	20,548,000	-	45,826,800	25,200,000	-	25,200,000	71,026,800
Total	**2,300,851,835**	**1,348,534,029**	**5,695,500**	**3,655,081,364**	**914,812,528**	**904,297,872**	**1,819,110,400**	**5,474,191,765**

CHAPTER FIVE: CONCLUSION AND NEXT STEPS

The overall expenditure in this CFSP as outlined in MTEF framework has grown moderately taking into account the envisioned moderate economic growth. The critical social economic programs will continue to receive a significant share of resources as well as capital investments as contributions to the growth objectives. The CFSP 2021 has detailed the set of fiscal policies that are aimed at balancing between changing circumstances due to emerging issues and the need to keep the link to the CIDP and the fiscal responsibility principles entrenched in the PFM Act, 2012. The policies are also consistent with the national strategic objectives such as 'Big Four Agenda' as detailed in the Budget Policy Statement which provides the basis for allocation of public resources. Details of these strategic objectives are contained in the CIDP (2018-2022). These details were also reviewed and refined during the sector working groups. Each sector working group report provides clarity on the key priorities and resources needed for the 2021/22 MTEF budget. The policies and sector ceilings provided in this document will guide the departments in preparation of the 2021/22 MTEF Programme Based Budgets.

Budgetary resources are usually limited; thus it is imperative that departments prioritize their programmes within the available resources to ensure that utilization of public funds are in line with county government priorities. Departments need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocating resources. Priority should be given to any stalled projects and the recently initiated but still on-going projects. The departments should also pay attention to estimated requirements for each of the stages in the project cycle to ensure that the budget amounts are based on clear timelines and milestones. There is also need to ensure that recurrent resources are being utilized efficiently and effectively before funding is considered for ordinary programmes.

Monitoring and Evaluation will play a critical role in tracking the implementation of the projects and programmes envisaged in this document and strengthen the county's capacity to deliver services to its residents. Monitoring and evaluation will involve the tracking of activities, tracking of budget usage, the assessment of performance and putting in place strategies and actions for the attainment of results. Proper implementation of the budget is critical towards providing services that will promote sustainable development. Sustainability requires greater effort from all the stakeholders including County Government departments, sector working groups, civil societies, communities, County

Assembly and development partners to get things done. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable County.

Annex 1: Revised Budget Circular 2022/23 FY

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Prepare and issue budget circular with guidelines	CEC Member for Finance	August 30th 2021
1.1 One day sensitization workshop for accounting officers and directors		Sep-21
2. Sector Woking Groups and CBEF	County Treasury	
2.1.1 1st CBEF Meeting – Review of FY 2020/2021 and		24th September 2021
Consideration of ADP FY 2022/23		
2.1.2 Launch and first meeting for SWGs and sensitization on SDGs		Oct-21
2.2 Second meeting for SWGs		November 2021
Submission of projects and programmes to be implemented for FY 2022/23		30th November 2021
2.3 Third meeting for SWGs		Feb-22
3. County Annual Progress Report		
3.1 Draft CAPR	Economic Planning Department	15th October 2021
3.2 Validation of the CAPR	Economic Planning Department	15th – 21st October 2021
3.3 Submission to CEC for Approval	Economic Planning Department	20th October 2021
3.4 Submission to CA for Approval	Economic Planning Department	15th October 2021
4. Monitoring and Evaluation	Economic Planning Department	
4.1 M&E field work	Economic Planning Department	October 2021 and January 2022
4.2 Annual M&E week		2nd week November 2021
5. Statistical abstract 2020		
5.1 Draft	County Treasury (Economic Planning Department)	Sep-Oct 2021
5.2 Launch	(County Treasury (Economic Planning Department)	Nov-21
6. Development of ADPs for FY 2022/23 and 2023/24		
6.1. Draft ADP FY 2022/23	Economic Planning Department	13th August 2021
6.2 Submission of ADP FY 2020/21 to CEC	Economic Planning Department	26th August 2021
6.3. Submission of ADP FY 2020/21 to County Assembly	Economic Planning Department	1st September 2021
6.4. Report of ADP from County Assembly	Economic Planning Department	

6.5. Consolidation of CA recommendations to Final ADP	Economic Planning Department	
6.6. Approval of ADP by County Assembly	Economic Planning Department	*(Within 21 days upon submission)*
6.7. Meeting with TWGs for ADP FY 2023/24	Economic Planning Department	April-Jun 2022
6.8. First draft ADP FY 2022/23	Economic Planning Department	15th August 2022
6.9. Validation ADP FY 2022/23	Technical working groups	15th – 25th August 2022
6.10. CEC Approval ADP FY 2022/23	CECs	30th August 2022
6.11. Submission ADP FY 2022/23 to County Assembly	CEC finance	1st September 2022
6.12. preparation of 2023-2028 CIDP	Technical working groups	May –December 2022
7. Development of County Budget Review and Outlook Paper (CBROP) 2020		
7.1. Estimation of Resource Envelope	County Treasury (Budget Unit)	15-Sep-21
7.2. Determination of policy priorities	County Treasury (Budget Unit)	"
7.3. Preliminary resource allocation to Sectors	County Treasury (Budget Unit)	"
7.4. Draft County Budget Review and Outlook Paper	County Treasury (Budget Unit)	15th Sep 2021
7.5. Validation	County Treasury (Budget Unit)	15th -20th September 2021
7.6. Submission and approval of CBROP by CEC	County Treasury (Budget Unit)	30th September 2021
7.7. Submission of approved CBROP to County Assembly	County Treasury (Budget Unit)	14th October 2021
8. Preparation of Budget proposals for the MTEF and Public Participation	Departments	
8.1. First retreat to draft Sector Reports (Programmes and projects submitted)	SWGs/TWSGs	20th October 2021
8.2. Public Sector Hearings	County Treasury	November 2021 and January 2022
8.3. Review and Incorporation of stakeholder inputs in Sector proposals	SWGs	30th January 2021
8.4 Submission of Sector Reports to County Treasury	Sector Chairpersons	5th December 2021
8.5. Consultative meeting with CECs/COs on budget proposals	County Treasury	15th December2021
8.6 3rd CBEF Meeting: Consideration of Budget Estimates	County Treasury	20th December 2022

9. Draft County Fiscal Strategy Paper (CFSP) 2020		
9.1. Draft CFSP	County Treasury	18th November 2022
9.2. Draft Debt Management Strategy (DMS)	Budget Unit	“
9.3.1 Validation Workshop	Budget Unit	22nd - 26th November 2022
9.3.2 2nd CBEF Meeting: Consideration of CFSP and DMS (Strategic Planning)	County Treasury	30th November 2022
9.4. Submission of CFSP and DMS to CEC for approval	County Treasury	3rd December 2021
9.5. Submission of CFSP & DMS to County Assembly for approval	County Assembly	10th December 2021
10. Preparation and approval of Final Departmental Budgets		
10.1. Develop and issue final guidelines on preparation of 2020/21 MTEF Budget	County Treasury	October, 2021
10.2. Submission of Draft Revenue Raising Measures (Finance Bill) to County Treasury	Line departments	10th November, 2021
10.3. Submission of Budget proposals to County Treasury (First draft)	Line departments	15th November, 2021
10.4. Consolidation of the Draft Budget Estimates (final draft)	County Treasury	10th -15th January, 2022
10.5. Submission of Draft Budget Estimates to CEC	County Treasury	20th February, 2022
10.6. Submission of Draft Budget Estimates to County Assembly	County Treasury	28th February, 2022
10.7. Submission of Final Revenue Raising Measures(Finance Bill) to County Treasury	Revenue Department	4th March, 2022
10.8. Review of Draft Budget Estimates by County Assembly	County Assembly	
10.9. Report on Draft Budget Estimates from County Assembly	County Assembly	
10.10. Consolidation of the Final Budget Estimates	County Treasury	
10.11. Approval of Appropriation Bill by County Assembly	County Assembly	31st March , 2022
10.12. Approval of Vote on Account by County Assembly	County Assembly	31st March, 2022
11. Public participation	**County Treasury**	**November 2021 - February 2022**
12. Development committees (ward level)		

12.1. 1st meeting	County Treasury	30th October 2021
12.2. 2nd meeting		15th February 2022
13. Budget Statement	**CEC Finance**	**15th March, 2022**
14. Appropriation Bill passed	**County Assembly**	**31st March, 2022**

ANNEX 2: PUBLIC PARTICIPATION REPORT

REPORT OF THE PUBLIC PARTICIPATION EXERCISE CARRIED OUT ON 19TH FEBRUARY 2021 ON THE COUNTY FISCAL STRATEGY PAPER FOR THE MTEF 2021/22-2023/24

INTRODUCTION

Pursuant to the provisions of sections 117(1) and (6) of the Public Finance Management Act, 2012, the County Treasury is expected to undertake public participation hearings on the Fiscal Strategy Paper for the fiscal year period 2021-22 and Medium Term Expenditure Framework for the period 2021/22-2023/2024.

In accordance with the provisions of the Constitution of Kenya, which call for openness, accountability , and public participation in development matters and as per provisions of the Public Finance Management Act, 2012, the County Governments Act, 2012, and the Tharaka Nithi County Finance Bill, through a notice of invitations to members of the public, public sector organizations, interested parties and all key stakeholders submitted their plan proposals for inclusion in the County Fiscal Strategy Paper 2021 and the Medium Term Expenditure Framework Budget for the period (2021/22-2023/2024).

The schedule of the meetings was as shown in the table below

no	WARD	VENUE	DAY	TIME	team
1.	Mukothima	Mukothima DO's Camp	30/11/2021	9.00am – 12.00 noon	Lawrence Micheni Nicholus Mitambo Frankline Munene
2.	Gatunga	Sub County Offices	30/11/2021	1.00pm -4.30 pm	
3.	Nkondi	Nkondi Chiefs Camp	1/12/2021	9.00am – 12.00 noon	
4.	Marimanti	Marimanti Chief's Camp	1/12/2021	1.00pm -4.30 pm	
5.	Chiakariga	Chiakaringa Chief's Camp	2/12/2021	9.00am – 12.00 noon	
6.	Mariani	Weru Chief's Camp	30/11/2021	9.00am – 12.00 noon	Zephanian Mbaka Rachel Kimani Reflid Njeru
7.	Igambang'ombe	Ward Administator's Office Kajuki	30/11/2021	1.00pm -4.30 pm	
8.	Mugwe	Kambandi Chief's Camp	1/12/2021	9.00am – 12.00 noon	
9.	Magumoni	Kibugua Chief's Camp	1/12/2021	1.00pm -4.30 pm	
10.	Karingani	Ndagani ass chief camp	2/12/2021	9.00am – 12.00 noon	
11.	Mwimbi	DO's ground	30/11/2021	9.00am – 12.00 noon	Humprey Kinyua Dennis Kwendo Ann Karambu
12.	Ganga	Kirumi DO'Office	30/11/2021	1.00pm -4.30 pm	
13.	Muthambi	Mwangarimwe Do's Ground	1/12/2021	9.00am – 12.00 noon	
14.	Mitheru	ACC grounds (Chief's camp)	1/12/2021	1.00pm -4.30 pm	

15.	Chogoria	County council hall	2/12/2021	9.00am – 12.00 noon	

Chapter 7 of the Constitution examines public participation in public finance management in Kenya as enshrined in the Constitution of Kenya 2010. Specifically, the chapter examines the following:

(i) The constitutional and legislative public participation opportunities in Kenya

(ii) The mechanisms through which the public can effectively participate in financial matters;

(iii) Recommendations for effective public participation in fiscal decision making processes.

The Constitution and the PFM Act, 2012 provide a distinct opportunity to enhance the role of citizens in public financial management processes in Kenya. Chapter Twelve of the Constitution deals with Public Finance. Article 201 introduces principles of public finance, among them being, openness and accountability including public participation in financial matters. These principles, if strictly adhered to, would strengthen policy formulation and management of public resources for the improved livelihoods of many Kenyans.

Similarly, public participation in planning, budgeting and oversight at both the national and county levels of government is guaranteed by the Constitution of Kenya 2010 and the PFM Act, 2012. Sections 35(1) and 125 of the PFM Act, 2012 elaborately outline the stages in the budget process at the national and county government levels respectively in any financial year. Despite these avenues, citizens may not effectively participate in fiscal decision making due to a number of reasons. Here, the following two reasons will suffice.

The Constitution of Kenya 2010 introduces changes in the public finance management framework in Kenya. Specifically, Chapter Twelve of the Constitution, at Article 201 sets out the principles of public finance as follows:

(a) Openness and accountability including public participation in financial matters;

(b) Public finance system shall promote an equitable society;

(c) Burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations;

(d) Public money shall be used in prudent and responsible way; and

(e) Financial management shall be responsible and fiscal reporting shall be clear.

Tharaka Nithi county has been conducting public hearing forums during the development of county plans and during preparations of expenditure framework which always has been conducted by budget and economic planning team.

During this year's budget cycle the department held sector working group session and prepared reports to inform budget decisions in the medium term. During the public hearing forum, deliberations and contributions by members of the public were captured and reports prepared by the teams. The key highlights and project proposals were captured in the following sections.