THE COUNTY TREASURY

GARISSA COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP)

CBROP - 2024

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FOREWORD

The Garissa County Budget Review and Outlook Paper (CBROP) 2024 is developed in line with Section 118 of the Public Finance Management Act, 2012. This key document reviews the budget performance for the fiscal year (FY) 2023/24 and outlines the development outlook for FY 2025/26. It also provides up-to-date economic and financial projections, offering critical insights to inform the preparation of budget proposals for the upcoming fiscal year.

The CBROP offers a comprehensive analysis of the county's actual fiscal performance for FY 2023/24, comparing it with the initial budget appropriations. It further examines the performance of county expenditures during the review period, highlighting any deviations from the planned budget. Additionally, the document incorporates updated economic and financial forecasts, detailing any adjustments made since the projections outlined in the most recent County Fiscal Strategy Paper (CFSP). It also sets indicative ceilings for different sectors, providing guidance for sectoral discussions and aiding in the preparation of budget proposals.

As a vital document linking policy, planning, and budgeting, the CBROP continues to play a pivotal role in the preparation of county budgets and the management of public resources. It emphasizes key strategies aimed at enhancing the county's own-source revenue, such as automating all revenue streams, establishing valuation rolls, formulating revenue enhancement policies, and setting sectoral targets for revenue mobilization. These strategies, along with broader fiscal parameters, are designed to improve resource mobilization and ensure the county can effectively meet its financial obligations.

The 2024 CBROP, by focusing on fiscal discipline and responsibility, aims to strengthen Garissa County's financial management framework as mandated by the Public Finance Management (PFM) Act. It is expected to contribute to more efficient resource allocation, improved revenue collection, and the overall enhancement of the county's financial health, ensuring that public resources are managed with transparency and accountability. The document will guide the county in prioritizing key programs and projects, balancing the need for development with sustainable fiscal management practices.

Hon Abass Ismail Khaar,
County Executive Committee Member,
Finance, Economic Planning and Revenue Management

ACKNOWLEDGEMENT

The development of the County Budget Review and Outlook Paper (CBROP) 2024 was made possible through the collaborative efforts of various county departments, all of whom contributed valuable and credible information to be incorporated into the paper. Their input played a critical role in ensuring that the CBROP serves as a solid foundation for the county's financial planning. We acknowledge and greatly appreciate their contributions to this important process, which is a key step in preparing for the forthcoming County Fiscal Strategy Paper (CFSP) 2025 and, subsequently, the budget estimates for FY 2025/26.

The preparation of this document was led by a dedicated team from the Directorate of Finance, Economic Planning, and Revenue Management, under the direction and guidance of the County Executive Member for Finance. A core group from the budget and planning unit devoted a significant amount of time, often working beyond regular hours, to compile and refine the contents of this document, ensuring that it met the high standards required for effective financial management.

In addition, we extend our heartfelt gratitude to all stakeholders involved, including technical officers and other contributors, for their invaluable insights and input. Their collaborative spirit and commitment to the process have been crucial to the successful completion of the CBROP 2024. We would like to emphasize that their efforts and hard work have not gone unnoticed, and we remain committed to fostering even stronger collaboration and teamwork as we move forward into the next phase of planning and budgeting. Their contributions will continue to play a pivotal role in shaping Garissa County’s financial future, ensuring that the budgeting process aligns with our county’s developmental goals and fiscal responsibilities.

Hafsa Mohamud Abdulla
Chief Officer Budget and Economic Planning

ABBREVIATIONS AND ACRONYMS

ATC	Agricultural Training Centre
CA	County Assembly
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPI	Consumer Price Index
FY	Financial Year
GDP	Gross Domestic Product
IFMIS	Integrated Financial Management Information System
MTEF	Medium Term Expenditure Framework
PGH	Provincial General Hospital
PFMA	Public Finance Management Act

PREAMBLE

Legal Background

The Garissa County Budget Review and Outlook Paper was prepared in accordance with section118 of the Public Finance Management Act, 2012 which states that the county shall:

1. Prepare a County Budget Review and Outlook Paper (CBROP) in respect of the county for each financial year; and submit the paper to County executive committee for approval by 30th September of that year. The CBROP shall include:
   - The details of actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
   - The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
   - Information on any changes in the forecasts compared with the CFSP or actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the CFSP for that year; and
   - The reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviations and the time estimated for doing so.
2. The County Executive Committee shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.
3. Not later than seven days after the CBROP has been approved by County Executive Committee, the County Treasury shall:
   a. Arrange for the CBROP to be laid before the County Assembly; and
   b. Publish and publicize the paper as soon as practicable.

Fiscal Responsibility Principles in the Public Financial Management Act

Section 107 of the Public Finance Management (PFM) Act 2012 sets out the fiscal responsibility principles to ensure prudent and transparent management of county resources. The PFM Act states that:

i) The county government's recurrent expenditure shall not exceed the county government'stotal revenue;

ii) Over the medium term a minimum of thirty per cent of the county government's budget shallbe allocated to the development expenditure;

iii) The county government's expenditures on wages and benefits shall not exceed apercentage of the county government's total revenue as prescribed by the County Executive Member for finance in regulations approved by the County Assembly;

iv) Over the medium term, the county government's borrowings shall be used only for thepurpose of financing development expenditure and not for recurrent expenditure;

v) The county debt shall be maintained at a sustainable level as approved by the CountyAssembly (CA);

vi) Fiscal risks shall be managed prudently; and

vii) A reasonable degree of predictability with respect to the level of tax rates and tax basesshall be maintained taking into account any tax reforms that may be made in the future.

1. INTRODUCTION

Background

The 2024 CBROP provides a review of the fiscal performance for the financial year 2023/2024 including adherence to the objectives and principles outlined in the 2023 County Fiscal strategy paper (CFSP) and the PFM Act, 2012. It also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term plan. The 2022 CBROP will guide development of the 2023 CFSP that will summarize the various projects and initiatives thatwill be undertaken 2024-2025 budget.

Specifically, the CBROP provides:

i. Updated economic and financial forecasts in relation to changes from the projections in themost recent CFSP;

ii. Details of the actual fiscal performance in the previous year compared to appropriation forthat particular year;

iii. Any changes in the forecasts compared with the CFSP

iv. Indication on how the actual fiscal performance for the previous FY may have affected compliance with fiscal responsibility principles or the financial objectives in the CFSP forthat FY; and

v. Reasons for any deviations from financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

Significance of CBROP

The County Budget Review and Outlook Paper (CBROP) plays a pivotal role in aligning policy, planning, and budgeting processes at the county level. It serves as a critical link between short-term financial planning and long-term strategic goals, ensuring that the county's budgetary allocations and fiscal policies are in harmony with broader developmental frameworks.

In Garissa County, the CBROP is closely tied to Kenya's national development blueprint, Vision 2030, through the implementation of the Third Medium-Term Plan (MTP). This integration ensures that county-level economic planning contributes to achieving the overarching national objectives of economic growth, poverty reduction, and improved living standards. Furthermore, the CBROP is embedded within the county's own development agenda through the Third Garissa County Integrated Development Plan (CIDP), which outlines the county's specific priorities and projects over a five-year period.

By linking the CBROP with both the MTP and the CIDP, Garissa County ensures that its financial planning is not only responsive to immediate fiscal realities but also strategically oriented to advance long-term goals like infrastructure development, health improvements, agricultural productivity, and enhanced public service delivery. This process allows for evidence-based decision-making, where the review of past performance informs future budget allocations and corrective fiscal measures.

The CBROP also fosters accountability and transparency, providing stakeholders, including the public, an opportunity to scrutinize the county's financial management and ensure that resources are being effectively utilized to address key challenges such as food insecurity, the porous border with Somalia, and the integration of the refugee population.

This document is thus essential in ensuring that the county's budget is not only aligned with current economic conditions but also supports sustainable development, building a strong foundation for both the short-term and long-term prosperity of Garissa County

2.0: REVIEW OF FISCAL PERFORMANCE IN THE FY 2023/24

A. Fiscal Performance

Overview

Garissa County's approved supplementary budget for the fiscal year 2023/24 amounted to Kshs. 10.70 billion. This budget was divided between development and recurrent expenditure, with Kshs. 4.31 billion (40.3%) allocated for development projects and Kshs. 6.39 billion (59.7%) directed toward recurrent programs. This represented a 14.2% increase from the previous fiscal year's budget, which stood at Kshs. 9.37 billion, including Kshs. 2.81 billion for development and Kshs. 6.56 billion for recurrent expenditure.

To fund the 2023/24 budget, the county expected to receive Kshs. 8.25 billion (77.1%) as its equitable share of nationally raised revenue. In addition, it anticipated Kshs. 1.59 billion (14.8%) from additional allocations and conditional grants, a cash balance of Kshs. 634.18 million (5.9%) carried forward from FY 2022/23, and Kshs. 230 million (2.1%) from its own source revenue. The county's own revenue included Kshs. 139 million (1.3%) and Kshs. 91 million (0.9%) from the Facility Improvement Fund, which is revenue generated by health facilities.

Revenue Performance

In the fiscal year 2023/24, Garissa County received a total of Kshs. 7.59 billion as its equitable share of the national revenue, alongside Kshs. 684.80 million from additional allocations and conditional grants. The county also carried forward cash balance of Kshs. 634.18 million from the previous fiscal year (FY 2022/23), bringing its total funds from external sources to Kshs. 8.91 billion.

Additionally, the county generated Kshs. 248.97 million as its own-source revenue (OSR) during the period. This amount was composed of Kshs. 151.91 million from the Facility Improvement Fund (FIF), which represents revenue collected from health facilities, and Kshs. 97.06 million from ordinary OSR sources such as business permits, market fees, and other local revenue streams.

In total, the funds available for budget implementation in the fiscal year amounted to Kshs. 9.16 billion. These resources were critical for supporting the county's development agenda, including funding for essential services, infrastructure projects, and recurrent expenditures. The own-source revenue, particularly from the health sector (FIF), highlights the county's efforts to enhance internal revenue generation while supplementing national allocations.

S/No.	Revenue Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	8,248,748,101	7,588,848,254	92
Subtotal		**8,248,748,101**	**7,588,848,254**	**92**
B	**Additional Allocations/Conditional Grants**			
1	Lease of medical equipment	124,723,404	-	-
2	Conditional Grant for the Provision of the Fertilizer Subsidy Program	3,965,101	-	-
3	Conditional grant for Transfer of Library services	19,694,322	-	-

S/No.	Revenue Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Budget Allocation (%)
4	Conditional Grant for aggregated Industrial parks program	250,000,000	102,500,000	41
5	Unconditional Allocation for Mineral Royalties	844,692	-	-
6	Kenya Climate Smart Agricultural Project (World Bank) KCSAP	90,000,000	-	-
7	Sweden Agricultural Sector Development Support Program (ASDSP)II	3,047,337	-	-
8	DANIDA Grant (Universal Healthcare in Devolved System Program	12,820,500	-	-
9	De-risking, inclusion &value Enhancement of Pastoral Economies in the Horn of Africa projects (Drive project)	128,454,980	-	-
10	Emergency Locust Response Project World Bank	169,365,353	168,180,619	99.3
11	Water and Sanitation Development Project (World Bank)	600,000,000	414,119,657	69
	Financing locally-led climate action program (FLLoCA) County climate Institutional support (CCIS) Grant level 1 (World Bank)	11,000,000	-	-
13	FLLOCA County Climate Resilience Investment (CCRI)	173,580,354	-	-
Subtotal		**1,587,496,043**	684,800,276	**43.1**
C	**Own Source Revenue**			
1	Ordinary Own Source Revenue	139,000,000	97,056,232	69.8
2	Facility Improvement Fund (FIF)	91,000,000	151,912,817	166.9
Subtotal		**230,000,000**	**248,969,049**	**108.2**
D	**Other Sources of Revenue**			
1	Unspent balance from FY 2022/23	634,176,980	634,176,980	100
Sub Total			**634,176,980**	**100**
Grand Total		**10,700,421,124**	9,156,794,559	**85.6**

Source: County Treasury

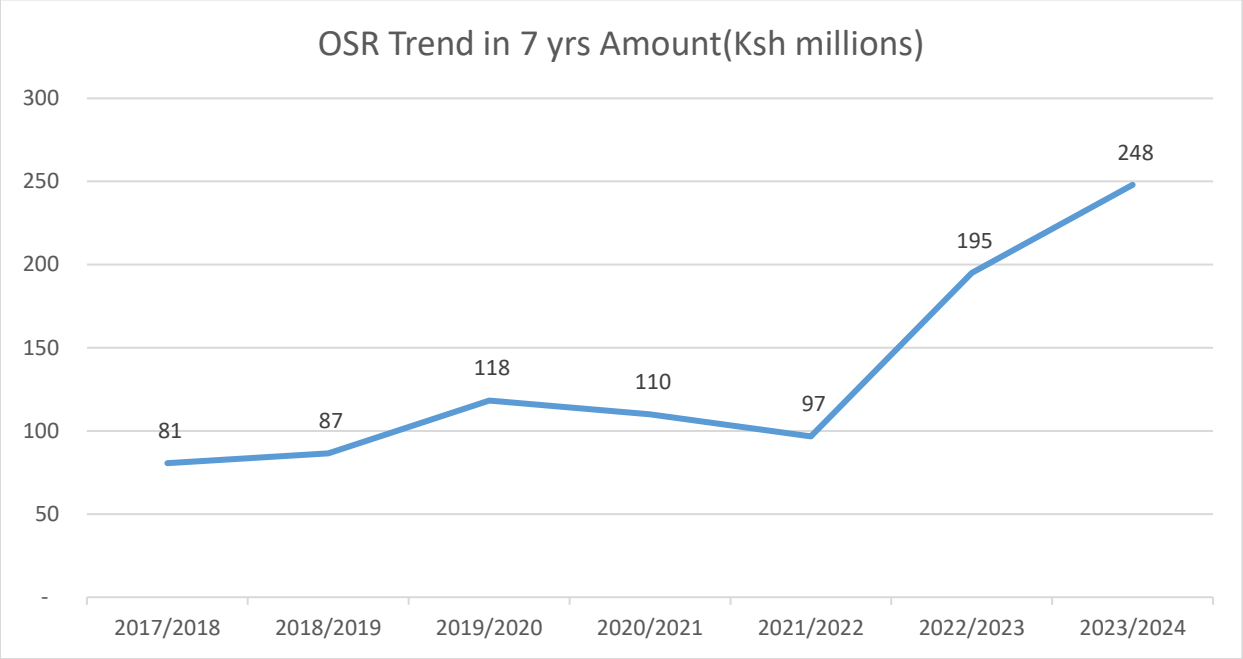
County Own source Revenue performance

In the fiscal year 2023/24, Garissa County successfully generated a total of **Kshs. 248.97 million** from its various revenue streams, including the **Facility Improvement Fund (FIF)**. This marked a significant increase of **27.2%** compared to the **Kshs. 195.74 million** collected during the same period in FY 2022/23. Notably, the revenue generated in FY 2023/24 surpassed the county's annual target by **108.2%** and accounted for **3.3%** of the equitable share of national revenue disbursed to the county during this period.

The notable rise in own-source revenue (OSR) can be attributed to a series of strategic **policy reforms** implemented by the county. One key reform was the successful enactment and implementation of the **FIF Act**, which played a crucial role in regulating and enhancing revenue collection from health facilities. In addition, the county improved the efficiency

of revenue collection processes, particularly in the administration of FIF. This involved streamlining the collection systems, reducing tax evasion, and strengthening compliance among taxpayers, all aimed at bolstering overall revenue mobilization.

Revenue stream	Target	Actual	%
Land Rates Current Year	15,680,000.00	1,089,929.00	7%
Business Permits, Current Year	24,000,000.00	20,231,630.00	84%
Fruits & Vegetables / Produce Cess	6,000,000.00	7,082,315.00	118%
Log Cess - (Timber)	4,110,000.00	3,742,660.00	91%
Livestock Cess	23,000,000.00	23,723,886.00	103%
Sand, Gravel, Quarry, and Ballast Extraction Fees	5,600,000.00	5,615,500.00	100%
Mineral Extraction Royalties (Cement, Gypsum,etc.)	16,000,000.00	4,568,000.00	29%
Sales of Flowers, Plants, Firewood, Produce, etc.	1,000,000.00	480,000.00	48%
Council Premises Occasional Hire (Offices, etc.)	500,000.00	5,000.00	1%
Council Vehicles Hire - AMS	500,000.00	330,000.00	66%
Market Entrance / Gate Fee	7,500,000.00	8,415,161.00	112%
Market Stalls Rent	2,000,000.00	1,102,970.00	55%
Market Shelters Fee	600,000.00	213,910.00	36%
Produce Inspection Fee - Weight and Measure	500,000.00	317,200.00	63%
Enclosed Bus Park Fee	960,000.00	662,000.00	69%
Other Vehicles Enclosed Park/Reserved Fees (Cars, Lorries, etc.)	1,500,000.00	163,300.00	11%
Street Parking/ motorbike/tuktuk/cars etc.	1,500,000.00	38,800.00	3%
Food Quality Inspection Fee/Hygene	5,000,000.00	2,417,040.00	48%
Health Centres Services Fee/Hospital transfer	91,000,000.00	151,912,817.00	167%
Sale of Trees-Seedlings-Firewood-Flowers-Produce	6,750,000.00	5,637,617.00	84%
Slaughtering Fee	5,400,000.00	4,200,200.00	78%
Livestock Movement Permits	2,000,000.00	1,726,965.00	86%
Buildings Plan Approval Fee	2,400,000.00	712,200.00	30%
Right-of-Way / Way-Leave Fee (KPLN, Telkom, etc.)	3,500,000.00	3,410,149.00	97%
Sign Boards & Advertisement/promotion Fee	2,000,000.00	1,164,800.00	58%
Fire-Fighting Services	1,000,000.00	5,000.00	1%
TOTAL	230,000,000.00	248,969,049.00	108%



Local revenue performance

B. Expenditure Performance

During the reporting period, the County spent Kshs. 7.19 billion on development and recurrent programs, representing 80.6 percent of total funds released. Of this, Kshs. 1.93 billion went to development programs, with an absorption rate of 44.8 percent. In contrast, recurrent expenditure totaled Kshs. 5.26 billion, achieving a higher absorption rate of 82.4 percent. This indicates better management of operational costs than development initiatives, highlighting a need for improvement in future development planning and implementation.

Table: Expenditure performance

Expenditure Classification	Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**5,425,325,102**	**963,731,729**	**4,345,239,484**	**917,318,652**	**80.1**	**95.2**
Compensation to Employees	3,806,570,004	590,399,420	3,476,565,453	555,760,488	91.3	94.1
Operations and Maintenance	1,618,755,098	373,332,309	868,674,031	361,558,164	53.7	96.8
Development Expenditure	**4,158,273,645**	**153,000,000**	**1,862,468,258**	**69,202,630**	**44.8**	**45.2**
Total	**9,583,598,747**	**1,116,731,729**	**6,207,707,742**	**986,521,282**	**64.8**	**88.3**

Recurrent Expenditure performance

The recurrent expenditure for the executive branch totaled Kshs. 4.34 billion, against a budget of Kshs. 5.42 billion. This expenditure can be broken down into two main categories:

personnel emoluments, which accounted for Kshs. 3.47 billion, and operations and maintenance, which took up Kshs. 868 million. Overall, the total absorption rate for recurrent spending in the executive was 80.1%, indicating that a significant portion of the budget was utilized, though there remains room for improvement in fully utilizing allocated funds.

In comparison, the County Assembly demonstrated a higher level of budget absorption. It spent Kshs. 555.7 million on personnel emoluments and Kshs. 361.5 million on operations and maintenance, achieving an impressive overall absorption rate of 95.2%. This strong performance suggests that the Assembly effectively managed its resources, optimizing the use of its budget in both personnel costs and operational needs. The contrasting absorption rates between the executive and the Assembly highlight areas where the executive might enhance its financial management strategies in future budget cycles.

Development Expenditure performance

In the fiscal year 2023/24, the County reported an expenditure of Kshs. 1.93 billion on development programs. This total includes Kshs. 1.86 billion spent by the executive and Kshs. 69.2 million by the County Assembly. This marks a significant increase of 20.9 percent compared to the previous fiscal year (2022/23), during which the County allocated Kshs. 1.60 billion to development initiatives.

Overall, the spending on development programs represented 44.4 percent of the total development budget, which was set at Kshs. 4.15 billion for the year. While this level of expenditure demonstrates a commitment to advancing development initiatives, it also underscores that less than half of the allocated budget was utilized. The increase in spending relative to the previous year indicates progress in funding for development projects. However, the absorption rate reveals opportunities for improving project implementation and resource allocation strategies to ensure more effective use of the available budget moving forward.

Sectoral expenditure performance

This section highlights the review of the FY 2023/24 fiscal performance and trends in budget allocation and expenditure. It highlights sectoral summary performance in the year under review.

Table: County Sector Expenditure Performance

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock & Pastoral	128.31	517.82	119.37	221.16	99.3	217.8	83.2	98.5	77.4	42.1
Gender, Social Service and Sport	46.21	70	38.8	-	27.58	-	71.1	-	59.7	-
Roads, Transport & Public Works	46.07	288	35.42	152.22	24.05	163.94	67.9	108	52.2	56.9
Education, Information & ICT	515.21	119.69	487.15	36.84	456.12	32.63	93.6	88.6	88.5	27.3

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Physical Planning and Urban Development	358.04	205	351.3	175.41	353.04	51.6	100.5	29.4	98.6	25.2
Finance and Economic Planning	1,032.16	741.18	920.03	614.59	596.06	481.39	64.8	78.3	57.7	64.9
Health and Sanitation	2,464.76	324.72	2,447.92	196.68	2,258.69	144.74	92.3	73.6	91.6	44.6
Trade, Investments Development and Tourism	75	440	61.2	142.5	61.67	142.5	100.8	100	82.2	32.4
Water, Environment and Natural Resources	220.8	1,436.86	200.58	1,276.70	171.74	627.86	85.6	49.2	77.8	43.7
County Affairs, Public Service and Intergovernmental Relations	504.77	-	429.63	-	270.99	-	63.1	-	53.7	-
County Public Service Board	34.07	15	27.8		26		93.5	-	76.3	-
County Assembly	963.73	153	917.32	69.2	917.32	69.2	100	100	95.2	45.2
Totals	**6,389.15**	**4,311.27**	**6,036.53**	**2,885.30**	**5,262.56**	**1,931.67**	**87.2**	**66.9**	**82**	**45**

In the analysis of departmental expenditures for the fiscal year, the Health and Sanitation sector emerged as the highest spender, with a budget allocation of Kshs. 2,789.48 million. The department effectively utilized Kshs. 2,258.69 million, achieving a commendable recurrent absorption rate of 92.3 percent. However, its development spending showed a lower absorption rate of 44.6 percent, indicating some challenges in project execution.

Following closely, the **Finance and Economic Planning department** had a budget of Kshs. 1,773.34 million. It spent a total of Kshs. 1,077.45 million, comprised of Kshs. 596.06 million for recurrent expenses and Kshs. 481.39 million for development. The recurrent absorption rate stood at 64.8 percent, while development initiatives performed slightly better, with a rate of 78.3 percent, suggesting room for improvement in managing resources more effectively.

The **Agriculture, Livestock & Pastoral department** also reported significant spending, with a total budget of Kshs. 646.13 million. It spent Kshs. 317.10 million, with recurrent expenditures at Kshs. 99.30 million and development funds totaling Kshs. 217.80 million. The absorption rates were relatively strong for recurrent spending at 83.2 percent, but the development absorption rate of 42.1 percent points to potential areas for enhancement in project implementation.

On the other end of the spectrum, the **County Affairs, Public Service and Intergovernmental Relations department** was one of the lowest spenders, w a budget of Kshs. 504.77 million and an expenditure of Kshs. 270.99 million. It recorded a recurrent

absorption rate of 63.1 percent, but no development funds were allocated, reflecting a more limited scope of activity.

The **Gender, Social Services, and Sport department** had the smallest budget allocation at Kshs. 116.21 million. It spent Kshs. 27.58 million, with all of it going towards recurrent expenses. The absorption rate for recurrent spending was 71.1 percent, but with no funds allocated for development, the department's overall financial activity was notably constrained.

This analysis highlights the disparity in expenditure among various departments, showcasing both the successful management of resources in key sectors and the need for improvement in others.

3.0. RECENT ECONOMIC DEVELOPMENT

A. World Economic Outlook

Global economy has stabilized with global growth projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan. The main risks to the global growth outlook relate to further escalation of geopolitical tensions, interest rates remaining higher-for-even-longer in advanced economies, and policy uncertainty attributed to changes of Government in some major economies. Global inflation has moderated, with central banks in some major economies lowering interest rates. International oil prices have moderated, but the risk premium from the Middle East conflict has increased following the recent escalation.

Global economic output showed resilience in the first half of 2024, with modest growth anticipated in 2024 and 2025, mainly due to improving economic activities in the United States, China, and India**.** Global growth was estimated at 3.3 percent for 2023 is projected to continue at the same pace in 2024 and 2025. However, the divergence in output across the countries at the beginning of the year narrowed partly attributed to waning cyclical factors and a better alignment of growth with the potential. Even though global headline inflation concerns are diminishing, core inflation remains persistently high. Financial market conditions have remained stable throughout 2024, reflecting improved global investor sentiment and a softening of labor markets. However, the outlook faces significant downside risks, including escalating conflicts in the Middle East, uncertainties around the US elections, and consistently high interest rates in advanced economies.

	Growth (%)			
	Actual	Estimate	Projections	
Economy	2022	2023	2024	2025
World	3.5	3.3	3.2	3.3
Advanced Economies	2.6	1.7	1.7	1.8
Of which: USA	*1.9*	*2.5*	*2.6*	*1.9*
Euro Area	*3.4*	*0.5*	*0.9*	*1.5*
United Kingdom	*4.3*	*0.1*	*0.7*	*1.5*
Japan	*1.0*	*1.9*	*0.7*	*1.0*
Emerging and Developing Economies	4.1	4.4	4.3	4.3
Of which: China	*3.0*	*5.2*	*5.0*	*4.5*
India	*7.0*	*8.2*	*7.0*	*6.5*
Sub-Saharan Africa	4.0	3.4	3.7	4.1
Of which: South Africa	1.9	0.7	0.9	1.2
Nigeria	3.3	2.9	3.1	3.0
Kenya*	4.9	5.6	5.2	5.4

B. Kenya's Economic Performance and Outlook

The Kenyan economy is currently unwinding from the effects of negative and persistent global and domestic shocks that had pushed the economy to its lowest activity level. These shocks included COVID-19 pandemic and its ensuing effects, conflict in Eastern Europe and Middle East that led to global supply chain disruptions and the adverse effects of climate change from the prolonged drought in 2021 to the floods in the first half of 2024. These

shocks escalated the cost of essential household commodities including fuel prices and led to a rapid depreciation of the Kenya Shilling exchange rate, pilling pressure on public debt.

Various government interventions, structural reforms and policies have supported economic recovery. The economy grew by 5.6 percent in 2023 from 4.9 percent in 2022, a demonstration of resilience and the beginning of economic recovery. The growth was largely driven by a strong rebound in the agricultural subsector, which benefited from favorable weather conditions after two years of severe droughts and the robust performance of the services sector. The performance of the industrial sector, particularly manufacturing which has remained subdued. This growth momentum has continued in 2024 with the economy expanding by 5.0 percent in the first quarter compared to a growth of 5.5 percent in the corresponding quarter in 2023.

The primary sector grew by 5.0 percent in the first quarter of 2024 compared to a growth of 5.3 percent in the first quarter of 2023. This was because of the robust growth in the agriculture, forestry and fishing sub-sector despite a contraction in the mining and quarrying sub sector. Activities in the agriculture, forestry and fishing sub-sector expanded by 6.1 percent in the first quarter of 2024 compared to a growth of 6.4 percent in a similar quarter in 2023. The performance was evident in the significant increase in production of tea, milk and sugarcane during the quarter under review. Mining and quarrying sub-sector contracted by 14.8 percent in the first quarter of 2024 compared to a contraction of 11.0 percent over the same period in 2023. This was due to a decline in production of most minerals such as titanium, soda ash and gemstone.

C. County Outlook

Garissa County's economic outlook for 2024 reflects cautious optimism amid several headwinds, including slower global growth, rising domestic interest rates, and increasing food prices. These factors are expected to impact household disposable incomes and stagnate business performance across sectors. However, the County government is responding with a strategic approach focused on mitigating these challenges and fostering sustainable economic growth

Key Drivers and Strategies for Growth

Agriculture: Agriculture remains a cornerstone of Garissa's economy. The County is focusing on turning agriculture into a profitable venture by promoting agribusiness, value addition, and youth participation. SMART agriculture will be embraced to increase productivity, with a particular emphasis on orphan crops like millet, sorghum, and cassava to address food security challenges. Initiatives such as apiculture, dairy, fish, and poultry farming aim to generate income and improve nutrition, while value chain development through cooperatives is expected to boost rural incomes.

Infrastructure Development: Investment in infrastructure will continue to play a key role in economic growth. The County plans to upgrade key roads, maintain rural access routes, and improve sanitation services. High-speed internet connectivity improved educational (ECDE, TVET), and health infrastructure will be prioritized. Strategic partnerships with ICT

players are expected to modernize the County and improve digital access, fostering a more connected economy.

Water and Environmental Sustainability: Garissa plans to enhance water production and pipeline extension, construct sewerage systems, and improve household connections to clean water. Efforts to increase tree cover, establish conservancies, and encourage households to plant bamboo and fruit trees aim to safeguard the environment while increasing food production through irrigation and other initiatives.

Trade and Enterprise: To promote trade and support small businesses, the County is focusing on developing cottage industries and enhancing access to finance through revolving funds for small and medium enterprises (SMEs). Additionally, installing solar lighting in markets aims to extend business hours, supporting a 24-hour economy. Market infrastructure and sanitation improvements are also part of this initiative to boost local trade.

Health Services: Improving health services is a central priority, with a focus on enhancing ambulance services, maternal and child healthcare, and expanding health infrastructure. By supplying essential drugs and constructing new health facilities, the County aims to improve overall healthcare delivery and reduce maternal mortality rates.

D. Medium Term Fiscal Framework

Garissa County's 2024 medium-term fiscal framework focuses on sustainable growth, efficient resource management, and risk mitigation. Key priorities include boosting revenue collection through digitization, stronger enforcement of local taxes, and continued reliance on national government transfers. The County will also seek support from development partners for major infrastructure and social projects.

Expenditure Prioritization

The framework emphasizes the need to complete ongoing development projects, particularly in infrastructure, health, agriculture, and education. Investments in climate-smart agriculture, water and sanitation systems, and healthcare infrastructure are top priorities, aimed at improving food security, public health, and living standards. While recurrent expenditures on personnel and operations remain necessary, the County plans to streamline these costs to maximize efficiency without compromising service delivery.

Public Financial Management Reforms

Garissa will continue to enhance public financial management through automation of financial systems and building capacity within government departments to ensure timely and efficient project implementation. This will improve transparency, accountability, and the effective use of public funds.

E. Sustainable Development and Risk Mitigation

The County's development agenda aligns with the Sustainable Development Goals (SDGs), focusing on agriculture, social programs, and water infrastructure. Key initiatives include:

- Promoting climate-smart agriculture and value addition to enhance food security and create jobs.
- Expanding access to clean water and sanitation services through irrigation and water conservation projects.
- Supporting social safety nets, including bursaries and protection programs for vulnerable groups, to cushion citizens from inflation and rising living costs.

Through strategic planning, efficient spending, and enhanced financial management, Garissa aims to achieve sustainable development and improve the quality of life for its residents.

F. Risks to the Economic Outlook

Garissa County faces several risks that could hinder its economic growth and development in 2024. These include external factors such as slower global growth, rising domestic interest rates, increased food prices due to poor production, and internal challenges like low development budget absorption and high poverty rates. To navigate these risks and maintain a positive economic trajectory, Garissa County must adopt strategic risk management approaches.

i. Addressing Food Security and Agricultural Productivity

One of the biggest risks to Garissa's economic outlook is the rising cost of food, driven by poor production of key staples like maize, wheat, and rice. To mitigate this risk, the County must focus on improving agricultural productivity and food security. This can be achieved through:

- **Promoting Climate-Resilient Agriculture**: By embracing SMART agricultural practices, the County can reduce reliance on rainfall and improve yields through technologies like drip irrigation, greenhouses, and drought-resistant crops. Investing in farming of orphan crops such as millet, sorghum, and cassava will provide alternative food sources, reduce dependence on imports, and enhance food security.
- **Agribusiness and Value Addition**: Encouraging agribusiness and value addition can increase farmers' incomes and reduce vulnerability to market fluctuations. By supporting cooperative structures and linking farmers to markets, the County can create a more resilient agricultural sector that withstands economic shocks.

ii. Adapting to Climate Change

As a semi-arid region, Garissa is highly vulnerable to climate change, which could negatively impact agriculture, water supply, and infrastructure. To manage this risk, the County should:

- **Invest in Climate Adaptation**: Initiatives such as expanding irrigation schemes, promoting afforestation, and protecting water sources can help mitigate the adverse effects of climate change. The County's focus on increasing tree cover and promoting indigenous bamboo and fruit trees will also aid environmental conservation.
- **Disaster Preparedness**: Implementing early warning systems for droughts and floods, as well as improving the County's disaster response capacity, will help protect livelihoods and reduce the economic impact of extreme weather events.

iii. Mitigating High Cost of Living

The rising cost of living presents a major risk, reducing disposable income and potentially stagnating business performance. To mitigate this, Garissa County can:

- **Support Vulnerable Groups**: Expanding social support programs, such as bursaries, scholarships, and social safety nets, will help cushion vulnerable populations from the effects of inflation. The County's shelter improvement programs and expansion of health services will also improve the quality of life for its residents.
- **Promote Trade and Enterprise**: By enhancing the development of cottage industries, providing trade loans to SMEs, and improving market infrastructure, the County can stimulate economic activity and support local businesses. Encouraging a 24-hour economy through solar lighting in markets will further boost economic resilience.

4.0: RESOURCE ALLOCATION FRAMEWORK

A. Implementation of the FY 2024/25 Budget

The budget estimates for FY 2024/25 in Garissa County will undergo revisions following the approval of the **Additional Allocation Revenue Bill** by the Senate. This bill will guide the County in making final adjustments to its budget, which currently depends on the **Budget Policy Statement** and the **Additional Allocation Bill** for determining figures in conditional grants and allocations.

Impact of Reduction in Equitable Share

A significant factor necessitating these revisions is the reduction of the **equitable share for counties** from Kshs. 400 billion to Kshs. 380 billion. This decrease will have a considerable effect on Garissa County's overall allocation, influencing key sector priorities essential for both development and recurrent expenditure. With a smaller share of the national budget, the County will face challenging decisions regarding resource reallocation, which may lead to cuts in funding for certain programs or delays in less urgent development projects.

Sectoral Impacts

The reduction in equitable share will significantly impact several key sectors:

- In **healthcare**, reduced funding may impede progress in enhancing health infrastructure, maternal and child health programs, drug supplies, and the construction of new health facilities.
- **Agriculture and food security** projects, including investments in SMART agriculture, value addition, and other initiatives, could experience funding cuts, limiting the County's capacity to combat food insecurity and improve agricultural productivity.
- **Infrastructure development**—particularly road upgrades, water pipelines, and public facilities—may face delays or reductions in scope due to budget constraints.
- **Education** initiatives, such as the expansion of ECDE and TVET infrastructure, may be postponed, hindering efforts to enhance educational outcomes in the near future.

These potential sectoral impacts underscore the necessity for careful budget adjustments to ensure the maintenance of essential services and progress toward development goals.

Emergency Preparedness

Given its history of climate-related challenges such as floods and droughts, Garissa County may also revise its budget to increase allocations to the **emergency fund** or **contingency kitty**. This adjustment would enhance the County's preparedness to respond to unexpected emergencies that have previously strained resources and hindered development efforts.

- **Floods**: Heavy rains often result in flooding that damages infrastructure, including roads, schools, and water systems. By bolstering the emergency fund, the County can respond swiftly to repair and rehabilitate affected areas.
- **Drought**: Garissa frequently experiences drought, impacting water availability, food security, and livelihoods. Increasing the emergency budget would enable the County to

address drought conditions effectively, providing relief through water supply, food aid, and livestock support to affected communities.

B. Fiscal Policy for FY 2025/26 and Medium-Term Budget

The fiscal policy for FY 2025/26 and the medium term is designed to support the priority programs of the County Government as outlined in the **County Integrated Development Plan (CIDP)** and the **Annual Development Plan (ADP)**, focusing on projects with a significant impact on economic growth. The County will prioritize key development projects as part of its fiscal consolidation efforts.

To bolster fiscal consolidation, the County will enhance its own-source revenue through the automation of revenue collection, which aims to prevent revenue loss. Additionally, there will be a rationalization and reprioritization of expenditures to protect essential government programs and social spending. Emphasis will be placed on improving revenue mobilization.

A significant initiative includes the rollout of an **end-to-end e-procurement system**, which aims to maximize value for money and increase transparency in the procurement process.

To strengthen the management of public resources further, the County is transitioning from a cash-based to an **accrual accounting** system. This change will improve cash management and enhance financial and fiscal reporting by allowing the County to account for all assets and liabilities.

Moreover, the County Government will adopt a **Zero-Based Budgeting** approach for preparing the FY 2025/26 budget and future budgets. This approach will utilize standardized costing methodologies to streamline the calculation of budget baselines, ensuring a credible foundation for budget estimates and prioritization. Through these measures, Garissa County aims to achieve greater efficiency, transparency, and accountability in its financial management.

Revenue projections

The medium-term revenue projections for Garissa County (FY 2024/25 to FY 2026/27) indicate steady growth across its key revenue streams: **equitable share**, **local resources**, and **conditional grants**.

1. **Equitable Share**: The equitable share remains the primary source of revenue for the county. It is projected to increase from **Ksh 8.555 billion** in FY 2024/25 to **Ksh 9.431 billion** by FY 2026/27. This reflects an average annual growth rate of around **5%**. The equitable share provides the bulk of the County's funding and is crucial for supporting development and recurrent expenditure.
2. **Local Resources**: The County's own-source revenue is projected to rise from **Ksh 300 million** in FY 2024/25 to **Ksh 432 million** by FY 2026/27. This represents an annual growth rate of **20%**, underscoring the County's concerted efforts to boost local resource mobilization through improved tax collection, revenue automation,

and broadening the tax base. Increasing local resources is essential for reducing reliance on national government transfers.

3. **Conditional Grants**: Conditional grants are expected to grow from **Ksh 1.006 billion** in FY 2024/25 to **Ksh 1.109 billion** in FY 2026/27. This indicates a moderate annual growth rate of about **5%**. However, the allocation of conditional grants is often subject to variability based on national government policies and specific project needs.

The following are the key issues to note in the revenue budget:

- **Equitable Share**: While equitable share remains the cornerstone of the County's revenue, its moderate growth rate suggests that Garissa must focus on increasing its **own-source revenue** to ensure fiscal sustainability.
- **Local Revenue Growth**: The significant projected growth in local resources reflects efforts to enhance local revenue collection and reduce reliance on national transfers.
- **Conditional Grants**: Conditional grants remain a volatile revenue source, but steady growth is expected over the medium term. Managing this volatility will be key for sector-specific investments.

Table: Fiscal Revenues for 2023/2024-2026/27 MTEF period

	FY 2023-2024	Actual	Budget	FY 2025/2026	FY 2026/2027	FY 2027/2028
REVENUE	**Revised Budget**	**2023/2024 budget**	**2024-2025**	**Projection**	**Projections**	**Projections**
Equitable Share	8248	7,588	8,555	8982.75	9431.8875	9903.481875
Local Resources	230	248	300	360	432	518.4
Conditional Grant	1,244	684	1006	1056.3	1109.115	1164.57075
Total Revenue	**9,722**	**8,520**	**9,861**	**10,399**	**10,973**	**11,586**

Own Source Revenue Mobilization

Garissa County saw a slight improvement in own-source revenue during the 2023/2024 financial year, largely driven by the Facility Improvement Fund (FIF), particularly from the Level 5 hospital. This positive performance is expected to continue in 2024/2025 and beyond. However, the County has consistently missed revenue targets, prompting a budget revision. To address this, the County plans to prioritize local revenue mobilization, starting with the automation of revenue collection. Additional strategies will also be implemented to enhance revenue collection across other streams.

a. **Operationalization of the valuation roll**: In order to increase collection from land and property rates the county will Operationalize the valuation roll and sensitize stakeholders on the valuation roll as well ascapture all plots in the current revenue automation system to encourage payments.

b. **Implementation of the revenue administration and enhancement policy**: The strategy is geared towards sealing gaps that have been bedeviling revenue collection in the past and enhance collections.

c. **Establishing of a legal framework and prosecution system:** Revenue collection will be boosted with a prosecution system that will enhance enforcement.

d. Exploiting and investing in sectors with high revenue potential in the county: The government will look into generating more revenue from the county' natural resources such as gypsum, sand and hardcore. byexploiting these resources, we belief we can generate good revenues that can boost our collections.

e. **Reviewing all revenue potential assessment for all streams (structured and unstructured)**: The county will map and asses the revenue potential of all the streams and project the county revenue potential.

f. **Fully automating revenue collection and establish one-stop-shop payment and approval for all licenses:** This is expected to ensure efficient revenue collection as well as curbing pilferages and leakages in the revenue collection structures. Automation of all streams is expected to tremendously improve Own Source Revenues in the county. Implementing cashless modes of payment and self-service portal to reduce leakages will improve own source revenue.

g. **Interlinking the departments in revenue collection.** This will be implemented through the establishment of a committee at the cabinet and directors level involving all the departments who collect revenue.

h. **Establishing a rewarding system to individuals,** markets and wards whohave been consistently paying their revenue within set deadlines in each calendar year. This will be through initiatives like special funding for programs and projects in specific areas as well as recognizing large tax payers.

C. FY 2025/26 and Medium-Term Budget Framework

The county medium-term resource allocation will be within the approved CIDP and the ADP2024. The priorities highlighted in the ADP 2024 will be discussed further in sector discussion and public participation to further reprioritize. The following will key MTEF priorities in 2025-2026 budget.

i) **Enhanced Access to Universal Healthcare Services**: The County will give priority in financing of healthcare to enable the county's population access universal healthcare. The

county will enhance healthcare financingand monitor health indicators to ensure their value for money.

ii) **Universal Water Coverage**: The County will fund priorities to ensure access to safe and reliable water for utilization with an intention to enhancethe multiplier effect of investment in relevant water infrastructure. The water companies will be empowered in order to generate their own revenuepurpose of enhancing sustainable companies.

iii) **Disaster Risk Management and Resilience Building**. Disaster preparedness and adaptation are key activities that will manage the unpredictability of the climatic conditions and disasters. The county will promote building of community disaster preparedness and adaptation mechanisms that will assure sustainability in the county's development framework.

iv) **County bursary fund** –This fund will also be given priority in allocationof resources. The aim is to support the most Vulnerable members in our society.

Criteria for Resource Allocation

Due to fiscal constraints at both the national and county levels, the National Treasury has adopted the Zero-Based Budgeting approach to prioritize and allocate limited resources effectively. Garissa County will implement this approach in its FY 2025/26 and Medium-Term budgets. County departments and agencies will be required to reassess their existing and planned projects and programs. The focus will be on efficiency, effectiveness, and economy in public spending, with low-priority expenditures being replaced by high-priority, service-oriented programs. Sector Working Groups (SWGs) will eliminate wasteful spending and focus on initiatives that safeguard livelihoods, create jobs, and support economic recovery.

sector Working Groups (SWGs) are tasked with eliminating unnecessary expenditures and focusing on priorities that protect livelihoods, generate employment, revive businesses, and drive economic recovery. For the FY 2025/26 Budget, SWGs must ensure that every expenditure is fully justified, with resource allocation based on the efficiency and necessity of programs rather than simply increasing previous budgets.

The following will therefore serve as the criteria to guide prioritization and final allocation of resources:

i) Programmers that enhance value chain and linkage to ADP and CIDP
ii) Governor Directives and county Executive Decisions;
iii) Completion of ongoing projects, stalled projects and payment of verified pending bills;
iv) Degree to which a programme addresses job creation and poverty reduction;
v) Degree to which a programme addresses the core mandate of the MDAs;
vi) Programme that support universal health care
vii) Programmes that support mitigation and adaptation of climate change;
viii) Cost effectiveness, efficiency and sustainability of the programme

5.0 CONCLUSION AND NEXT STEPS

The County Budget Review and Outlook Paper (CBROP) is a crucial policy document aimed at promoting financial discipline and ensuring fiscal responsibility within Garissa County's financial management framework. It plays a key role in guiding the county's budget-making process within the Medium-Term Expenditure Framework (MTEF). The document provides a detailed analysis of the previous year's fiscal performance, comparing actual outcomes to the budgeted appropriations, and includes an updated economic and financial forecast. Additionally, it highlights how the county's financial performance in the previous year may have impacted compliance with fiscal responsibility principles.

Looking ahead, all Sector Working Groups (SWGs) are required to align their sector costing with the Zero-Based Budgeting (ZBB) approach, a policy adopted at the national level. SWGs will need to present realistic costs for their programs and activities based on the available resource envelope. This approach ensures that only justified and priority-driven expenditures are funded.

The County Fiscal Strategy Paper (CFSP), due by February 28, 2025, will consolidate these discussions and serve as the baseline for sector allocations. The CFSP will finalize the proposed recurrent and development expenditures for the upcoming financial year, ensuring they are aligned with Garissa County's transformative agenda and strategic priorities as outlined in the County Integrated Development Plan (CIDP), Annual Development Plan (ADP), and individual sector strategies. The budget will also comply with the fiscal responsibility principles outlined in the Public Finance Management (PFM) Act of 2012, ensuring sustainable and responsible use of resources.

This strategic approach will ensure that county expenditures are efficiently managed, contributing to the overall economic growth, social development, and fiscal stability of Garissa County in the coming years.