REPUBLIC OF KENYA

COUNTY GOVERNMENT OF NYERI

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

2020

SEPTEMBER, 2020

SUBMITTED

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Foreword

The Nyeri County Budget Review and Outlook Paper (CBROP), 2020, is prepared against the backdrop of a contracting national economy occasioned by the outbreak and the rapid spread of the Covid-19 pandemic. The pandemic and the attendant containment measures has led to contraction of the national economy disrupting businesses, including farming and leading to loss of livelihoods for millions of people nationally.

In the country, the pandemic and its containment measures have not only disrupted our ways of lives and livelihoods, but to a greater extent business and farming. Consequently, the national economy grew by 4.9 percent in the first quarter of 2020 compared to a growth of 5.5 percent in a similar period in 2019. Overall, the national economy is projected to grow by 2.6 percent in the calendar year 2020 and bounce to 5.3 percent in 2021. In terms of fiscal years, the economy is projected to grow by 4.0 percent in the FY 2020/2021 and 5.9 percent over the medium term.

To cushion citizen and businesses from the adverse effects of Covid-19 pandemic and support economic activities, the National Government moved swiftly to implement various fiscal measures in the context of the Finance Act, 2020 and monetary measures. Evidently these measures did provide the much needed relief to the economy and provided additional disposable incomes to the people and businesses.

Due to the cessation of movement, closure of businesses and other Covid -19 containment measures our county has continued to face economic challenges which led to a decline of our own source revenue in the financial year 2019/2020. The percentage performance was 66.5 as compared to 83.7 attained in the previous financial year. The coming financial will be no different as most businesses are yet to reopen yet the local revenue contributes more than 13% of our budget financing.

The Government is in the process of preparing the Post-Covid 19 Economic Recovery Strategy which will address the issue of resuscitating businesses and job creation while remaining focused on the "Big Four Agenda". The budget outlays for the financial year 2019/2020 will greatly determine the expenditure priorities for the FY 2020/2021 due to the issues of escalating wage bill, pending bills, uncompleted projects and continued Covid-19 containment measures.

All county departments and other entities are called upon to operate within the provided budget ceilings so as to avoid unwarranted pending bills as we conclude the FY 2021/2022 preparation process. The scare resources will continue to be allocated to the priority needs as identified in this policy document. Enforcement measures and identification of new own revenue streams will be intensified to ensure our target is achieved while prudency will be observed in all our spending.

Robert Thuo Mwangi.
County Executive Committee Member
FINANCE AND ECONOMIC PLANNING

Acknowledgement

The County Budget Review and Outlook Paper (CBROP), 2020 has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides the fiscal outturn for the FY 2019/20, the macro-economic projections and sets the sector ceilings for the FY 2021/22 and the Medium Term Budget.

The CBROP also provides an overview of the actual performance of the FY 2019/20 and how it affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act as well as information showing adjustments made in the projections outlined in the County Fiscal Strategy Paper, CFSP, 2020.

The CBROP, 2020, was prepared through a coordinated effort of all county departments/entities who provided valuable and credible information for analysis and inclusion in this paper. We value their contributions to this noble undertaking which is an essential step in the preparation of the county budget for the financial year 2021/2022. Exceptional gratitude goes to the Executive Office of the Governor, the County Secretary, the County Executive Committee Members, Chief Officers, County Directors and other county authorities who offered their unwavering support during the preparation of this document.

Special thanks go to the team from the Department of Finance and Economic Planning who spent valuable time to ensure the success of this statutory requirement. The officers included Mr. Gibson Mwangi, Mr. Chris Gathogo and M/s Rose Gichuki under the guidance of Mr. Stephen Mwai, the Director of Economic Planning and Budgeting. Special regards also go to Mr. Joseph Mugi, Budget Coordinator- Nyeri County, for his invaluable input. To everyone who made this exercise a reality, I thank you and assure you that the time spent was not in vain as the CBROP will be of insurmountable importance to the future planning and budgeting process in the county.

As we enter into the critical phase of the preparation of the FY 2021/2022 budget lets strictly adhere to the set guidelines and deadlines without forgetting the importance of public participation and consultation with other statutory national institutions. The Success in the implementation of any budget largely depends on its quality and thus the need of investing time and resources in its preparation.

Francis Maranga Kirira
Chief Officer –
ECONOMIC PLANNING, BUDGETING, MONITORING AND EVALUATION

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Legal Basis for the Publication of the County Budget Review and Outlook Paper

The Nyeri County Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012 which states that:

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

Fiscal Responsibility principles in the Public Financial Management Law

Section 107(2) of the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of county public resources. The PFM Act states that:

(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 county government's expenditures on wages and benefits 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 county government's borrowings shall be used only for the purpose for financing development expenditure and not for recurrent expenditure;
(e) the county debt shall be maintained at a sustainable level as approved by the County Assembly.
(f) the fiscal risks shall be managed prudently; and
(g) a reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

INTRODUCTION

Background

1. The County Budget Review and Outlook Paper (CBROP) is developed as per the requirements of section 118 of the Public Finance Management Act, 2012. The Act states that every county must prepare a CBROP by 30th September, of every fiscal year, and submit the same to the County Executive Committee (ExCom). The ExCom shall in turn:

- Within fourteen days after submission, consider the CBROP with a view to approving it, with or without amendments. Not later than seven days after the ExCom has the approved the paper, the county treasury shall;
    - Arrange for the paper to be laid before the County Assembly
    - As soon as practicable after having done so, publish and publicize the Paper.

Objectives of CBROP

2. The objective of the County Budget Review and Outlook Paper (CBROP), 2020 is to provide a review of fiscal performance for the FY 2019/20 and how this performance impacts on the financial objectives and fiscal responsibility principles set out in the PFM Act and outlined in the County Fiscal Strategy Paper(CFSP), 2020. This, together with updated macroeconomic developments and outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the FY 2021/22 and the medium-term budget. Details of the fiscal framework and the medium term policy priorities will be firmed up in the CFSP, 2021.

3. The CBROP, 2020 is a key policy document that will guide the development of the CFSP, 2021. The CFSP, 2021 will highlight the progress in the implementation of the projects and programmes prioritized in the FY 2020/2021 Budget while also taking into account the recent macroeconomic developments.

4. The underperformance in revenue collection and expenditure pressures in the FY 2019/20 largely due to the adverse effects of the Covid-19 Pandemic had implications on the implementation of FY 2019/20 budget.

5. As required by the PFM Act, 2012, the budget process emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities. This will in turn ensure that the debt situation remains sustainable and enhances continued fiscal discipline. In order to meet the resource requirements of the FY

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2021/22, the County Government will continue to apply prudent measures aimed at enhancing local revenue collection and rationalizing expenditures.

REVIEW OF FISCAL PERFORMANCE IN 2019/20

A. Overview

6. In the 2019/20 financial year, the County Government was faced with some challenges in the process of budget execution. To start with, the projected revenue for the period under review fell short of the target and decreased by 20.6 percent as compared to the preceding year's performance. Development activities were subdued in the fourth quarter of the financial year from the adverse effects of Covid-19 pandemic.

7. A high wage bill, which accounted for 51.2 per cent of the total expenditure in FY 2019/20 constrained funding to other programmes. The amount for pending bills accruing from FY2018/19 was minimal and got settled as a first charge during the year under review. The County Treasury has automated collection of most of own source revenue streams and expects to leverage on this to improve revenue performance. The National Treasury has continued to support the County Treasury on Public Finance Management (PFM) process and particularly ensured minimal down-times in the public finance management system IFMIS with resultant improvement in operations and processes.

8. During the FY 2019/20, the County Treasury prepared three supplementary budgets to align the estimates with the changing social needs, prevailing economic trends and the County Allocation of Revenue Act (CARA), 2019. Further, the budget revision was necessitated by the allocation of funds for containment of Covid-19 pandemic in the fourth quarter of the financial year. It was also necessary to appropriate the balances brought forward from FY 2018/2019 into the FY 2019/20 through a supplementary budget and provide funds to settle the pending bills and commitments for the same period. In the final supplementary budget, the recurrent estimates amounted to Kshs 5,911,026,890 (65.9 percent) while the development estimate stood at Kshs 3,063,890,794 (34.1 percent) with a total budget of Kshs. 8,974,917,684.

B. 2019/20 Fiscal Performance

Revenue Performance

9. During the financial year 2018/19, cumulative revenues received by the County Government from the National Government releases, conditional grants and unspent balances in FY2018/19 amounted to Kshs. 7,346,462,677 while Kshs. 664,859,880 was received from the county own revenue sources. Out of the amount received as conditional grants, there was Kshs. 187,540,000 meant for Covid-19 pandemic containment measures which was not originally budgeted for **as** shown in Table 1 below.

Table 1: Revenue Performance in Financial Year 2019/20

Revenue Sources and Expenditure	Approved Appropriation (Kshs)	Revised Appropriation (Kshs.)	Actual Performance (Kshs.)	Deviation (Kshs.)	Performance %
Balance B/F	164,002,853	1,055,066,786	1,055,066,786	0	100
Equitable Share	5,301,000,000	5,412,150,000	4,946,705,100	-465,444,900	91
Level V Hospital	407,861,272	407,861,272	407,861,272	0	100
Road Maintenance Fuel Levy Fund	153,627,469	153,627,469	115,220,603	-38,406,866	75
User Fees Forgone	13,701,379	13,701,379	13,701,379	0	100
Development of Youth Polytechnics	55,143,298	55,143,298	55,143,298	0	100
DANIDA - Universal Health Care in Devolved Units Programme (UHDSP)	16,605,000	22,500,000	20,600,000	-1,900,000	92
Kenya Devolution Support Program (KDSP) Level 1 (WB)	53,203,142	73,740,988	30,000,000	-43,740,988	41
World Bank Kenya Climate Smart Agriculture - KCSAP	186,033,960	186,033,960	145,588,368	-40,445,592	78
KUSP - Kenya Urban Support Project Grant (UDG)	236,000,000	236,639,100	169,253,465	-67,385,635	72
KUSP - Kenya Urban Institutional Grant (UIG)	0	8,800,000	0	-8,800,000	0
THUSCP Allocation - transforming Health Care System (WB)	24,814,801	50,181,184	24,814,801	-25,366,383	49
Universal Health Care Program (UHC) – GOK	159,894,390	159,894,390	159,894,390	0	100
Covid -19 Grant (GOK)	-	124,390,000	124,390,000	0	100
Covid -19 Grant II (GOK)	-	-	63,150,000	63,150,000	100
Agricultural Sector Development Support Programme	15,187,858	15,187,858	15,073,215	-114,643	99
Sub-total	**6,787,075,422**	**7,974,917,684**	**7,346,462,677**	**-628,455,007**	**92**
Own Source Revenue	1,000,000,000	1,000,000,000	664,859,880	-335,140,120	66
Total Revenue	**7,787,075,422**	**8,974,917,684**	**8,011,322,557**	**-963,595,127**	**89**
Salaries & Wages	3,507,418,303	3,789,619,336	3,777,879,823	26,302,368	100
Operations & Maintenance (O&M)	1,771,298,000	2,121,407,554	1,957,558,001	390,543,646	92
Development	2,508,359,119	3,063,890,794	1,646,211,297	954,944,538	54
Total Expenditure	**7,787,075,422**	**8,974,917,684**	**7,381,649,121**	**1,371,790,554**	**82**

Source: County Treasury, 2020

10. By the end of June 2020, some of the projected revenues had been achieved with the exception of Equitable shareable revenue, own Source revenue, Road Maintenance Fuel Levy Fund, Kenya Devolution Support Programme Level I Grant, Kenya Climate Smart Agricultural Project grant, World Bank Loan for Transforming Health Systems for Universal Health Coverage (UHC), Kenya Urban Support Programme (KUSP), Kenya Climate Smart Agriculture

Programme (KCSAP) and Agricultural Sector Development Support Programme (ASDSP). At the beginning of the financial year 2019/20 the County had unspent cash balances accruing from the financial year 2017/18 amounting to Kshs. 1,055,066,786 which necessitated the development of the first supplementary budget to appropriate these balances.

11. During the financial year 2019/2020, the County received Kshs. 4,946,705,100 as equitable share of revenue from the National Government and Kshs. 407,861,272 as Conditional Grants for Nyeri Level V Hospital. Kshs. 13,701,379 as compensation for user fees foregone and 115,220,603 from the Road Maintenance Fuel Levy. The County also received Kshs. 20,600,000 as a grant from DANIDA, Kshs. 30,000,000 as Level 1 grant for KDSP, Kshs. 24,814,801 as World Bank Loan for transforming health systems for universal care project, Kshs. 169,253,465 for Kenya Urban Support Programme, Kshs. 145,588,368 for Kenya Climate Smart Agricultural Project, Kshs. 15,073,215 for Agricultural Sector Development Support Programme, Kshs 159,894,390 for Universal Health Coverage and Kshs. 187,540,000 grant for Covid-19 pandemic containment.

12. In the 2019/20 financial year the County Government collected a total of Kshs. 664,859,880 from local revenue sources against a target of Kshs. 1,000,000,000. This was a decrease by 20.6 percent as compared to the previous year's achievement.

13. The drop in revenue performance is mainly attributable to non-collection of hospital fees given the county was among the four under UHC pilot program coupled with subdued business activities in the fourth quarter of the year from adverse effects of Covid-19 pandemic.

14. Concerted effort and focused strategies should be employed to bridge the gap in attainment of own revenue targets to avert possibilities of pending bills and incomplete development projects. The County will leverage on the automated revenue collection covering all the streams to eliminate possibility of leakages. The enforcement and inspectorate units should be empowered to ensure all identified sources of revenue are covered and paid to the county government. Further, revenue collection personnel will be rotated to ensure that no one person is at a specific revenue collection point for a pro-longed period of time.

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Table 2: Local Revenue Performance – FY 2019/20

Revenue Stream	Actual Collected (Kshs.)	Annual Target (Kshs.)	Deviation (Kshs.)	Performance (%)
Hospital Services	105,229,097	250,000,000	(144,770,903)	42%
Business Permits	80,309,168	120,000,000	(39,690,832)	67%
Enclosed Bus Park	70,161,688	79,806,070	(9,644,382)	88%
Cess (Quarry, Produce, Kaolin, e.t.c.)	48,620,902	51,950,000	(3,329,098)	94%
Land Rates	47,058,691	85,455,900	(38,397,209)	55%
Liquor Licence	39,050,646	53,878,795	(14,828,149)	72%
Market Entrance/Stalls/Shop Rents	38,520,366	37,000,000	1,520,366	104%
Refuse Collection Fee/Tipping charges/Garbage Dumping Fee/waste disposal charges	36,709,039	42,331,880	(5,622,841)	87%
Parking Fees	33,774,234	46,000,000	(12,225,766)	73%
Housing Estates Monthly Rent	26,811,597	32,582,000	(5,770,403)	82%
Sign Boards & Advertisement Fee	25,025,868	30,998,425	(5,972,557)	81%
Fire-Fighting Services	10,525,135	17,500,000	(6,974,865)	60%
Application Fee	10,383,773	17,000,000	(6,616,227)	61%
Public Health	9,819,341	17,131,050	(7,311,709)	57%
Right-of-Way / Way-Leave Fee (KPLN, Telkom, e.t.c.)	9,245,922	10,510,010	(1,264,088)	88%
Wambugu Agricultural Training Centre	8,751,527	9,500,000	(748,473)	92%
Miscellaneous Income	7,792,454	8,000,000	(207,546)	97%
Buildings Plan Approval Fee	6,678,788	15,572,000	(8,893,212)	43%
Veterinary Charges	6,630,041	7,000,000	(369,959)	95%
Approvals (Extension of users, Pegging for Kiosk, Subdivision, transfer, Amalgamation, survey,Occupation Cert, boundary dispute etc)	6,496,873	9,565,800	(3,068,927)	68%
Commision 3%	5,176,933	5,500,000	(323,067)	94%
Parking Clamping/Penalties/Offences fees	4,116,270	7,016,000	(2,899,730)	59%
Ground Rent - Current Year	2,827,532	5,000,000	(2,172,469)	57%
Sale of Fertilizer/lime	2,543,800	3,000,000	(456,200)	85%
Weights and Measures	2,477,173	3,000,000	(522,827)	83%
Slaughtering Fees & Slaughter House Inspection Fees	2,410,270	5,276,000	(2,865,730)	46%
Buildings Inspection Fee	2,172,720	3,818,570	(1,645,850)	57%
Ground Rent - Other Years	2,118,775	3,500,000	(1,381,225)	61%
Co-operative Audit	1,918,171	2,500,000	(581,829)	77%
Debts Cleareance Certificate Fee	1,715,600	2,457,200	(741,600)	70%
Consent to Charge Fee/Property Certification Fee (Use as Collateral)	1,582,800	2,000,000	(417,200)	79%
Impounding Charges/Court Fines, penalties, and forfeitures	1,567,794	2,800,000	(1,232,206)	56%
Ambulant Hawkers Licences (Other than BSS Permits)	1,178,685	1,800,000	(621,315)	65%
Stadium Hire	1,101,529	1,700,000	(598,471)	65%
Agricultural Mechanisation Station	812,111	1,155,400	(343,289)	70%
Benevolent Fund	714,000	1,646,000	(932,000)	43%
Plot Transfer Fee	515,000	1,055,000	(540,000)	49%
Nyeri Slaughter House	420,000	480,000	(60,000)	88%
Public Toilets/Use of public toilets	366,942	600,000	(233,058)	61%
Document Search Fee	319,750	500,000	(180,250)	64%
Sales of Council's Minutes / Bylaws	317,500	406,000	(88,500)	78%
Other Property Charges	285,245	398,900	(113,655)	72%
Nursery Schools Fee (Nyakinyua)	141,050	208,000	(66,950)	68%
Burial Fees	106,700	100,000	6,700	107%
Kiganjo Slaughter House	100,000	120,000	(20,000)	83%
Nursery Schools Fee (Kingongo)	72,300	207,000	(134,700)	35%
Central Kenya show annual permit	66,500	500,000	(433,500)	13%
Tree cutting permits	57,082	-	57,082	100%
Temporary Occupation License (TOL), New Occupation, Space Rent, Retainers fees	27,500	1,000,000	(972,500)	3%
Gura Fishing Camp	24,000	24,000	-	100%
Social Hall Hire, IFAD Hall	6,000	285,000	(279,000)	2%
Business Subletting / Transfer Fee	5,000	50,000	(45,000)	10%
Nursery Schools Fee (KRT)	-	115,000	(115,000)	0%
Total	**664,859,880**	**1,000,000,000**	**(335,140,120)**	**66%**

Source: County Treasury, 2020

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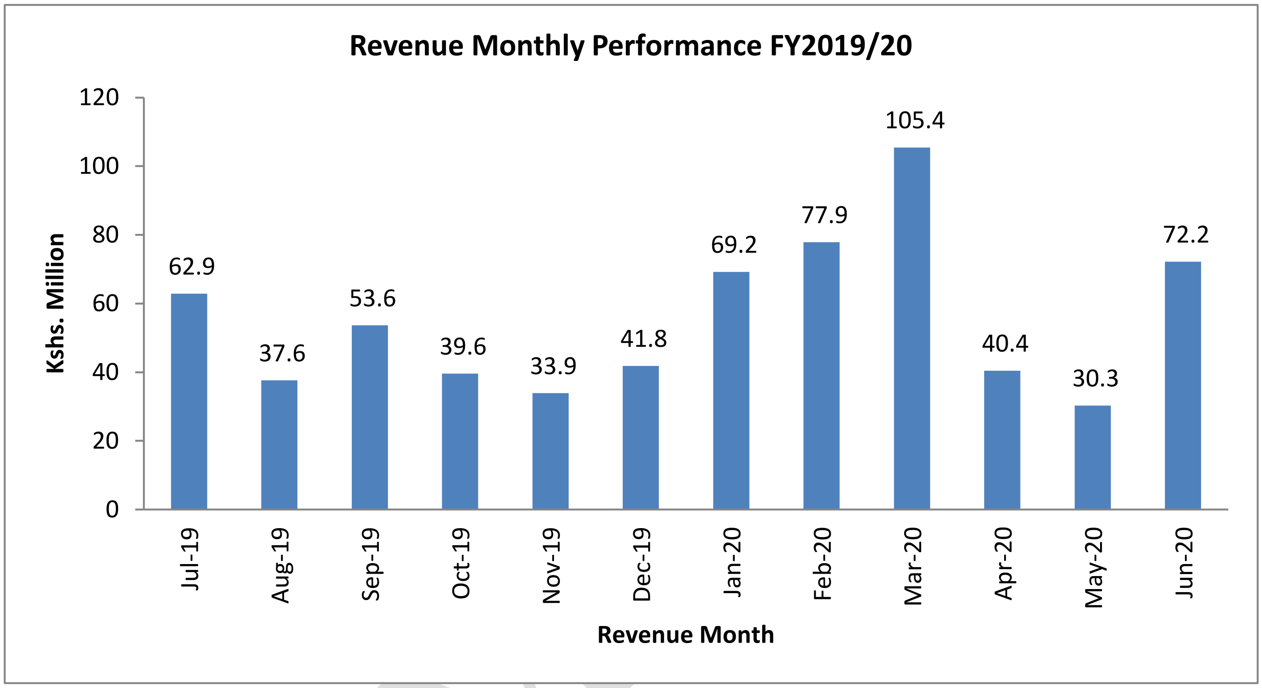
15. A monthly review of the county government's local revenue collection indicates that the month of March 2020 registered the highest amount as shown in the figure below. This is due to the fact that Single Business Permits and land rates, which are among the major sources of local revenue have a deadline of the month of March before starting to attract penalties.

Figure 1: Monthly revenue collections in FY 2019/2020



Source: County Treasury, 2020

Expenditure Performance

16. The Total expenditure in the 2018/19 financial year amounted to Kshs. 7,464,753.517.40 against a budget of Kshs. 8,836,544,071 representing an under spending of Kshs. 1,371,790,553.60 as shown in Table 3 below. This shortfall was attributed to delayed release of funds by the National Treasury and the introduction of end to end procurement process which was a new concept and the users were still in the learning process. There was also a shortage of Kshs. 162,605,063 from the projected local revenue targets contributing to the underperformance. Further, donor funds could not be absorbed due late release and the fact that the projects are multiyear.

Table 3: Expenditure Performance in FY 2019/20

Expenditure Classification	Approved Appropriation (Kshs)	Revised Appropriation (Kshs.)	Actual Performance (Kshs.)	Deviation (Kshs.)	Percentage Performance
Salaries & Wages	3,507,418,303	3,789,619,336	3,777,879,823	11,739,513	99.7
O&M	1,771,298,000	2,121,407,554	1,957,558,001	163,849,553	92.3
Total Recurrent	**5,278,716,303**	**5,911,026,890**	**5,735,437,824**	**175,589,066**	**97.0**
Development	2,508,359,119	3,063,890,794	1,646,211,297	1,417,679,497	53.7
Total Expenditure	**7,787,075,422**	**8,974,917,684**	**7,381,649,121**	**1,593,268,563**	**82.2**

Source: County Treasury, 2020

17. In 2019/20 the County Government incurred recurrent expenditure totaling Kshs 5,735,437,824 against a proposed budget of Kshs 5,911,026,890 representing an under-spending of Kshs 175,589,066. The County spent Kshs. 3,777,879,823 on personnel emoluments and Kshs. 1,957,558,001 on operations and maintenance.

18. On the other hand, the expenditure on development amounted to Kshs 1,646,211,297 against a revised estimate of Kshs 3,063,890,794, representing an under-spending of Kshs 1,417,679,497. The underspending can be attributed mainly to late disbursement of funds by the National Treasury and shortfall in Own Source revenue collection coupled with subdued activities owing to Covid-19 pandemic in the fourth quarter of the financial year.

Performance by Departments and Other County Units

19. Analysis of the performance by departments and other county units indicates that the Department of Water and Irrigation Services had the highest percentage of recurrent expenditure at 98.9 percent while the Department of Finance and Economic Planning had the lowest at 92.5 percent as shown in Table 4 below;

Table 4 : Performance of Recurrent Budget in FY 2019/20

Head/Department	Approved Appropriation (Kshs)	Revised Appropriation (Kshs)	Actual Performance (Kshs)	Deviatione (Kshs)	Performance (%)
Office of the Governor & Deputy Governor	115,420,638	157,229,038	151,591,729	5,637,309	96.4
Office of the County Secretary	219,556,582	328,519,317	313,206,813	15,312,504	95.3
Finance and Economic Planning	547,250,163	766,583,877	708,726,964	57,856,913	92.5
Lands, Physical Planning, Housing and Urbanization	46,961,612	54,976,575	53,325,747	1,650,828	97.0
Health Services	2,664,135,137	2,656,844,894	2,601,856,702	54,988,192	97.9
Gender, Youth and Social Services	70,968,597	69,903,007	66,256,275	3,646,732	94.8
County Public Service & Environment	57,291,918	68,808,981	67,441,191	1,367,790	98.0
Agriculture, Livestock and Fisheries	164,517,572	355,169,266	347,121,417	8,047,849	97.7
Trade, Culture, Tourism & Cooperative Development	57,185,517	56,987,417	54,206,544	2,780,873	95.1
Education and Sports	376,914,348	388,060,066	378,006,251	10,053,815	97.4
Water & Irrigation Services	133,664,918	162,920,668	161,197,452	1,723,216	98.9
County Assembly	659,447,249	664,085,232	656,012,925	8,072,307	98.8
County Public Service Board	34,466,959	36,803,459	35,937,348	866,111	97.6
Transport, Public Works, Infrastructure & Energy	130,935,093	144,135,093	140,550,466	3,584,627	97.5
TOTAL	**5,278,716,303**	**5,911,026,890**	**5,735,437,824**	**175,589,066**	**97.0**

Source: County Treasury, 2019

20. An analysis of the development outlay indicates that the Office of the County Secretary attained the highest absorption rate of development budget at 100 percent followed by Department of Trade, Culture, Tourism and Cooperative Development with 82.9 percent. The

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County Assembly had the lowest absorption at 3.2 percent followed by the Department of Gender and Social Services with 32.3 percent. Table 5 below shows the performance of the departments and units.

Table 5: Performance of the Development Budget in FY 2019/20

Department	Approved Appropriation (Kshs)	Revised Appropriation (Kshs)	Actual Performance (Kshs)	Deviation (Kshs)	Performance (%)
Office of the Governor & Deputy Governor	80,000,000	-	-	-	-
Office of the County Secretary	-	5,904,468	5,904,468	-	100.0
Finance and Economic Planning	30,000,000	280,368,818	112,938,445	167,430,373	40.3
Lands, Physical Planning, Housing and Urbanization	400,600,000	638,761,626	321,658,750	317,102,876	50.4
Health Services	205,217,234	287,434,818	108,390,977	179,043,841	37.7
Gender, Youth and Social Services	35,500,000	100,056,000	32,327,331	67,728,669	32.3
County Public Service & Environment	-	-	-	-	-
Agriculture, Livestock and Fisheries	271,598,808	290,646,720	224,648,426	65,998,294	77.3
Trade, Culture, Tourism & Cooperative Development	88,422,834	50,772,834	42,070,773	8,702,061	82.9
Education and Sports	117,190,974	114,970,546	90,044,070	24,926,476	78.3
Water and Irrigation Services	228,765,356	177,551,356	95,571,095	81,980,261	53.8
County Assembly	50,000,000	50,000,000	1,576,648	48,423,352	3.2
County Public Service Board	-	-	-	-	-
Transport, Public Works, Infrastructure & Energy	1,001,063,913	1,067,423,608	611,080,315	456,343,293	57.2
TOTAL	**2,508,359,119**	**3,063,890,794**	**1,646,211,298**	**1,417,679,496**	**53.7**

Source: County Treasury, 2020

C. Fiscal performance of the FY 2019/2020 in relation to fiscal responsibility principles and financial objectives

21. The fiscal performance in the FY 2019/20 impacted the financial objectives, detailed in the 2019 CFSP and the fiscal responsibility principles, in the following ways;

22. Revenue projections indicate modest growth. Based on the County Allocation of Revenue Bill (CARB 2020) the amount of revenue to be received as equitable share of national revenue disbursed to the County is Kshs 5,412,150,000, which is same as for FY 2019/20 allocation. However, the target for Own Source Revenue in FY2020/21 is Kshs. 1000,000,000 which is higher than Kshs. 664,859,880 collected in FY2019/20. It is notable that the contribution of local revenues has remained below 15 percent of the projected total county revenue in both FY 2019/2020 and 2020/2021. Actual contribution of local revenue to total county revenue in FY 2019/20 amounted to only 8.3%.

23. The amount of local revenue collected by the County Government in FY2019/20 decreased compared to FY2018/19. However, this is projected to improve due to the expansion in the county's revenue base, strengthening existing revenue streams and reduction in litigations by

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engaging all stakeholders in formulation of related legislation. The enforcement and inspectorate units have been empowered to enforce revenue collection.

24. The County Government acquired and installed an automated revenue management system and so far over 95 percent the of revenue streams have been automated. This is expected to greatly improve the local revenue achievement as experienced in the actual performance. The resultant increase in own source revenue will create more funds for development and reduce overreliance on external revenue sources. However, there is a notable increased demand for more funds and this will be addressed through identification of new revenue streams, expanding and strengthening the already existing ones by enacting relevant legislation to facilitate the same.

25. For the FY 2020/21 budget, adjustments will be introduced on fiscal aggregates as provided for under section 108 (2) of the PFM Act, 2012; CARA, 2020 and the unspent balances as at 30th June, 2020. The pending bills for the FY 2019/2020 totaled Kshs 417,645,843. These will partly be paid as first charge in respective departmental votes and the remaining amount will be provided for during supplementary budget from the amount brought forward from 2019/20 financial year.

26. Regulation 25(1) (b) of the PFM (County Governments) Regulations demands that a county should not spend more than 35 percent of its cumulative revenue on salaries and wages. Pressure has been increasing for counties to ensure adherence to this provision on wage bill ceiling despite the fact that the rise was triggered, mainly, by external factors. These includes the signing of CBA's nationally and the effects being imposed on counties to execute without additional resource provisions e.g. the CBA for nurses and doctors that has continued to strain the county's resource basket.

27. The County's wage bill budget in FY 2019/20 stood at Kshs. 3,789,619,336 representing 42.2 percent of the total county budget. Furthermore, the recruitment of professional staff and the demand for promotions from deserving workers whenever they are due has also contributed significantly to the huge wage bill. By the end of FY 2019/20 the County Government expenditure on wages and salaries was Kshs. 3,777,879,823 which translated to 51.2 percent of total expenditure. The measures that have been put to reduce the wage are expected to bear fruits. These include internal advertisements for any openings, rationalization of the public service and availability of development funds from development partners/donors.

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28. The amount allocated for development expenditure in FY 2019/2020 was 34.1% of the total budget. This allocation was within the legal framework which requires county government to allocate at least 30% of their annual budget towards development expenditure over the medium term. By the end of this period only Kshs. 1,646,211,297 of the development budgets had been spent which translates to 22.3 percent of the total county expenditure. The shortfall in absorption can be attributed to reduced development activities in the fourth quarter of the financial year due to Covid-19 pandemic. Delay and late release of funds by the National Treasury also contributed to projects being completed and not being paid for.

29. During the FY 2019/20 the County Government did not incur any debt through borrowing. Pending bills increased from Kshs. 63,695,160 in 2018/19 to Kshs 417,645,843 in FY 2019/20 which will be settled in the current financial year. The cash balances carried forward to FY 2020/21 amounts to Kshs. 649,519,570.

30. In line with the provisions of the PFM Act, 2012, a finance bill was prepared through a participatory, consultative and all-encompassing approach, and later submitted to the County Assembly for consideration and approval. Public participation in the process guarantees that the beneficiaries and stakeholders understands the charges thus minimizing the chances of resistance from the rates and fees payers.

31. Nevertheless, litigations have been encountered in the past thus hampering mobilization of local resources. However, amicable and out of court agreements and approaches in solving emerging disputes has continued to be encouraged to minimize and where possible eliminate any loss of revenue occasioned by these delays.

32. Over the medium term, the County Government through the CIDP 2018-2022 has prioritized the following development strategies:

- Improve productivity in agriculture and overall food and nutrition security.
- Promote shared economic growth and job creation.
- Enhance good governance and active citizenry.
- Enhance basic infrastructure for effective service delivery.
- Promote sustainable use of natural resources.
- Improve financial sustainability and resilience.
- Provide accessible and quality health care services.
- Scale up institutional development, transformation and innovation.

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III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

33. The development objectives of the County Government over the medium term are meaningfully reliant on fiscal and monetary developments occurring at the national level. These objectives are clearly outlined in the Kenya's Vision 2030, Medium Term Plan III and the Big Four Agenda. The County Integrated Development Plan (CIDP) 2018-2022 was prepared in line with the national development agenda. The identified projects and programmes in the CIDP are normally actualized through Annual Development Plans and prioritized through County Fiscal Strategy Papers.

34. It is also important to note that any change in the national economic and financial trends have a huge impact on the County government's expenditure trends in the long run. Economic instabilities will lead to adverse national expenditure trends thereby negatively affecting the county government's development agenda.

35. The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures has slowed down development activities in both national level. For instance, the night curfew and cessation of movement greatly destabilized the economy and led to great job losses across and reduced economic activities. Resources were also diverted from the initial plan and directed towards the preparedness against the pandemic. It is therefore evident that county's economic growth is largely dependent on how the nation plans to deal with economic destabilizers.

36. The county will therefore prioritize post Covid-19 recovery strategies to revamp the economy by promoting job creation and provide incentives for restoring businesses affected by the pandemic.

A. Recent National Economic Developments

37. The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated global economies. As a result, the global economy is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent in 2019 with prospects across countries and regions remaining highly uncertain. Kenya has not been spared.

38. The Pandemic and the containment measures slowed down economic activities in key sectors of the economy in the first quarter of 2020, resulting to a lower growth of 4.9 percent compared to a growth of 5.5 percent in a similar period in 2019. Overall, taking into account the

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available indicators for second quarter for 2020, the economy is projected to grow by 2.6 percent in the calendar year 2020 compared to the initial projection of 6.1 percent in the 2020 Budget Policy Statement.

39. The economy is projected to rebound to 5.3 percent in 2021 and 5.9 percent over the medium term. In terms of fiscal years, the economy is projected to grow by 4.0 percent in the FY 2020/21 and 5.9 percent over the medium term. The slowdown in the first quarter of 2020 was mainly due to the uncertainty surrounding the Covid-19 pandemic that was already slowing economic activity in most of the country's major trading partners.

40. The contribution of agricultural sector to the overall GDP growth was 1.3 percentage points in the first quarter of 2020, an increase from 1.2 percentage points in the same quarter of 2019. Indicators in the sector also points to continued strong performance in the second quarter majorly on account of improved weather conditions and increased credit extension to the sector.

41. The non-agricultural sector (service, industry and mining and quarrying) remained resilient and grew by 5.2 percent in the first quarter of 2020, down from 5.9 percent in the same quarter of 2019. The services and industry sector contributed 3.3 percentage points to real GDP growth in the first quarter of 2020 mainly supported by strong performance in the services sector.

42. Year-on-year overall inflation has remained within the government target range since end 2017 demonstrating prudent monetary policies. The inflation rate was at 4.4 percent in August 2020, declining from 5.0 percent in August 2019. This decline reflected favorable weather conditions which resulted to declines in the prices of key food items such as cabbages, tomatoes, Irish potatoes, spinach and loose maize grain. Paraffin, petrol, diesel and 200KWh electricity prices also declined during the same period due to lower international oil prices. Kenya's rate of inflation compares favorably with the rest of Sub-Saharan Africa countries,

43. Despite the foreign exchange market volatility in 2020 largely due to uncertainties relating to the Covid-19 Pandemic and a significant strengthening of the US Dollar in the global markets, the Kenya Shilling has remained competitive supported by a stable current account deficit. The Shilling depreciated against the US Dollar, Sterling pound and the Euro exchanging at an average of Ksh 107.3, Ksh 135.3 and Ksh 122.5 in July 2020 from Ksh 103.2, Ksh 128.7 and Ksh 115.8 in July 2019, respectively.

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44. Short-term interest rates have remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent on July 29, 2020 same as in April 2020 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 interbank rate remained low and fairly stable at 2.5 percent in August 2020 from 3.6 percent in August 2019 in line with the easing of the monetary policy and adequate liquidity in the money market

45. Growth in broad money supply, M3, declined to 8.4 percent in the year to June 2020 compared to a growth of 9.2 percent in the year to June 2019. The decline in growth of M3 is attributed to decline in growth of other deposits at CBK and foreign currency deposits. However the growth in M3 was supported by improvement in the growth of demand deposits, time and savings deposits as well as currency outside banks.

46. The overall balance of payments position improved to a surplus of US$ 179.3 million (0.2 percent of GDP) in the year to June 2020 from a deficit of US$ 492.7 million (0.5 percent of GDP) in the year to June 2019. This was mainly due to narrowing of the financial account deficit

B. County Recent Economic Developments

47. The financial year, 2019/20 started well despite the delay in approval of the division of revenue act, 2019 that altered the timelines for implementation of various county projects and programmes. Further, the outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated economies across the globe and the county was not spared. Despite the challenges encountered, the County Government was able to carry out most of its planned activities.

48. Agriculture remains the major contributor to the county's economy and therefore a plays a critical role to the national big four agenda on food security. The county has therefore continued direct its efforts towards promotion of agriculture for subsistence and commercial use to ensure sustainable food and nutritional security thereby boosting the financial well-being of Nyeri residents and overall economic growth and development.

In the financial year 2019/20 the county government continued with improvement of its breeding stock by providing artificial insemination services where 15,284 animals were served. Further, 11,202 improved indigenous chicken and 90 dairy goats were distributed to the county farmers

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which is expected to boost production and farmer incomes. Further, to mitigate against livestock diseases, 86,752 animals were vaccinated in the period under review across the county.

49. The county has been able to achieve the following: procurement of a tractor and rehabilitation of equipment for Naromoru AMS, construction of milk sheds and collection centre, and procurement of avocado seedlings to promote county greening. There was also rehabilitation of Karatina and Mweiga slaughter houses.

50. Through the Kenya Climate Smart Agriculture Project, the county supported packaging of climate change resilient technologies and funding of 122 groups under micro projects and 5 sub projects. There is also promotion of modern technologies in aquaculture by restocking of ponds and dams with fingerlings as well as provision of fish feeds for fish cages culture.

51. To avoid overreliance on rain fed agriculture and ensure food sustainability, the county government is committed to investing in water and irrigation programmes. In the financial year 2019/20, the county acquired a supervision vehicle for its irrigation projects, constructed 4 intakes to completion, constructed 6 water storage tanks and installed 10 boreholes with solar panels and pumps. Titie and Naromoru water treatment plants have also been constructed. These programmes are geared towards ensuring adequate water supply for irrigation throughout the year.

52. The county has a total of 121.63Km, 2777.55Km and 479.75 of earth, gravel and bitumen roads respectively. In order to improve access to the rural areas and make agricultural products accessible to the market, the County Government has continually improved various access and feeder roads. In the FY 2019/20 the county was able to grade 683Km and gravel about 295Km of road surface. The target is to improve all the county roads into all-weather standards.

53. The county through the Kenya Roads Board also tarmacked about 4.6Km of its urban roads in Nyeri and Karatina Towns. The parking spaces in Nyeri Town were also upgraded to bitumen standards and properly marked which ensure organized parking and enhance revenue collection. Further, there was construction and renovation of 13 bridges across the county to enhance connectivity and access to areas that had previously been rendered unreachable.

54. To improve business environment and security in the trading and market centres, the county has installed 26Km of streetlights and continued with the maintenance of the existing high mast

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flood lights. In promotion of alternative and renewable source of energy a total of 5 biogas systems were constructed and more will be constructed in the coming financial years.

55. There are 39 public youth polytechnics and 436 public ECDE centers across the county. In the financial year 2019/20, the County Government has renovated 12 ECDEs classroom blocks, constructed 7 new ECDE classrooms blocks and 9 toilet blocks in various ECDEs across the county. In our efforts to promote sporting activities for the youth, the County Government has continued to fence and improve facilities in various stadia and playing grounds in the county.

56. The County Government had a total of Kshs 100,000,000 available for distribution as bursaries within the FY 2019/2020. However, due to the outbreak of Covid-19 pandemic, it was not possible to conclude the process of allocating the bursaries to the needy until the school are reopened and public gatherings that forms part of the allocation criteria are allowed.

57. During the financial year 2019/2020 the County Government was able to improve 17 markets through construction of stalls, market sheds and ablution blocks. Through the Enterprise Development Fund programme, the county identified potential beneficiaries and Kshs. 15.25 million was disbursed to the successful ones. The department of trade has also trained 543 entrepreneurs on business development and growth during this period.

58. The County continues to enforce fair trade practice and consumer protection as required by section 46 of the Kenya constitution. During the year, the weights and measures unit verified 10,293 weights and measures equipment and issued 2,247 certificates of Verification for the equipment. Revenue of Kshs 2,468,320 against a target of Kshs 2,400,000 was raised. The county also trained 641 cooperative managements on areas of governance and financial management.

59. The county government during the financial year 2019/20 was able to rehabilitate a community field, refurbish a library and a community hall as well as construct two social halls in various county wards. All the emerging incidences on disasters were timely reported and responded to and the county has also secured a toll free line for disaster management. The county government is in the process of constructing a dining hall and kitchen at Karatina Children's home to improve the living standards of our vulnerable children. In addition, the county has continued to offer scholarships support to the school going children within the children homes.

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60. The county government is committed to quality service delivery to its citizen and this calls for a qualified and motivated personnel. To ensure this, the county facilitated the admission of 485 officers to the county pension scheme who had acquired the status of permanent and pensionable terms of employment. Further, the county is also committed to equip young and fresh graduate with skills to facilitate employability and during the financial year 2019/20, 185 interns who are engaged in various departments and areas of specialization. There is also continuous training of and promotions staff.

61. The county has been heavily burdened by wage bill that is way above 50 percent of its total budget despite having existing staffing gaps in some critical areas. Some of these gaps have been escalated by the staff exiting service for various reasons. For instance, in the financial year 2019/20, 227 employees exited and the county public service board has since engaged 380 employees in the same period.

62. To conserve the environment and address issues of public health, the county is committed to effectively manage its liquid and solid waste. During the financial year 2019/20, the County acquired one skip loader truck, 12 skips containers. The County also undertook a greening fencing of Gikeu and Karindundu Dumpsite as well as Blue Valley Solid Waste Transfer Station.

63. The outbreak of the Covid-19 pandemic clearly restated the role of health in economic development. In the financial year 2019/20, the county undertook construction of Naromoru Level IV hospital with 175 bed capacity under the Kenya Devolution Support Programme Level II. Further, there was Construction of a dedicated Isolation ward in Mt Kenya Hospital as well as acquisition of Incinerator for medical waste management at the County Referral Hospital. In addition, 4 health centers and 11 dispensaries were renovated across the county. 2 dispensaries were also equipped to improve service delivery. Additionally, Gatiko dispensary which was previously under the CDF was also completed.

64. The UHC pilot programme came to an end towards the end of the financial year 2019/20 and the county government is now exploring ways of bridging the gap created by the same. The county residents are being encouraged to enroll with the NHIF programme to guarantee them services that were initially free and covered by the UHC financing by the national government during the pilot phase.

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65. During the financial year 2019/20 the county government continued with phase 2 of the construction of Nyeri Town Main Transport Termini at the Asian Quarters which is at about 80 percent completion. Once complete, the project will ease congestion in Nyeri town and create employment opportunities. The Lands Department has also continued with planning of colonial villages where 13 of them were planned through the county government support while 5 were supported by KISIP. The county also acquired GIS equipment to facilitate data collection and capture for purpose of establishing a county land information system.

C. Economic Outlook

Growth prospects

66. The outbreak and spread of the Covid-19 Pandemic and the subsequent containment measures have shocked global economies. As a result, the global economy is projected to diminish by 4.9 percent in 2020 from a growth of 2.9 percent in 2019. This economic outlook is worse than the growth reported during the 2008 - 2009 global financial crisis. On a positive note, world economic growth is projected to recover to 5.4 percent in 2021 mainly supported by a gradual strengthening in consumption and investment is also expected to firm up.

67. On the domestic growth, before the outbreak of Covid-19 pandemic, Kenya's economy was strong and resilient despite the challenging global environment. The economy expanded by 4.9 percent in the first quarter of 2020 supported by the agricultural sector on account of favorable weather conditions.

68. Leading economic indicators for the second quarter shows a continued strong performance in agriculture, mainly due to favorable weather conditions and lifting of restrictions in the key export markets. However, the negative effects of covid-19 on the economy are projected to offset the gains in the agricultural sector leading to an overall projected growth, in calendar years, of 2.6 percent in 2020. On a positive note, economic growth is projected to recover to 5.3 percent in 2021 and 5.9 percent in the medium term. In terms of fiscal years, economic growth is projected to grow by 4.0 percent in FY 2020/21 and further to 5.9 percent over the medium term.

Monetary Policy outlook

69. The main objective of monetary policy, over the medium term, will be to maintain stable prices. Overall inflation is expected to remain within the target range in the short run, despite the disruptions occasioned by the COVID-19 pandemic. This will be supported by favorable weather

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conditions, lower international oil prices, subdued demand pressures and the reduction of Value Added Tax (VAT) from 16 percent to 14 percent.

70. The Central Bank of Kenya will continue to monitor developments in the money and foreign exchange market and take appropriate measures in the event of adverse shocks.

External sector outlook

71. The Kenya Shilling is expected to be stable in 2020 on account of a narrower and stable current account deficit and resilient foreign exchange inflows. The current account deficit is expected to narrow to 5.1 percent of GDP in 2020 from 5.8 percent in 2019 largely supported by a lower oil import bill and lower imports of SGR-related equipment.

Fiscal Policy Outlook

72. The revenue projections over the medium term takes into account the consistent decline in the share of revenue to GDP in the last five years, the negative impact of the Covid-19 pandemic on revenue collection and the impact of personal and corporate income tax relief extended to individuals and businesses to mitigate the impact of the pandemic. As such, the Government will take a restrained and realistic revenue projections for FY 2021/22 and the medium term to manage expectations and improve budget credibility.

73. Fiscal policy over the medium-term aims at enhancing revenue mobilization and strengthen management of public debt to minimize cost and risks of the debts, while accessing external funding to finance development projects.

Risks to the Domestic Economic Outlook

74. This macroeconomic outlook has both external and domestic sources risks. Risks from the global economies relate to effects of the Covid-19 pandemic and necessary lockdowns, voluntary social distancing and its effect on consumption, the ability of laid off workers securing employment in other sectors, rising operating cost to make work places more hygienic and safe, regeneration of disrupted global supply chains, extent of cross-border spill-overs occasioned by frailer external demand and funding shortfalls.

75. On the domestic outlook, risks will emanate from frailer external demand, reduced tourist entrances due the Covid-19 fears and restrictions and further restrictions of movement should they become necessary to control the increase in infections. In addition, the economy will continue to be exposed to risks arising from public expenditure compressions, particularly wage

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related recurrent expenditures and the unpredictable weather related shocks that could have negative impact on generation of energy and agricultural productivity leading to higher inflation that could slow down growth.

76. In the foreign exchange market, the main risks relate to continued uncertainties occasioned by the Covid-19 pandemic. Nevertheless, the foreign exchange reserves will continue to provide an adequate cushion against short term shocks in the forex market.

77. The Government is continually monitoring these risks and taking appropriate monetary and fiscal policy measures to maintain macroeconomic stability and strengthen elasticity in the economy. To cushion the country against the downsides of the risks emanating from the Covid19 pandemic, the Government is implementing an 8-point Economic Stimulus Package to protect the citizens 'lives and livelihoods.

78. On risks originating from domestic sources, the Government has laid foundations to enhance faster and lasting growth through the "Big Four" Plan, which will unlock better growth, and positively impact on the lives of people through jobs creation and poverty reduction.

79. In order to enhance the "Big Four Agenda" the County Government is expanding irrigation schemes to reduce dependence on rain-fed agriculture, promoting value addition in agriculture, accelerating infrastructure development to support manufacturing and expand intra-county trade by deliberately targeting new markets for our products.

80. The County Government is also endeavoring to enhance domestic resource mobilization and expenditure rationalization which will significantly reduce wage bill and reduce debt accumulation thus creating fiscal space necessary for economic sustainability.

81. The County Government is also preparing a Post Covid-19 Economic Recovery Strategy to return the economy on a stable growth path. Additionally, the diversified nature of our economy continues to offer resilience to any global challenges.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2020/21 Budget

82. The Medium Term Fiscal Framework (MTFF) for the FY 2020/21 emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain

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economic activities, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a steady and sustainable growth trajectory. This will in turn ensure that the debt situation remains sustainable and enhances continued fiscal discipline.

83. The underperformance in both revenue collection and expenditure in the FY 2019/20 has implications on the financial objectives outlined in the 2020 CFSP and the 2020/21 Budget. In particular, the baseline for projecting both the revenue and expenditures for the FY 2020/21 and the medium term has changed given the outcome of FY 2019/20 and the first two months of FY 2020/21.

84. Increase in local revenue is paramount and more efforts will be geared towards growing the revenue base. In the long run, we expect better performance of revenues streams from both local sources and national exchequer transfers.

85. The county fiscal framework guiding the FY 2020/21 is informed by the performance in FY 2019/20 budget and the updated fiscal outlook, the risks to the FY 2019/20 budget include the covd-19 pandemic, late or non-disbursements of the last exchequer tranche & short fall in the projected local revenue which hindered full implementation of the budget and led to pending commitments by the end of the financial year.

86. Expenditure burdens with respect to personal emoluments that are way above the ceiling prescribed in the PFM (county government) regulations, 2015 also limits the amount for development and operations and maintenance. In addition, implementation pace in the spending units and county departments continues to be a source of concern especially with regard to the development expenditures and absorption of funds. These risks will be monitored closely and the County Government will take the appropriate measures through revised budgets.

87. The revised budget will also be necessitated by the need to realign the budget with the CARA, 2020 and also appropriate afresh the funds that were carried forward from the FY 2019/20 most of which are conditional grants. This means that we will contain expenditures by adhering to the fiscal responsibilities defined in the Public Finance Management Act, 2012.

88. Adjustments to the 2020/21 budget will also take into account the critical areas like salaries and wages, pending bills and the county key strategic objectives as outlined in the County Integrated Development Plan (2018-2022) in order to fast-track economic growth for social economic transformation and prosperity. Over the medium term, the county will endeavor to reprioritize development expenditures in order to achieve her goals and aspirations. However,

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resources earmarked for development purposes will be utilized for development projects and will not be spent as recurrent.

89. In adjusting the 2020/21 budget, rationalization of expenditure is critical and this will be guided by the approved revenue allocations, projected local revenue collection, revised timeframes for implementation of programmes and emerging issues/concerns. However, county flagship programmes and projects, as outlined in the Annual Development Plan 2020/2021, would always be given first priority.

90. In the Finance Bill, 2020, the County Treasury proposed measures to help expand the revenue base and curb possible revenue leakages. This will be achieved through enhancement of compliance and enforcement. The revenue management system and automation of the revenue streams has greatly enhanced revenue collection and more efforts will put towards improvement and excellence of this system.

91. According to the provisions of the PFM Act Section 107(2) (a), it is stated that, ―the county government's recurrent expenditure shall not exceed the county government's total revenue. In section 107(2) (b), it is added that, ―over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure. The county has and continues to struggled to adhere to this and more effort in needed to achieve the same.

B. Medium-Term Expenditure Framework (MTEF)

92. The Medium-Term Budget Framework for the period 2020/2021-2022/2023 will mainly focus on adjusting non priority expenditure and concentrating the resources to priority areas as identified in the Annual Development Plan 2020/2021 and in the CFSP 2020. These priority areas were identified during public participation and stakeholder engagement which ensures improved ownership of development projects and programmes by the community.

93. The County Integrated Development Plan 2018-2022, being the county blue print for the five years, continue to guide the county in allocating funds to development programmes under the five broad areas of the county's economic transformation. The FY 2020/2021-2022/2023 MTEF Budget will therefore focus on the following areas as outlined in the CIDP;

- Improve productivity in agriculture and overall food and nutrition security.
- Promote shared economic growth and job creation.

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- Enhance good governance and active citizenry.
- Enhance basic infrastructure for effective service delivery.
- Promote sustainable use of natural resources.
- Improve financial sustainability and resilience.
- Provide accessible and quality health care services.
- Scale up institutional development, transformation and innovation.

94. In the FY 2020/21, the approved budget amounts to Kshs. 7,489,754,244 as compared to Kshs 8,974,917,684 in FY 2019/2020. This scenario will change once the adjustments are factored in the supplementary budget.

MTEF Budget Ceilings

95. Reflecting the above medium-term expenditure framework, the table 7 below provides the baseline ceilings for the FY 2019/20, and FY 2020/2021 as per the County Fiscal Strategy Paper (CFSP) 2020 and changes approved through a memorandum during budget submission.

Table 6: MTEF Ceilings by Department

Department/Spending Unit	**2019/20**			**2020/2021**		
	Recurrent	**Development**	**Total**	**Recurrent**	**Development**	**Total**
Executive Office of the Governor and Deputy Governor	157,229,038	0	157,229,038	124,752,337	20,000,000	144,752,337
Office of the County Secretary	328,519,317	5,904,468	334,423,785	283,353,266	26,000,000	309,353,266
Finance & Economic Planning	766,583,877	280,368,818	1,046,952,695	520,873,496	72,000,000	592,873,496
Lands, Housing, Physical Planning and Urbanization	54,976,575	638,761,626	693,738,201	43,122,583	342,300,000	385,422,583
Health Services	2,656,844,894	287,434,818	2,944,279,712	2,500,492,815	361,219,026	2,861,711,841
Gender, Youth and Social Services	69,903,007	100,056,000	169,959,007	64,909,974	52,700,000	117,609,974
County Public Service & Environment	68,808,981	0	68,808,981	110,727,808	64,500,000	175,227,808
Agriculture, Livestock and Fisheries	355,169,266	290,646,720	645,815,986	201,270,924	352,297,472	553,568,396
Trade, Culture, Tourism and Cooperative Development	56,987,417	50,772,834	107,760,251	51,538,810	75,150,000	126,688,810
Education & Sports	388,060,066	114,970,546	503,030,612	280,495,963	86,900,000	367,395,963
Water & Irrigation Services	162,920,668	177,551,356	340,472,024	76,410,989	45,149,171	121,560,160
County Public service Board	36,803,459	0	36,803,459	42,546,848	5,000,000	47,546,848
Transport, Public Works, Infrastructure and Energy	144,135,093	1,067,423,608	1,211,558,701	73,712,576	856,244,954	929,957,530
County Assembly	664,085,232	50,000,000	714,085,232	706,085,232	50,000,000	756,085,232
TOTAL	**5,911,026,890**	**3,061,665,794**	**8,974,917,684**	**5,080,293,621**	**2,409,460,623**	**7,489,754,244**
	65.88	**34.59**	100%	67.83	32.17	**100%**

Source: County Treasury, 2020

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C. 2019/20 Budget framework

96. The FY 2021/22 budget framework builds up on the Government's efforts through the Economic Stimulus Programme and the Post Covid-19 Economic Recovery Strategy to stimulate and sustain economic activities, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a steady and sustainable growth trajectory. This is in addition to expenditure rationalization and revenue mobilization programmes that the Government has been implementing.

97. The budget framework builds on fiscal consolidation agenda through which the County Government aims to contain the growth of expenditure and increase the revenue raised. Some of the policy measures being implemented include adoption of the zero-based budgeting process, prioritization of the ongoing projects and enhancing monitoring and evaluation of projects to guarantee quality and sustainability. The County Government will also ensure that all the projects are aligned to its overall development agenda to avoid spending on non-priority areas.

Revenue projections

98. The 2020/2021 approved budget of Kshs. 7,489,754,244 will be financed through the equitable share from the national resources of Kshs. 5,095,650,000 Conditional grants of Kshs. 1,394,104,244 and internally generated revenue estimated at 1,000,000,000.

99. The main sources of internally generated revenue will be parking fees, single business permits and land rates. It is important to note that the County Allocation of Revenue Act, 2020 was approved on 18th of September, 2020 with slight changes in the allocation and the county budget will therefore be aligned with it through a supplementary budget.

Expenditure Forecasts

100. In FY 2020/2021 approved budget, recurrent expenditures are at 67.83 percent of county's annual budget i.e. KShs 5,080,293,621 as compared to 65.88 for the FY 2019/20 budget. Development expenditure are at 32.17 percent of county's annual budget i.e. KShs 2,409,460,623 as compared to Kshs. 3,061,665,794 i.e. 34.59 percent for the FY 2019/20 budget due to constraint in the available resources.

101. The lower deficit reflects the need for enhanced revenue collection as a result of economic recovery strategies and prudent public spending. Particular emphasis will be placed on:

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i. Increasing efficiency, effectiveness and accountability of public spending;
ii. Containing the growth of recurrent expenditure in favour of capital investment; and
iii. Ensuring capital expenditures are thoroughly scrutinized and aligned with "the Big Four Plan", the Third MTP and strategic policy interventions by the Government.

102.Allocations in the FY 2020/2021 budget form the basis of expenditure ceilings on goods and services for departments not disregarding the absorption capacity. The PFM Act, 2012 requires that a minimum of thirty percent of the budget be allocated to development expenditure over the medium term, therefore, measures need to be put in place to ensure more resources are devoted to development and support critical infrastructure as we move forward.

V. CONCLUSION

103. The approved FY 2020/2021 budget estimates are based on the approved County Fiscal Strategy Paper (CFSP), 2019 together with the County Treasury memorandum explaining some deviations from the CFSP ceilings. The County Government will continue with fiscal consolidation efforts while ensuring resources are directed to high priority areas. Changes in the budget will be done through supplementary budget to accommodate the dynamic fiscal environment and address emerging needs. For instance, the CARA, 2019 has been enacted and has therefore necessitated a supplementary budget to realign it with the approved budget for FY 2019/2020.

104. Further, the county government will continue implementing policies that aims at guaranteeing the ease of doing business and thereby sustain a favorable business environment that will promote investment, growth, and employment creation. More measures will be instituted in revenue collection to improve its administration and contain the growth of total expenditure. This will involve shifting the composition of expenditure from recurrent to capital outlays and eliminating unproductive expenditures. The fiscal policy will also target to rationalize and direct resources to projects with high economic impact as will be informed by the Post Covid-19 Economic Recovery Strategy. The resource envelope and ceilings for each sector/department will be provided by the County Fiscal Strategy Paper, CFSP, 2021, considering the county approach in preparing the budget is zero based.

105. The resource envelope and ceilings which will be provided in the County Fiscal Strategy Paper, 2021 (CFSP) for each department/ entity will be the only available resources for which to budget

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