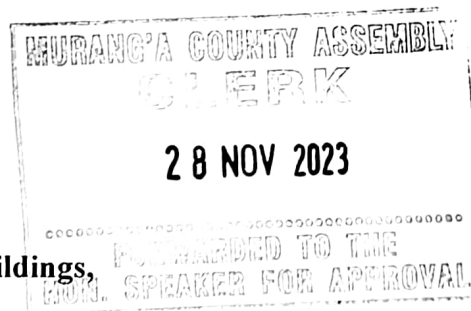




**MURANG'A COUNTY GOVERNMENT
COUNTY ASSEMBLY OF MURANG'A
THIRD ASSEMBLY
SECOND SESSION**

**THE COMMITTEE ON BUDGET AND APPROPRIATIONS
REPORT ON THE COUNTY BUDGET AND REVIEW OUTLOOK PAPER (CBROP)
2023**

**Clerk's Chambers,
Murang'a County Assembly Buildings,
MURANG'A.**



NOVEMBER 2023

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EXECUTIVE SUMMARY

It is my pleasure to present to this Assembly the report on the County Budget and Review Outlook Paper (CBROP) 2023. The CBROP 2023 is prepared pursuant to Section 118 of the Public Finance Management Act 2012 to provide a review of previous year 2022-23 fiscal performance and reasons for any deviations from the financial objectives as set in the county fiscal strategy paper and proposals to address the challenges. The CBROP is important in the budget cycle because it links planning and budgeting and facilitates Medium Term Expenditure Framework (MTEF).

The CBROP 2023 indicates that the county government was able to utilize 86% of the approved budget for the FY 2022-23 and that verified pending bills amounted to Kshs. 642,197,909 which will be settled during the FY 2023-24. During the FY 2022-23 the county government launched a new development plan 2023-27 that integrated the 2022-23 the county government launched a new development plan 2023-27 that integrated the governors manifesto into programs and projects for implementation.

Future forecasts indicate that the county is still exposed to economic risks due to the low performance of revenue at the National level and the global financial crisis emanating from conflicts and high costs of credit. The resource envelope is targeted to grow to 9.6 billion in the FY 2024-25 and up to 10 billion over the medium term.

Signed.....
Date.....

HON. CHARLES MACHIGO KARINA
CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE.

1.0 PREFACE

1.1 Committee Establishment and Mandate

Mr. Speaker, pursuant to Standing Order 200(3), the County Budget and Appropriation Committee is mandated among other functions to: -

- a) Investigate, inquire into and report on all matters related to coordination, control and monitoring of the County budget,
- b) Discuss and review the estimates and make recommendations to the House; and;
- c) Examine Bills related to the County budget, including Appropriations Bills

1.2 Committee Membership

The County Budget and Appropriation Committee as currently constituted, comprises of the following Members:-

- | | |
|----------------------------------|--------------------|
| 1. Hon. Charles Machigo Karina | - Chairperson |
| 2. Hon. Julian Njiiri | - Vice Chairperson |
| 3. Hon. Francis Kamau | - Member |
| 4. Hon. Gerald Wambugu | - Member |
| 5. Hon. Grace Sharleen Wambui | - Member |
| 6. Hon. Caroline Wairimu Njoroge | - Member |
| 7. Hon. James Karanja Kabera | -Member |
| 8. Hon. Jeremiah Gichobe | - Member |
| 9. Hon. Naomi Nyambura Maina | - Member |
| 10. Hon. John Mwangi Kamau | - Member |
| 11. Hon. John Ngugi Kibaiya | - Member |
| 12. Hon. Dinah Muthoni Kagiri | - Member |
| 13. Hon. Samson Mukora Ngigi | - Member |
| 14. Hon. Edwin Mwangi Wairagu | - Member |
| 15. Hon. Peter Murigi Ngugi | - Member |
| 16. Hon. Liz Muthoni Mbugua | -Member |
| 17. Hon. Moses Mirara | -Member |

1.3 Committee Secretariat

- | | |
|---------------------|----------------------------|
| 1. John Kahari | -Principal Clerk Assistant |
| 2. Hellen Githinji | -Principal Hansard Editor |
| 3. Esther Ngamau | -Fiscal Analyst |
| 4. Mj. Esau Shilako | -Chief Sergeant Art Arms |
| 5. Brian Kinyanjui | -Sergeant Art Arms |

2.0 BACKGROUND INFORMATION

Hon. Speaker the County Budget and Review Outlook Paper (CBROP) is provided under section 118 of the Public Finance Management Act to give a review of the previous fiscal year performance and give reasons for any deviations from the financial objectives of the adopted County Fiscal Strategy Paper. Further, the CBROP is supposed to provide macroeconomic analysis of factors affecting future budgets and provide proposals for the Medium Term Budget Framework (MTEF). CBROP is therefore an important document that links planning and budgeting in the budget cycle.

Hon. Speaker the fiscal year being reviewed is the FY 2022-23 that was a unique period given the current county administration was inaugurated on September 2022. The new administration had to review the existing planning framework in order to align its manifesto and objectives to the budget. This led to the amendment of the Annual Development Plan FY 2022-23 and adoption of a supplementary budget 2022-23. In this regard, new programs were introduced that included; Agricultural Input Subsidy, Health Support Fund and the School Feeding Program. Hon. Speaker, implementation of the new program has promoted equity and growth across the county. Additionally, the County Integrated Development Plan was adopted during the FY 2022-23 and has provided a fiscal framework for the implementation of the current budget 2023-24 and over the Medium Term.

Despite the sound and transformational policies by the county government there are risks to future budget implementation that will be facilitated by the global debt and financial crisis, the conflict between Ukraine and Russia and trade shocks in Kenya. The county government should enhance its fiscal capacity by strengthening the revenue administration system during the FY 2023-24.

2.1 Terms of Reference

The committee set to identify;

- a) How the previous fiscal year budget performed
- b) The reasons for deviations from the financial objectives set out in the County Fiscal Strategy Paper 2022
- c) The macroeconomic variables likely to affect budget implementation
- d) The projected Resource Envelope over the Medium Term

2.2 Methodology

The committee applied the following methods to come up with this report;

- a) In-depth scrutiny of the County Budget Review Outlook Paper 2023
- b) Fiscal briefings and analysis presented by the secretariat during committee meetings

3.0 COMMITTEE OBSERVATIONS

The committee observed as follows;

3.1 Significance of the CBROP

The County Budget and Review Outlook Paper (CBROP) enables policy makers to understand of how the approved budget of the previous financial year was implemented. In this view, policy makers are able to identify deviations from the financial objectives set out in the County Fiscal Strategy Paper and understand the reasons thereof. In scrutinizing past performance, lawmakers are equipped with information that enable them to make future decisions. CBROP fulfils the accountability principle as outlined under Article 201 of the Constitution.

The analysis on macroeconomic variables enables the county government to be cognizant of the global happenings that are possible to affect growth and development in the county.

3.2 Previous Fiscal Performance of the FY 2022-23

The county government had an approved budget amounting to Kshs. 9.8 billion where Kshs. 380 million was balance brought forward from the previous financial year, Kshs. 7.18 was the equitable share, Kshs. 1.5 billion was own source revenue target and Kshs. 743.2 million was grants. In correspondence the county spent Kshs. 8.5 billion where Kshs. 380.5 million was from balance brought forward, Kshs. 7.18 billion was from the equitable share, Kshs. 658.16 million was from local revenue, Kshs. 337.1 million was received from grants. The recurrent expenditure amounted to Kshs. 6.4 billion while development expenditure was Kshs. 2.04 billion.

The county Own Source Revenue grew by 26.49% from Kshs. 520.3 million collected during the FY 2021-22 to Kshs. 658.17 collected in the FY 2022-23. The county revenue target amounted to Kshs. 1.58 billion where Kshs. 1 billion was Own Source Revenue while Kshs. 500 million was from the privatization of the Murang'a County Creameries. The revenue performed to a tune of 42 % leading to a budget deficit of 8.5%.

The highest performing revenue streams are as scheduled below;

Schedule 1: Revenue Performance for the last two Fiscal Years

No.	Stream	2021-22 (Kshs.)	2022-23 (Kshs.)	Increase (Kshs.)	% Increase
1	Plan Approval	2,837,038	16,540,791	13,703,753	483
2	Liquor License	16,098,213	54,707,214	38,609,001	240
3	Licenses	106,214,073	214,814,773	108,600,700	102
4	Hospitals	81,250,808	123,750,039	42,499,231	52
5	Building CESS	33,045,131	40,059,246	7,014,115	21
6	Bus Park Fees	26,647,768	29,971,067	3,323,299	12
	Total	266,093,031	479,843,130	213,750,099	80

3.3 Reasons for Deviations from the Financial Objectives set out in the Adopted CFSP

The County Government was not able to meet the financial objectives set out in the County Fiscal Strategy Paper 2022 given it was a transition year and the previously approved Annual Development Plan had to be amended to incorporate new development priorities as contained in the Governor's manifesto. The County Government initiated a Supplementary Budget to reallocate money to the priority programs. During the fiscal year new offices had to be created and structures developed for efficient operations of the new County Administration. The arrangements led to shift from the initial fiscal and financial objectives set in the Fiscal Strategy Paper.

3.4 Macroeconomic Variables Affecting County Budgeting

3.4.1 International Economic Environment

The global economic growth declined from 3.4% in 2022 to 2.8 % in the year 2023 and is projected to grow further to 3% in the year 2024. The Kenya economy is also expected to grow by 3.2% in 2024 along with other Sub-Saharan African countries. The financial conditions that will affect budgeting include tightening of the monetary policy by Central Bank to contain the growing inflation. The result would be increased interest rates that will have ripple effects such as high cost of debt and increased capital outflows that may reduce the available resources.

3.4.2 Gross Domestic Product (GDP)

The Kenya real GDP grew from is projected to grow to 5% in 2023 and to 5.2 in 2024-25 due to Government's fiscal consolidation measures that are aimed at reducing its borrowing from the domestic market to make funds available for the private sector. Growth will emanate from the resilience of the service sector, increased foreign remittances and the recovery of the Agriculture sector. The National Government is aware that there could be risks to the projected growth that include; short rains, growing inflation and political uncertainties.

3.4.3 Inflation

Inflation is the rate of increase in prices over a given period of time which is a key macroeconomic variable that affects growth and development. Commodity prices have increased from 7.6% in 2022 to 7.8% in 2023 due to the declining shilling value. The rate of inflation is however expected to fall as a result of ongoing rains that could raise agricultural productivity and the subsidized production techniques employed by the National Government. Global commodities are also expected to decline if nations contain peace and harmony.

3.4.4 Exchange Rate

Exchange rate is the value of one currency for the purpose of conversion to another. The Kenya Shilling has depreciated overtime against major world currencies such as the Dollar, the Euro and the Sterling Pound. The Shilling devaluation has resulted from the increased interest rates of the developed countries while responding to their inflationary crisis. Kenya Shilling is still expected to devalue if the interest rates of advanced countries is not contained. Exchange rate is a key risk to economic growth and ripple effects include budget cuts to counties and MDAs.

3.4.5 County Economic Growth

The county government policies are aimed at promoting economic growth through agricultural productivity. As contained in the County Integrated Development Plan (CIDP 2023-28) Agricultural Input Subsidy supports farmers to acquire inputs in the Mango and Milk value chains. During the last fiscal year the program motivated county residents to join co-operatives and aggregated groups that have increased economies of scale in the value chains. Additionally, Sorgham and Rhodes crops have been introduced and farmers sensitized so as to spread growth to lower Murang'a where climate does not support conventional farming.

Apart from agriculture, the county government has initiated the Youth Empowerment Program that supports young people to gain skills through community service. The program is also a strategy to alleviate poverty, drug addiction and crime in the society. Through the implementation of this program per capita income has increased and inequalities reduced.

Other developmental programs include the on-going infrastructural projects in hospitals and ECDEs that are changing the face of the county tremendously.

4.0 PROJECTED REVENUE AND EXPENDITURE CEILINGS FY 2024-25 AND OVER THE MEDIUM TERM

4.1 Projected Resource Envelope FY 2024-25 and over the Medium Term

The projected resource envelope indicates that the county revenue will grow over the medium term by 2 % and 2.5% respectively. Equitable share is expected to grow from Kshs. 7.5 Billion to Kshs. 7.55 Billion and Kshs. 7.6 Billion at the end of the Medium Term. Local revenue and grants shall remain constant over the period.

Schedule 2; Projected Resource Envelope

	FY	2024-25	2025-26	2026-27
Revenue Type	Equitable Share	7,500,000,000	7,550,000,000	7,600,000,000
	Equitable Share C/F	600,000,000	600,000,000	600,000,000
	Local Revenue	800,000,000	950,000,000	1,150,000,000
	Donor Grants	510,992,250	510,992,250	510,992,250
	Grants from National Government	269,579,190	269,579,190	269,579,190
	TOTAL	9,680,571,440	9,880,571,440	10,130,571,440

4.2 Projected Sector Ceilings

The projected sector ceilings indicate that Health, Agriculture and ICT and Public Service departments takes the largest share of the budget at 36%, 13% and 10% respectively. The Public

Service Board, Municipality and Lands departments share below 1% due to their nature of activities.

Schedule 3; Projected Sector Ceilings 2024-25


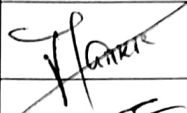

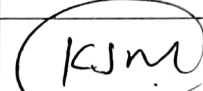
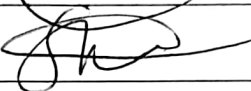


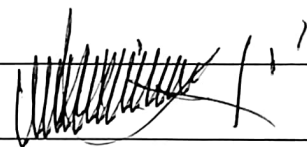
No.	Sector	Ceilings 2024-25 (Kshs.)	% Ceiling
1	Governor's Office	340,449,209	3.52
2	Finance	347,140,291	3.59
3	CPSB	51,815,881	0.54
4	ICT & PSA	1,027,900,964	10.62
5	Education	708,690,284	7.32
6	Municipality	86,370,000	0.89
7	County Assembly	763,642,935	7.89
8	Agriculture	1,265,691,110	13.07
9	Trade	167,870,706	1.73
10	Roads	681,135,387	7.04
11	Youth	233,570,667	2.41
12	Lands	96,059,460	0.99
13	Water	419,987,501	4.34
14	Health	3,490,247,054	36.05
	TOTAL	9,680,571,449	100.00

5.0 COMMITTEE RECOMMENDATIONS

The committee recommends that;

- a) That during the FY 2024-25 the County Treasury should prioritize resource mobilization through Own Source Revenue enhancement and development of Public Private Partnerships (PPPs) and other funding platforms to create fiscal space for development programs that lead to economic growth.
- b) That the County Executive Committee Member for Finance should ensure that the County Fiscal Framework is strictly adhered during the strategy and budget stages. New programs should not be introduced if they are not in the approved CIDP 2023-28.
- c) Development programs and projects should be reviewed annually to identify their impact and contribution to the county economic growth. Monitoring and Evaluation should be done regularly to identify areas of improvement.
- d) The County Treasury should ensure that budgets and policy documents are prepared while considering the Macroeconomic variables such as the global economic growth, inflation rate, exchange rate and the changes in GDP.
- e) The County Treasury should ensure that projected the resource envelope in Schedule 2 of this report should be revised in line with the provisions of the Budget Policy Statement that will be approved by the National Assembly. During the formulation of the County Fiscal Strategy Paper Sector Ceilings should be backed by program objectives as per the principles of Program Based Budgeting (PBB).

6.0 ADOPTION OF THE REPORT

No.	NAME	SIGN
1	HON. CHARLES KARINA	
2	HON. JULIAN NJIRI	
3	HON. FRANCIS KAMAU	
4	HON. GERALD WAMBUGU	
5	HON. NAOMI MAINA	
6	HON. JOHN MWANGI	
7	HON. SAMSON MUKORA	
8	HON. PETER MURIGI	
9	HON. LIZ MUTHONI	
10	HON. EDWIN WAIRAGU	
11	HON. CAROLINE WAIRIMU	
12	HON. JEREMIAH GICHOBE	
13	HON. JAMES KABERA	
14	HON. JOHN KIBAIYA	
15	HON. SHARLEEN WAMBUI	
16	HON. DINAH DAMARIS KAGIRI	
17	HON. MOSES MIRARA	