



COUNTY GOVERNMENT OF TRANS-NZOIA

THE COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

OCTOBER 2021

Foreword

This County Budget Review and Outlook Paper (CBROP) has been prepared in line with the Public Finance Management (PFM) Act, 2012 and its enabling Legislation and Regulations. It presents a review of the fiscal performance for 2020/21 financial year and how this affects the financial objectives set out in the 2021 County Fiscal Strategy Paper (CFSP). The updated macroeconomic outlook therein also provides us with a basis to revise the 2021/2022 budget.

The fiscal outcome for FY 2020/2021 and the first Quarter of financial year 2021/2022 call for a review of the 2021/2022 budget estimates and forms the basis of the sector ceiling provided in this policy document for the financial year 2022/23 for the County. In addition, these ceilings have been underpinned by the county's desire in providing an enabling business environment, quality health care services, reducing poverty and enhancing incomes as outlined in the Medium term development road map: County Integrated Development Plan (CIDP) 2018-2022.

This CBROP outlines the medium term policies and strategies that the county government seeks to implement in order for it to live up to its mandate given the prevailing socio- economic circumstances and in conformity with the fiscal responsibility principles outlined in the PFM Act 2012 and the County's development Strategic objectives as contained in the county development plans.

The sector strategies include; -

- Putting in place strategies to protect lives and livelihoods in the face of COVID-19 pandemic;
- prudent management of the county's financial resources in line with the PFM Act 2012;
- establishing a county public service that can deliver effectively and efficiently,
- developing appropriate social economic policies that can spur growth and development,
- creating a conducive investment environment,
- providing accessible and affordable social services (Health care, social protection and Education)
- Providing efficient and affordable transport infrastructure
- promoting empowerment of youth, women and the marginalized members of our community,
- increasing land productivity to ensure increased farm incomes and food security,
- promoting sustainable exploitation of the county's natural resource base and
- Ensuring security of land tenure as well as providing adequate land for infrastructure and development of public institutions.

The fiscal framework presented in this 2021 CBROP provides a strong basis for a sustained county development process that is aligned to the national development agenda including the

‘The Big Four Agenda’. This CBROP is anchored on great fiscal discipline, transparency and stakeholder involvement as a prerequisite to achievement of the aspirations of the people of Trans Nzoia County. This policy strategy will be emboldened in the next County Fiscal Strategy Paper (CFSP) to be released in February 2022.



**HON. BONFACE WANYONYI,
COUNTY EXECUTIVE COMMITTEE MEMBER,
FINANCE AND ECONOMIC PLANNING**

CBROP 2021 FINAL

Acknowledgement

The successful formulation of the CBROP was a collaborative effort of all the County Government Departments and Entities. During the formulation of this Plan, a consultative and participatory approach was adopted.

My gratitude goes to His Excellency the Governor, P.S Khaemba for his overall stewardship of the County. Special thanks also go to the CECM Finance and Economic planning, Hon. Bonface Wanyonyi for his strategic leadership and guidance throughout the preparation of this paper.

The input from County departments through the leadership of the CECMS and COs enormously contributed towards the development of this document. I appreciate all the Departments for timely provision of data and input used to compile this budget policy document.

Consequently I would also wish to single out the contribution of CBROP task force for their exceptional commitment, dedication and continuous effort to prepare and finalize this document. I am particularly grateful to the Officers in the department of Finance and Economic planning including the Heads of Revenue, Accounting, Budget, Internal Audit and Economic Planning for execution of this task.

EMMANUEL SIKUKU WANJALA
CHIEF OFFICER FINANCE

Table of Contents

Foreword.....	2
Acknowledgement	4
Table of Contents.....	5
List of Tables	6
List of Figures.....	6
Annexes.....	6
Abbreviations and Acronyms	7
Executive Summary	9
SECTION ONE	14
1. Introduction	14
1.1. Objectives of the CBROP	14
1.2. Organization of Report	14
SECTION TWO.....	15
2. REVIEW OF FISCAL PERFORMANCE IN FY 2020/2021.....	15
2.0 Overview.....	15
2.1. 2020/2021 Fiscal Performance	15
2.1.1. Revenue Performance;	15
2.1.2. Expenditure Performance.....	25
2.1.3. Compliance with the Fiscal Responsibility Principles.....	30
SECTION THREE.....	37
3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK.....	37
3.0 Recent Economic Developments	37
3.1 Medium Term Growth Prospects.....	39
3.1.1 Global Growth Outlook.....	39
3.1.2 Domestic (National) Growth Outlook -National.....	40
3.1.2.1 Monetary Policy Outlook	40
3.1.2.2 Fiscal Policy Outlook.....	40
3.1.3 County Outlook.....	40
3.1.3.1 Economic Outlook;.....	40
3.1.3.2 Fiscal Outlook.....	41
3.1.4 Risks to the outlook.....	45
SECTION FOUR: RESOURCE ALLOCATION FRAMEWORK	47
4.0 Adjustment to 2021/2022 Budget	47
4.1 Medium-Term Expenditure Framework	47
4.2 FY 2020/2021 Budget Framework	49
4.2.1 Revenue Projections.....	49
4.2.2 Expenditure Forecasts	49
4.3 Resource Allocation Criteria.....	50
5.0 Conclusion	50

List of Tables

Table 1: Approved and Actual Revenue Realized by Source for FY 2020/2021 in Ksh.	17
Table 2: Summary of revenue Receipts by Source FY 2020/21	18
Table 3: Local Revenue Report for FY 2019/2020	22
Table 4: Analysis of Local Revenue Performance from 2017-18 to 2020/21	25
Table 5: Expenditure Performance by Vote for FY 2020/2021	26
Table 6: Analysis of recurrent Expenditure by sector for FY 2020/21	26
Table 7: Analysis of Development Expenditure by sector for FY 2020/21	28
Table 8: provides analysis of personal emoluments against the County budget.	30
Table 9: 1st Quarter Approved and Actual Revenue Realized by Source for Financial Year 2021/2022	42
Table 10: July and August Revenue report by sector for financial year 2021/2022	43
Table 11: 1st Quarter 2021/22 Expenditure Analysis by Economic Classification	45
Table 12: Summary of proposed Expenditure by Economic Classification for FY 2020/21- 2023/24 in Ksh. Shillings	50

List of Figures

Figure 1: County Receipts by source	18
Figure 2: County Receipts Actual vs Target	19
Figure 3: Local Revenue Performance from 2013/14-2020/21	25
Figure 4: Sector Recurrent expenditure as a percentage of approved recurrent budget	27
Figure 5: Sector Actual Development expenditure as a percentage of approved development budget	29
Figure 6: Analysis of Personnel Expenditure Trend	31

Annexes

Annex 1: Department Revenue against Total Expenditure Ceilings (Recurrent and Development)	52
Annex 2: Trend in Growth of Equitable share	54

Abbreviations and Acronyms

ADC	Agricultural Development Corporation
AI	Artificial Insemination
ASDSP	Agricultural Sector Development support Programme
BoQs	Bills of Quantity
BPS	Budget Policy Statement
C-APR	County Annual Progress Report
CARA	County Allocation of Revenue Act
CARB	County Allocation of Revenue Bill
CASSCOM	County Agricultural Sector Steering Committee
CBD	Central Business District
CBD	Central Business District
CCTV	Closed Circuit Television
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development plan
CBROP	County Budget Review and Outlook
COVID	Corona Virus Disease
CPSB	County Public Service Board
CRA	Commission for Revenue Allocation
DANIDA	Danish International Development Agency
DORB	Division of Revenue Bill
ECDC	Early Child Development Centre
ECDE	Early Childhood Development Education
ESP	Economic Stimulus Program
EU	European Union
FY	Financial year
GDP	Gross Domestic Product
ICT	Information Communication technology
IFMIS	Integrated Financial Management System
KDSP	Kenya Devolution Support Programme
KIE	Kenya Industrial Estate
KUSP UDG	Kenya Urban Support programme- Urban Development Grant
KUSP UIG	Kenya Urban Support Programme- Urban Institutional Grant
MTDSP	Medium Term Debt Strategy Paper
MTEF	Medium term Expenditure Framework
NARIGP	National Agricultural and Rural Inclusive Growth Project
PE	Personnel Emoluments

PFMA 2012	Public Financial management Act 2012
PO	Producer Organization
PSM	Public service management
PWD	Persons Living with Disability
SGR	Standard Gauge Railway
SPs	Service Providers
SRC	Salaries and Remuneration Commission
TCB	Tissue Culture Banana
THSUSP	Transforming Health systems for Universal care project
VCO	Value Chain Organization
VMGs	Vulnerable and Marginalized Groups
VTC	Vocational Training Centre

Executive Summary

The CBROP provides a review of the fiscal performance for the financial year 2020/21, updated national macroeconomic and fiscal forecast which informs the county fiscal framework, deviations from the CFSP 2021 and indicative sector ceilings for the 2022/23 budget and the medium term. The indicative Ceilings and fiscal outlook provided herein will be firmed in the CFSP 2021.

The fiscal performance in the 2020/2021 financial year was fairly satisfactory considering the enduring impact of the Covid-19 pandemic and the containment measures carried out in the financial year to curb the spread of the pandemic.

The total cumulative revenue realized was Ksh. **8,187,154,059** against a projected target of Ksh. **8,396,207,368** translating to an achievement rate of 98 percent. This represents a revenue shortfall of Ksh. **209,053,309** where ordinary local revenues were under collected by Ksh. **153,345,754** while transfers from the National government and other sources underperformed by **Ksh. 55,707,555**.

The actual total expenditure for both development and recurrent in 2020/2021 financial year was Ksh. **6,952,087,427.00** against an approved budget of Ksh. **8,396,207,368.00** depicting a variance of Ksh. **1,444,119,941** in budget absorption. This is equivalent to an absorption rate of 82.8% of the approved budget.

The County approved budget for FY 2020/2021 complied with the fiscal responsibility principles as outlined in the PFM Act 2012. The Development Budget of Ksh. 3,488,085,734 which is 41.5 % of the total budget of Ksh. 8,396,207,368 in the FY 2020/21 is over and above the minimum requirement of 30%.

The personnel emoluments expenditure of Ksh 2,663,904,368 is 32% of the approved budget and is within the maximum required of 35% of the county revenue. An analysis of the county wage bill trend over the years from the year 2013/2014 reveals that the average Annual wage bill is approximately 52% of the Recurrent Budget implying that personnel emoluments accounts for more than half of the Recurrent budget. The wage bill as a proportion of the total budget was highest in FY 2017/2018 at 40 percent of the total budget.

The 2021 CBROP is being prepared against a background of expected global recovery after a slump in 2020 occasioned by negative effects of Covid-19 pandemic. Like the rest of the world, the domestic economy was not spared from the adverse impact of the Pandemic in FY 2020/21. As such, economic growth is estimated to have slowed down in FY 2020/21. However, growth is expected to rebound to 6.2 percent in FY 2021/22 and above 6.0 percent over the medium term.

The Kenyan economy was adversely affected by the outbreak of COVID-19 pandemic and the swift containment measures which disrupted economic activities. Additionally, Kenya faced two other shocks; the invasion of swarm of desert locusts that damaged crops and floods following receipt of above normal rainfall in May 2020. As a result, economic growth slowed down in FY 2020/21. In the first three quarters of 2020 the economy contracted by an average of 0.4 percent compared to an average growth of 5.3 percent over the same period in 2019. However, the performance in the third quarter of 2020, albeit constrained, was relatively better compared to the second quarter of 2020 due to partial easing of COVID-19 containment measures.

Leading indicators point to a relatively strong recovery in the first quarter of 2021, supported by strong performance of Agriculture, Construction, Information and Communication, Real Estate, and Finance and Insurance sectors. The enhanced COVID-19 containment measures implemented in five counties (Nairobi, Kiambu, Machakos, Kajiado and Nakuru) between March 26 and May 1, and the 13 western lake basin region (Including Trans Nzoia County) between June 18 and July 30 are expected to have an impact on output in the second and third quarters as business in most sectors were in operation.

Similar to the Global economy, Kenya's economy is projected to rebound in 2021 to 6.6 percent from an earlier projection of 7.0 percent in the 2021 BPS. The downward version was due to the impact of containment measures between March and July period as a result of the third wave of the COVID-19 pandemic.

The County, like the rest of the Country has not been spared from the impacts of Covid-19 pandemic and the ensuing containment measures. Trans Nzoia was among the 13 Counties in the Lake basin region which experienced enhanced COVID-19 containment measures between June 18 and July 30. This is expected to have had an impact in the third quarter of 2021 as this affected the informal sectors of the economy; - mainly Jua kali sector, retail and wholesale trade, businesses in the fresh produce and open air markets, transport sector especially the Boda Boda sector as well as supply chain and linkages with distant markets in Turkana County, Uganda and Southern Sudan since the County is the gateway to these geographical locations. The hospitality and other services related sectors have also been equally affected.

Despite the setback, the County is expected to enjoy sustained Economic recovery due to the easing in the containment measures and the resultant improvement in the County business environment. Agriculture continues to be main contributor to the county Economy. The sector has continually provided employment albeit seasonal to many especially during the planting, weeding and the maize harvesting season in October- December.

The Revenue performance in the first quarter 2021/2022 has been unsatisfactory as only 23% of the total expected revenue for the year has been realized. Out of this, the proportion of OSR and equitable share in the quarterly revenue realized is 11 percent and 17 percent respectively. The remaining proportion is unspent balance. The own source revenue (Local sources) realized for the first quarter amounted to Ksh. 58,426,205 representing 11% of the targeted OSR revenue for

the year. The total Quarterly revenue realized including unspent balance carried forward is Ksh. **2,162,472,621** against an approved Annual target of **Kshs. 9,253,170,349**.

Budget performance in the first Quarter has been inadequate due to the late commencement of the execution of the Annual Budget and the delay in the transfers from the National Government. The actual total expenditure for the quarter is **Ksh.700, 162,829** against a projected expenditure of **Ksh.2, 313,292,587**. The expenditure recorded is for recurrent vote with nil expenditure being recorded for the development vote. The greater proportion of the recurrent expenditure comprises personnel emoluments which accounts for **86.9 percent** while **11.8 percent** of the recurrent expenditure has been incurred under operations and maintenance.

The quarterly expenditure translates to 30 Percent of the projected expenditure for the quarter and 8 percent of the **Kshs. 9,253,170,349** projected expenditure for the financial year 2021/22.

The risks to the outlook include:

- i. Political risks;
- ii. High stock of pending Bills
- iii. Underperformance in Own Source Revenue
- iv. The impact of covid-19 pandemic
- v. Uncertainty arising from erratic weather partners.
- vi. Increasing oil prices

The FY 2022/2023 budget will target projected revenue collection of Ksh. **555,975,000** Million from Local Sources and projected equitable share of Ksh. **7,545,465,554** billion totaling to Ksh. **8,101,440,554** billion. These projections however, are anchored on the on-going enhancement of the capacity of Revenue department, favorable weather conditions, resilience of the Kenyan economy and easing of Covid-19 pandemic.

Based on the projected OSR and Equitable share revenue, the proposed expenditure for Fy 2022/23 is Ksh. **8,101,440,554** billion out of which the recurrent expenditure will be **Ksh. 5,494,087,490** billion and development expenditure of **Ksh. 2,607,353,064** billion respectively. This expenditure is projected to rise to Kshs. **8,931,838,211** at the end of the MTEF period in 2024/2025. These projected expenditure ceilings will be firmed up in the upcoming CFSP based on the BPS and CARA bill.

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

The Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Finance Management Act, 2012. The law states that: -

- 1) The County Treasury Shall Prepare and Submit to the County Executive Committee for approval by 30th September in each year, a County Budget Review and Outlook Paper, which shall include:
 - (a) An analysis of actual fiscal performance in the previous year compared to the Budget appropriation for that year;
 - (b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Plan;
 - (c) Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or financial objectives in the latest CFSP; and
 - (d) The 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.
- 2) The County Executive Committee shall consider the CBROP with a view to approving it with or without amendments, within fourteen days (14) after its submission.
- 3) Not later than Seven days (7) after the CBROP has been approved by the County Executive Committee (CEC), the County Treasury shall: -
 - (a) Submit the Paper to the County Assembly; and
 - (b) Publish and publicize the Paper not later than fifteen days after laying the paper before the county assembly.

Fiscal Responsibility Principles in the Public Financial Management Law.

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the Management of Public resources. Section 107 of the 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 per cent of the County government's budget shall be allocated to the development expenditure.
- (c) The county government's expenditure on personnel emoluments shall not exceed a percentage of the county government's total revenue as prescribed by the County Committee Executive Member for Finance in regulations approved by the County Assembly.
- (d) Over the medium-term, the government's borrowings shall be used only for the purpose of financing development expenditure and not recurrent expenditure.
- (e) The county debt shall be maintained at a sustainable level.
- (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.
- (h) For the purpose of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.

SECTION ONE

1. Introduction

The CBROP is a key legal document linking County policies, County plans and budget. The CBROP provides the County Government with the basis upon which to reprioritize project portfolio as contained in the County Integrated Development Plan (CIDP) and other Development plans as guided by the indicative sector budget ceiling provided by the CBROP while taking into account the macro-economic environment and emerging county specific development needs.

In line with the PFM Act, the CBROP contains a review of the fiscal performance for the financial year 2020/2021, updated national macroeconomic and fiscal forecast which informs the county fiscal framework, deviations from the CFSP 2021 and indicative sector ceilings for the 2022/23 budget and the medium term. The indicative Ceilings thus provided will set in motion the budget preparation process for the Fiscal Year 2022/23. These indicative sector ceilings and fiscal outlook will be firmed in the CFSP 2022.

1.1. Objectives of the CBROP

The CBROP serves three primary functions;

- It's an end year report, providing an assessment of budget performance from the previous financial year in this case the 2020/21 FY;
- It also provides an update on the government's fiscal position for the first quarter of the current financial year 2021/2022 which provides the basis for revising the current budget and fiscal framework as contained in the current CFSP; and
- The CBROP sets the share of the indicative budget that will be distributed to different sectors for the next financial year 2022/23.

1.2. Organization of Report

This report has been presented in four Sections, namely;

- Section one provides Background information on CBROP, introduction and objectives of the CBROP;
- Section two provides a review of the fiscal performance in FY 2020/21 and its effects on the financial objectives set out in the CFSP 2021;
- Section three provides brief highlights of the recent economic developments and updated macroeconomic outlook; and
- Section four provides the 2022/23-2024/25 MTEF Resource allocation framework and the conclusion.

SECTION TWO

2. REVIEW OF FISCAL PERFORMANCE IN FY 2020/2021

2.0 Overview

The fiscal performance in the 2020/2021 financial year was fairly satisfactory considering the enduring impact of the Covid-19 pandemic and the containment measures carried out in the financial year to curb the spread of the pandemic.

The total cumulative revenue realized was Ksh. **8,187,154,059** against a projected target of Ksh. **8,396,207,368** translating to an achievement rate of 98 percent. This represents a revenue shortfall of Ksh. **209,053,309** where ordinary local revenues were under collected by Ksh. **153,345,754** while transfers from the National government and other sources underperformed by Ksh. **55,707,555**.

The actual total expenditure for both development and recurrent in 2020/2021 financial year was Ksh. **6,952,087,427.00** against an approved budget of Ksh. **8,396,207,368** depicting a variance of Ksh. **1,444,119,941** in budget absorption. This is equivalent to an absorption rate of 82.8% of the total approved budget.

2.1. 2020/2021 Fiscal Performance

2.1.1. Revenue Performance;

The total actual revenue realized in the financial year 2020/2021 was Ksh. **8,187,154,059** against a target of **Ksh. 8,396,207,368**. This translates to 98% of the total anticipated revenue. The total revenue comprises of local revenues, exchequer allocations and grants from the national Treasury and other international donors.

Compared to the previous FY 2019/2020 in which the total revenue realized was **Ksh. 7,285,007,802**, there is a noticeable growth in total revenue by 12% despite OSR underperforming by 4% compared to the previous year. The increase in the total revenue is attributed to the increase in the equitable share and the high unspent balance of **ksh. 495,385,800** in comparison to **Ksh. 307,966,778** in the previous year. Further, the financial year 2020/2021 recorded an increase in some of the conditional grants/loans as compared to the fiscal year 2019/2020. The KUSP (UDG), road maintenance fuel levy and rehabilitation of village polytechnic grants were **Kshs. 358,702,349**, **Kshs. 254,383,730** and **Kshs. 74,768,711** respectively as opposed to previous year in which the amounts received were **Kshs. 213,932,859**, **202,158,314** and **Kshs. 61,188,298** respectively.

The under performance in the targeted revenue from National government sources for FY 2020/21 are attributed to the impact of Covid-19 and stringent donor conditions in meeting

performance requirements for the disbursement of some of the conditional grants such as KDSP, ASDSP, NARIGP and THSCUP.

Tables 1 and 2 provide comprehensive analysis of the performance of total county revenue for the financial year 2020/2021.

CBROP 2021 FINAL

Table 1: Approved and Actual Revenue Realized by Source for FY 2020/2021 in Ksh.

No	Revenue Stream	Actual Revenue 2019 - 2020 Baseline	Annual Targeted Revenue 2020/21 (Kshs.)	Actual Revenue 2020/21 (Kshs.)	Variance (Kshs.)	Annual Growth	% Annual Growth	% Achievement	% Total Revenue
		A	B	C	D=C- B	E= C -A	F=E/A *100	G=C/B*100	C/Total Revenue 2020/2021 *100
1	Equitable Share	5,264,914,200	5,760,300,000	5,760,300,000	0	495,385,800	9%	100%	70%
2	Local Sources	356,077,068	493,799,500	340,453,746	-153,345,754	-15,623,322	-4%	69%	4%
3	KUSP UDG	222,732,859	299,106,900	162,657,959	-136,448,941	-60,074,900	-27%	54%	2%
4	KDSP (WB) Level I	30,000,000	75,000,000	75,000,000	0	45,000,000	150%	100%	1%
6	NARIGP	222,439,095	199,332,120	194,364,673	-4,967,447	-28,074,422	-13%	98%	2%
7	DANIDA	23,046,250	22,645,000	22,645,000	0	-401,250	-2%	100%	0%
8	ASDSP II	16,390,678	29,158,844	10,513,357	-18,645,487	-5,877,321	-36%	36%	0%
9	THSUCP	36,686,728	44,386,749	42,938,992	-1,447,757	6,252,264	17%	97%	1%
11	User Fee Foregone	21,304,915	21,304,915	21,304,915	0	0	0%	100%	0%
13	Road Maintenance fuel levy	202,158,314	254,383,730	254,383,730	0	52,225,416	26%	100%	3%
14	Rehabilitation of Village Polytechnics	61,188,298	74,768,711	74,768,711	0	13,580,413	22%	100%	1%
15	KUSP - Urban Support Grant (UDG)	213,932,859	358,702,349	358,702,349	0	0		100%	4%
16	KUSP - Urban Support Grant (UIG)	50,000,000	11,762,990	11,762,990	0	0		100%	0%
17	KDSP(WB) Level 2 grants	95,266,760	95,266,760	201,068,837	105,802,077	0		211%	2%
18	Unspent Balances	307,966,778	495,385,800	495,385,800	0	187,419,022	61%	100%	6%
19	Covid-19 Grant (National Government)	160,903,000	160,903,000	160,903,000	0	0	0%	100%	2%
Total		7,285,007,802	8,396,207,368	8,187,154,059	-209,053,309	902,146,257	12%	98%	100%

Source: County Treasury 2021

Table 2: Summary of revenue Receipts by Source FY 2020/21

Revenue source	Targeted Revenue	Actual Revenue	Actual as a % of Total Receipt
CRA Equitable share	5,760,300,000	5,760,300,000	70%
Unspent Balance - equitable Share	495,385,800	495,385,800	6%
Conditional Grants	1,646,722,068	1,591,014,513	19%
Local sources (OSR)	493,799,500	340,453,746	5%
Total	8,396,207,368	8,187,154,059	100%

Source: County Treasury 2021

Figure 1: County Receipts by source FY 2020/21

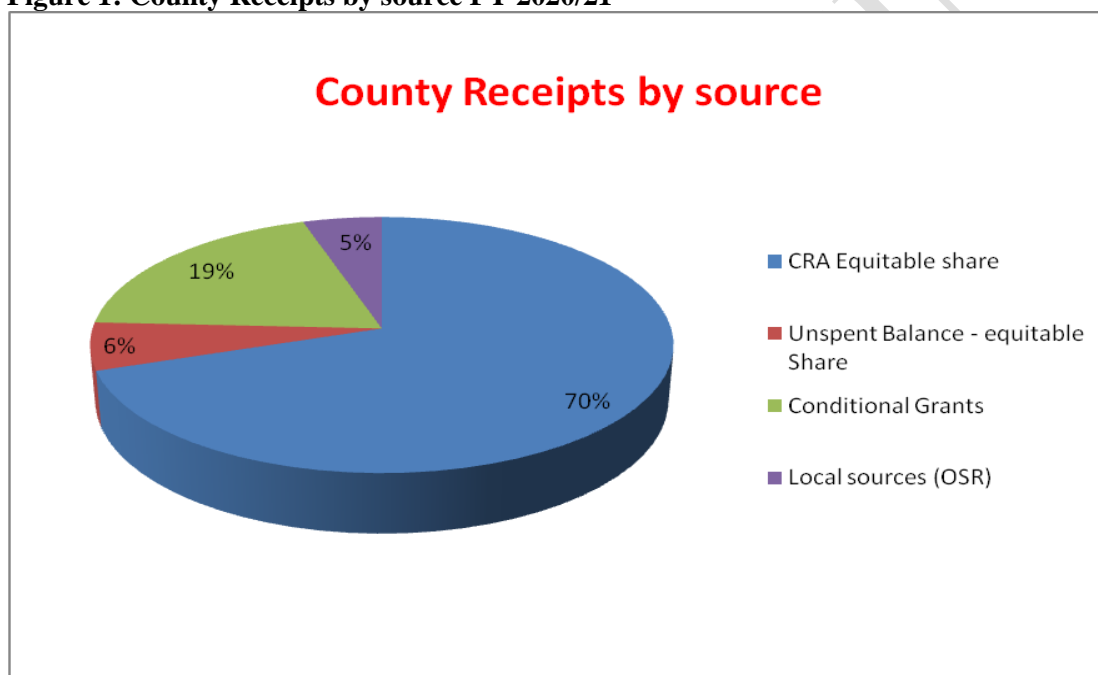
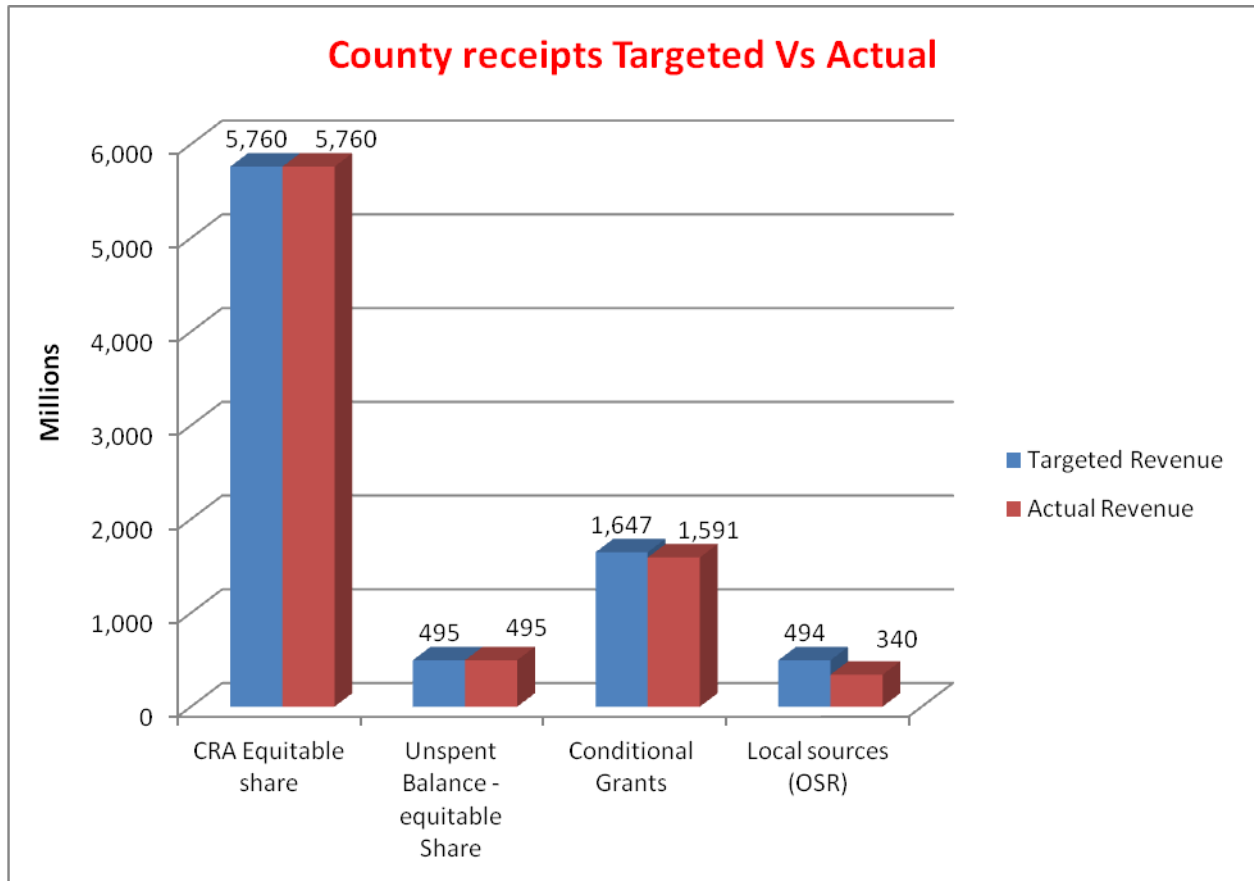


Figure 2: County Receipts Actual vs Target Fy 2020/21



Own Source Revenue

As illustrated in Table 2, the local revenue realized was ksh. **340,453,746** which corresponds to 69% of the targeted OSR revenue of **Kshs. 493,799,500**. The own source revenue thus underperformed by **Ksh. 153,345,754**. An analysis of OSR against each revenue stream indicates that the major contributor is income from the health sector at Kshs. 142.8 million (with 89% of the targeted revenue from this source realized). The income from the health sector accounts for 42 percent of the total own source revenue collected. It's followed by single business permit at 61 million (18 percent) with land rates coming third at Kshs. 33 Million (10 percent). Other streams that performed substantially were the Cess and Parking (Enclosed bus park and street Parking) at Kshs.23 Million and Kshs. 39 Million respectively. Some revenue streams such as Hide and skins License, A.I services, livestock movements permits, Licensing of meat containers were not realized in the year under review compared to fy.2019/2020 in which at total of Kshs. 148,000 was collected from these streams.

On the other hand there was a significant increase in the amount of revenue generated from market stalls, Bandas and enclosed markets with a total of Kshs.1, 065, 101 against a total of

Kshs.67, 900 in the previous financial year 2019/2020. This can be attributed to the picking up of Business activities which had initially been greatly affected at the Onset of the COVID-19 Pandemic.

The Hire of County stadium had the least contribution that stood at Kshs. 6,000 against a target of Kshs. 100,000. This was closely followed by use of county dumpsite at Kshs.12, 000 against a projected target of Ksh.200, 000.

An analysis of the percentage achievement of the revenue sources illustrate that most of the revenue sources performed below average of the targeted revenue with only survey fees (129%) and single business permit (101%) surpassing the targets. Other streams that recorded more than 50% achievement of the targeted revenue included Audit of cooperatives (99%), Income from Health services (89%), Land rates (83%),open air markets (78%), street parking (69%), meat inspection (65%) , weight and Measures fees (61%), approval of development applications (59%) and outdoor adverting charges at 56%.

The underperformance in OSR revenue collection was largely attributed to: -

- i. Decreased revenue collection as a result of Covid-19 containment measures on the local business and the informal sector;
- ii. Delayed mapping of revenue sources
- iii. Delayed enactment and implementation of enabling laws e.g FIF Bill, liquor license, AMS etc
- iv. Inadequate personnel in the Revenue directorate
- v. Inadequate means of transport for revenue collection, monitoring and enforcement
- vi. General tax evasion by the public.

Going forward, the county has proposed a raft of strategies to correct the situation including;

- i. Completion and operationalization of Kitale Business Centre will help increase the revenue base;
- ii. Expansion of automation to cover other sources;
- iii. Expansion of revenue streams to cover untapped sources and review feasibility of the revenue streams
- iv. Up scaling public sensitization campaigns on payment of taxes;
- v. Enhance revenue enforcement and monitoring
- vi. Provision of transport for the Revenue section.
- vii. Fast track the enactment and implementation of relevant Revenue Legislations and policies
- viii. Succession management through staff recruitment and confirmation of temporary employees.
- ix. Continuous capacity building of revenue personnel.

Table 3 provides a detailed analysis of own source revenue (OSR) performance by sector and source for FY 2020/21.

CBROP 2021 FINAL

Table 3: Local Revenue Report for FY 2020/2021

Sector and Revenue Source	Actual 2019/20	Target 2020/2021	Actual 2020/2021	Variance	Annual Growth	% Annual Growth	Percentage Achievement
	A	B	C	D= C-B	E=C-A	F=E/A*100	C/B*100
AGRICULTURE, LIVESTOCK AND FISHERIES							
Agricultural mechanization services	508,595	4,500,000	711,030	(3,788,970)	202,435	39.8	15.8
Hire/lease of county agricultural land	-	200,000	-	(200,000)	-	0	0
Audit of co-operative societies	196,555	300,000	297,440	(2,560)	100,885	51.3	99.1
Coffee movement permits	224,000	1,000,000	383,060	(616,940)	159,060	71.0	38.3
Livestock auction fees	86,490	2,500,000	55,980	(2,444,020)	(30,510)	-35.3	2.2
Sale of tree seedlings/Nursery fruit trees	80,900	500,000	81,600	(418,400)	700	0.9	16.3
Slaughter house operation fees	351,000	2,500,000	353,772	(2,146,228)	2,772	0.8	14.2
Meat inspection	838,810	2,000,000	1,303,400	(696,600)	464,590	55.4	65.2
Hides and skins license	18,000	250,000	-	(250,000)	(18,000)	-100	0
A.I. services	48,000	250,000	-	(250,000)	(48,000)	-100	0
Livestock movement permits	67,500	1,500,000	-	(1,500,000)	(67,500)	-100.	0
Certificate of transport(COT)	-	300,000	-	(300,000)		0	0
Licensing of Meat containers	12,000	-	-	-	(12,000)	-100.	0
Lab services	2,500	200,000	-	(200,000)	(2,500)	-100.	0
Sector Total	2,434,350	16,000,000	3,186,282	(12,813,718)	751,932		
TRADE, COMMERCE AND INDUSTRY							
Open air markets	11,972,360	16,450,000	12,836,745	(3,613,255)	864,385	7	78.0
Market stalls, Bandas and Enclosed Markets	67,900	2,500,000	1,065,101	(1,434,899)	997,201	1468.6	42.6
Weight and measures fees	570,880	1,500,000	920,040	(579,960)	349,160	61.2	61.3
Liquor fees	239,810	20,000,000	2,345,500	(17,54,500)	2,105,690	878.1	11.7
Sector Total	12,850,950	40,450,000	17,167,386	(23,282,614)	4,316,436		
WATER, ENVIRONMENT AND NATURAL RESOURCES							
Refuse collection and conservancy	2,807,080	4,000,000	3,087,386	(912,614)	280,306	0.1	0.8

Hydrological investigation and drilling of boreholes		10,000,000		(10,000,000)		0	0
Use of county dumpsite		200,000	12,000	(188,000)	12,000	0	0.1
Tree harvesting permit(farm trees)	41,100	5,000,000	405,500	(4,594,500)	364,400	8.9	0.1
Licensing of extractive resources		1,800,000		(1,800,000)		0	0
Noise control permit	316,000	2,000,000	66,000	(1,934,000)	(250,000)	-0.79	0.03
Nuisance abatement fees		300,000		(300,000)		0	0
Sector Total	3,164,180	23,300,000	3,570,886	(19,729,114)	406,706		
WORKS, TRANSPORT AND INFRASTRUCTURE							
Hire of construction machinery		3,000,000		(3,000,000)		0	0
Fire inspection/ compliance certificates	1,542,000	4,500,000	1,253,500	(3,246,500)	(288,500)	-18.7	27.9
Way leave charges i.e. cutting, trenching and installation of fiber cables/water pipes	18,822	2,000,000		(2,000,000)	(18,822)	-100	0
Pole rates i.e. kplc and telecom poles						0	0
Sector Total	1,560,822	9,500,000	1,253,500	(8,246,500)	(307,322)		
HEALTH							
Income from health(medical and public health)	171,260,536	160,000,000	142,869,461	(17,130,539)	(28,391,075)	-16.6	89.3
Cemetery charges	68,500	200,000	65,000	(135,000)	(3,500)	-5.1	32.5
Toilet fees		550,000	431,150	(118,850)	431,150	0	78.4
Sector Total	171,329,036	160,750,000	143,365,611	(17,265,539)	(28,394,575)		
PHYSICAL PLANNING, LANDS AND HOUSING							
Approval of development applications	3,693,532	6,000,000	3,544,362	(2,455,638)	(149,170)	-4	59.1
House Rent		1,000,000		(1,000,000)		0	0
Plot subdivision and transfer of plots	713,000	2,000,000	219,720	(1,780,280)	(493,280)	-69.2	11
Survey fees	198,000	250,000	323,000	73,000	125,000	63.1	129.2
Temporary occupation license(TOL)	39,522	550,000	86,250	(463,750)	46,728	118.2	15.7
Outdoor advertisement charges	8,678,255	15,000,000	8,436,220	(6,563,780)	(242,035)	-3	56.2
Sector Total	13,322,309	24,800,000	12,609,552	(12,190,448)	(712,757)		
GENDER, YOUTH, SPORTS, CULTURE AND TOURISM							

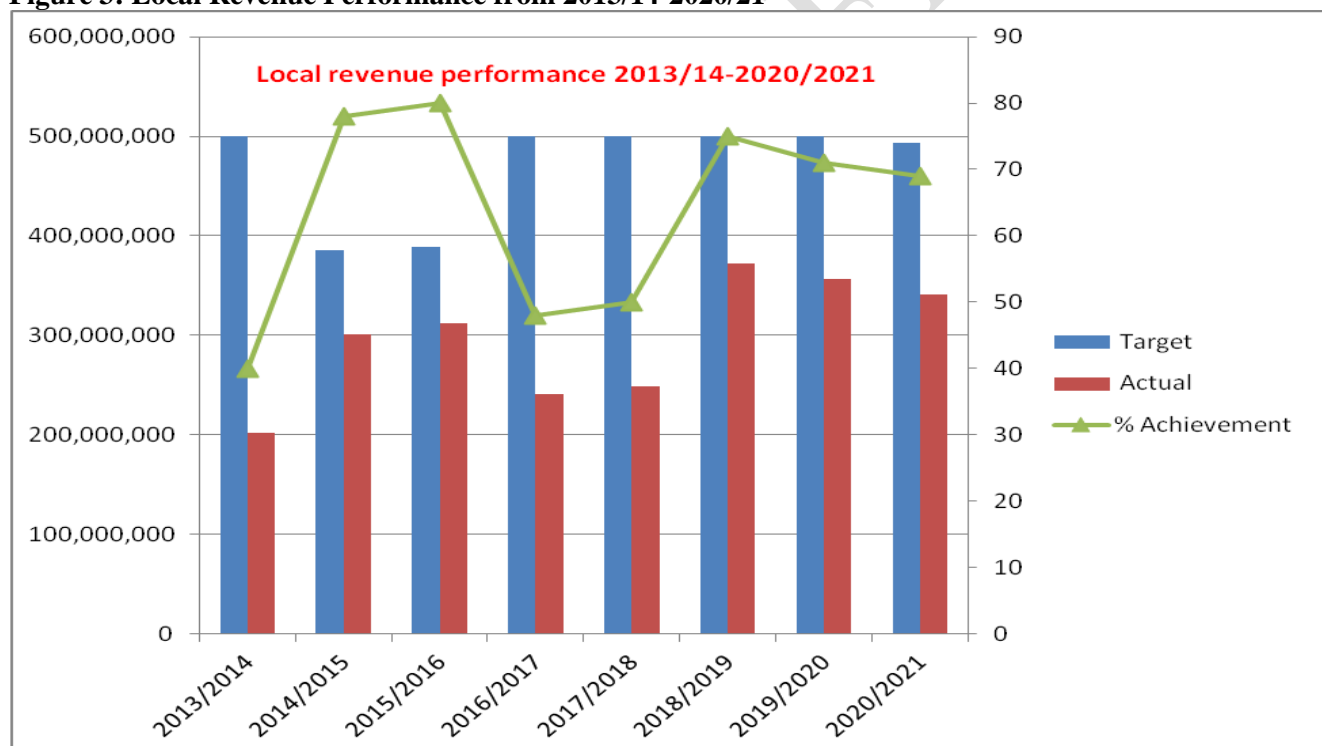
Hire of county stadium	53,000	100,000	6,000	(94,000)	(47,000)	-88.7	6
Hire of social hall		100,000		(100,000)		0	0
Hire of county sports bus		200,000		(200,000)		0	0
Registration/renewal of welfare groups/sports clubs and performing artists		200,000		(200,000)		0	0
Hire of county seats /tents		100,000		(100,000)		0	0
Sector Total	53,000	700,000	6,000	(694,000)	(47,000)		
EDUCATION							
Registration of ECD schools		100,000		(100,000)		0	0
Hire of county brick-making machines		100,000		(100,000)		0	0
Sector Total		200,000		(200,000)			
FINANCE AND ECONOMIC PLANNING							
Cess	20,277,861	40,000,000	23,027,149	(16,972,851)	2,749,288	13.6	57.6
Land rates(current, arrears and penalties)	22,251,110	40,000,000	33,362,282	(6,637,718)	11,111,172	49.9	83.4
Single business permit (current, arrears and penalties)	47,682,660	60,000,000	61,083,374	1,083,374	13,400,714	28.1	101.8
Street parking (daily, seasonal Parking and clamping)	16,266,550	19,000,000	13,197,998	(5,802,002)	(3,068,552)	-18.9	69.5
Enclosed bus park fees(daily and seasonal)	36,638,700	50,000,000	25,506,450	(24,493,550)	(11,132,250)	-30.38	51.0
Motor bike fees (daily and seasonal)	8,052,975	15,000,000	3,008,281	(11,991,719)	(5,044,694)	-62.6	20.1
Amusement permits	192,565	300,000	108,995	(191,005)	(83,570)	-43.4	36.3
Sector Total	151,362,421	224,300,000	159,294,529	(65,005,471)	7,932,108	5.2	71.0
Grand Total	356,077,068	493,799,500	340,453,746	(159,427,404)	(16,054,472)	-4.5	68.09

Source: County Revenue department, 2021

Table 4: Analysis of Local Revenue Performance from 2017/18 to 2020/21

Financial Year	Target	Actual	Percentage Achievement
2013/2014	500,000,000	202,266,615	40.45%
2014/2015	385,000,000	301,267,105	78.25%
2015/2016	389,026,513	311,586,973	80.09%
2016/2017	500,000,000	241,193,609	48.24%
2017/2018	500,000,000	248,724,083	49.74%
2018/2019	500,000,000	372,555,742	74.51%
2019/2020	500,000,000	356,077,068	71.22%
2020/2021	493,799,500	340,453,746	68.95%
Total	3,767,826,013	2,374,124,941	63.01%

Figure 3: Local Revenue Performance from 2013/14-2020/21



2.1.2. Expenditure Performance

The total approved Budget for financial year 2020/2021 was Ksh. **8,396,207,368.00** out of which Ksh. **4,908,121,634** and **Ksh 3,488,085,734** were for Recurrent and Development expenditures respectively. The total actual expenditure for recurrent and development was **Ksh. 6,952,087,427** resulting to an under expenditure of Ksh. **1,444,119,941** and 82% budget absorption rate.

The actual recurrent expenditure was **Ksh. 4,346,516,494** against an approved expenditure of **Ksh. 4,908,121,634**. This represents an under expenditure of **Ksh. 561,605,140**. On the other hand, the actual development expenditure was **Ksh. 2,605,570,933** against an approved expenditure of **Ksh. 3,488,085,734** thus development expenditure underperformed by **Ksh. 882,514,801** in the period under review.

Table 5 provides a summary of the expenditure performance by vote during the year under review.

Table 5: Expenditure Performance by Vote for FY 2020/2021

Vote	APPROVED 2019/2020	ACTUAL 2019/2020	APPROVED BUDGET FY 2020/21	ACTUAL EXPENDITURE 2020/21	Variance	Actual Expenditure Fy 2020/21 as % of Approved
Recurrent	4,718,598,180	4,337,506,217	4,908,121,634	4,346,516,494	561,605,140	89
Development	3,255,788,162	2,113,226,230	3,488,085,734	2,605,570,933	882,514,801	75
Total Expenditure	7,974,386,342	6,450,732,447	8,396,207,368	6,952,087,427	1,444,119,941	82.8

Source: County Treasury 2021

As depicted in table 5, the recurrent vote recorded an absorption rate of 89 percent of the approved budget as compared to 90% in the previous period 2019/2020. On the other hand, the development vote recorded an absorption rate of 75 percent compared to 64 percent in the previous FY 2019/2020.

Analysis of Sector recurrent Expenditure Performance

Table 6 provides an analysis of recurrent expenditure by sector.

Table 6: Analysis of recurrent Expenditure by sector for FY 2020/21

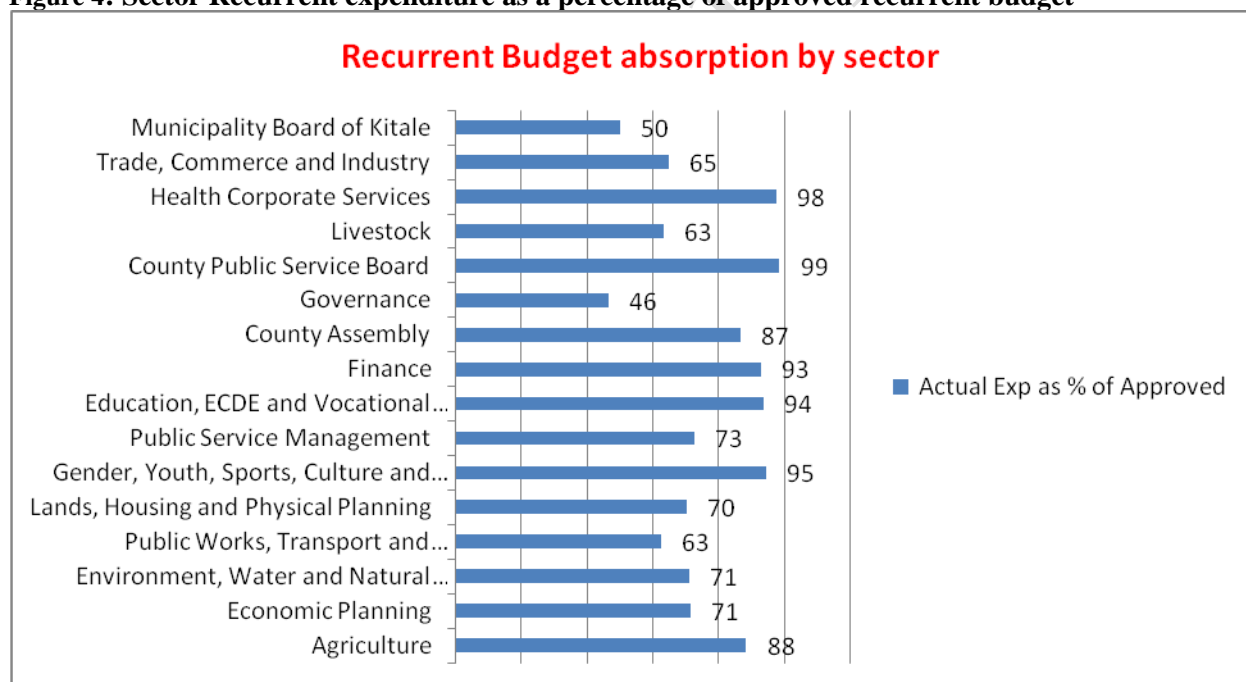
SECTOR	APPROVED BUDGET	ACTUAL EXPENDITURE	Actual Exp as % of Approved
Agriculture	215,896,087	191,025,316	88
Economic Planning	54,863,482	39,191,668	71
Environment, Water and Natural Resources	88,003,122	62,601,327	71
Public Works, Transport and Infrastructure	182,912,837	114,569,949	63
Lands, Housing and Physical Planning	59,839,051	42,156,009	70
Gender, Youth, Sports, Culture and Tourism	47,855,145	45,259,790	95
Public Service Management	493,506,948	358,341,399	73
Education, ECDE and Vocational Training	376,176,371	352,378,662	94
Finance	750,824,214	697,972,436	93
County Assembly	680,839,110	590,468,608	87

Governance	67,437,780	31,280,010	46
County Public Service Board	58,850,000	58,035,848	99
Livestock	25,344,775	16,071,652	63
Health Corporate Services	1,760,277,979	1,719,165,310	98
Trade, Commerce and Industry	35,494,733	22,998,510	65
Municipality Board of Kitale	10,000,000	5,000,000	50
Total	4,908,121,634	4,346,516,494	89

Source: Financial Statements 2020/2021

An analysis of the department expenditure for recurrent budget reveals that County Public Service Board had the highest absorption rate of 99% of their total allocated Recurrent Budget. On the other hand, Governance recorded the lowest absorption rate at 46 percent. Some of the departments which also registered satisfactory performance in absorption of the recurrent budget included Health (98%), Gender (95%), Education (94%), Finance (93%), Agriculture (88%) and County assembly (87%). An illustration of the budget absorption by the various sectors is summarised in figure 4.

Figure 4: Sector Recurrent expenditure as a percentage of approved recurrent budget



Analysis of Development Expenditure by Sector

The analysis of sector performance for the development expenditure for the financial year 2020/2021 is illustrated in table 7.

Table 7: Analysis of Development Expenditure by sector for FY 2020/21

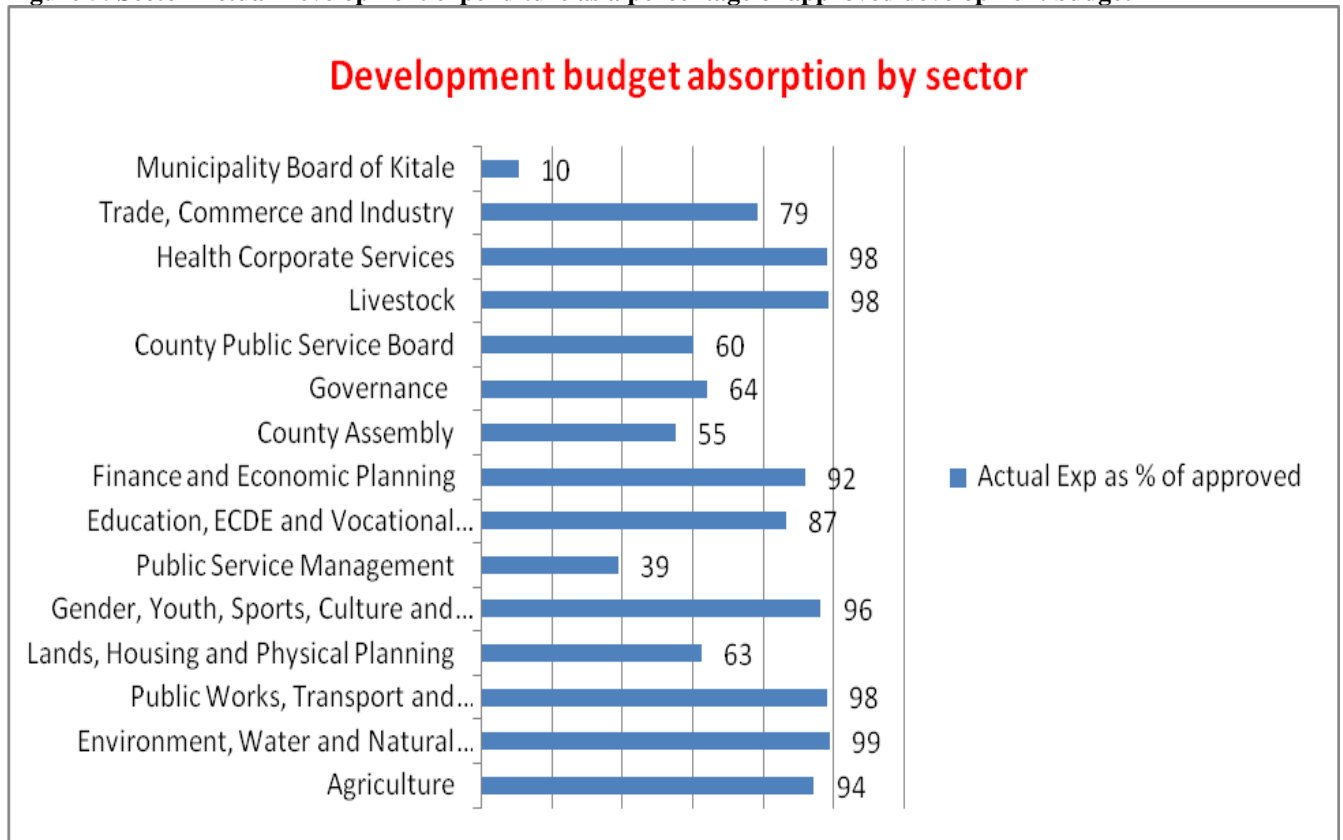
SECTOR	APPROVED BUDGET	ACTUAL EXPENDITURE	Actual Exp as % of Approved Budget
Agriculture	338,164,537	319,366,574	94
Environment, Water and Natural Resources	234,218,397	231,773,872	99
Public Works, Transport and Infrastructure	487,792,355	478,203,480	98
Lands, Housing and Physical Planning	39,258,730	24,586,000	63
Gender, Youth, Sports, Culture and Tourism	122,990,735	118,578,072	96
Governance and Public Service Management	113,713,288	44,238,338	39
Education, ECDE and Vocational Training	197,727,485	171,332,127	87
Finance and Economic Planning	568,860,053	523,204,572	92
County Assembly	129,997,445	71,455,053	55
Governance	19,236,990	12,347,447	64
County Public Service Board	3,823,461	2,300,000	60
Livestock	144,449,105	142,105,205	98
Health Corporate Services	383,780,914	376,165,904	98
Trade, Commerce and Industry	24,500,000	19,235,600	79
Municipality Board of Kitale	679,572,239	70,678,689.00	10
Total	3,488,085,734.00	2,605,570,933.00	75

Source: Financial statements 2020/2021

The expenditure performance in the development vote varied across the departments, with Kitale Municipal Board recording a minimal expenditure of 10 percent of the allocated development budget during the period under review.

Overall, most of the County departments absorbed more than 50% of their development budget with public works, Transport and Infrastructure recording the highest absorption rates at of 99% of their approved budgets. Other departments that realized higher absorption rates for the development budget included; livestock and Health services, that each absorbed 98% of their respective development budgets. Similarly the departments of Gender, Agriculture, and Finance & Economic Planning also registered high absorption rates of 96%, 94%, and 92% respectively. Figure 5 provides an illustration of the development budget absorption by the county sectors.

Figure 5: Sector Actual Development expenditure as a percentage of approved development budget



CBROP 2021

Analysis of personnel emoluments since 2013

Personnel emolument is one of the components of the budget under the recurrent budget. The fiscal responsibility principles outlined in the PFM Act 2012 requires that the wage bill should not be more than 35% of the Annual budget. It is therefore the responsibility of the County Government to ensure compliance as stipulated in the legal framework. The trend in personal emoluments expenditure over the financial years is illustrated in table 8 and Figure 4.

Table 8: Analysis of personal emoluments against the County budget.

Financial Year	Personnel Expenditure	Approved Budget			PE as % of Recurrent Budget	PE as % Development Budget	PE as % of Total Budget
		Recurrent	Development	Total			
2013/2014	1,331,772,619	3,062,624,548	1,361,888,538	4,424,513,086	43%	98%	30%
2014/2015	1,825,867,635	2,996,442,115	2,377,655,366	5,374,097,481	61%	77%	34%
2015/2016	1,599,246,132	3,246,977,442	2,907,889,672	6,154,867,114	49%	55%	26%
2016/2017	1,944,062,488	4,224,481,587	2,650,519,174	6,875,000,761	46%	73%	28%
2017/2018	2,667,942,552	4,632,197,963	1,996,330,257	6,628,528,220	58%	134%	40%
2018/2019	2,390,559,373	4,867,140,566	3,175,419,758	8,042,560,324	49%	75%	30%
2019/2020	2,429,057,373	4,718,807,112	3,255,788,162	7,974,595,274	51%	75%	30%
2020/2021	2,663,904,368	4,908,121,634	3,488,085,734	8,396,207,368	54%	76%	32%

Source: Financial statements 2020/2021

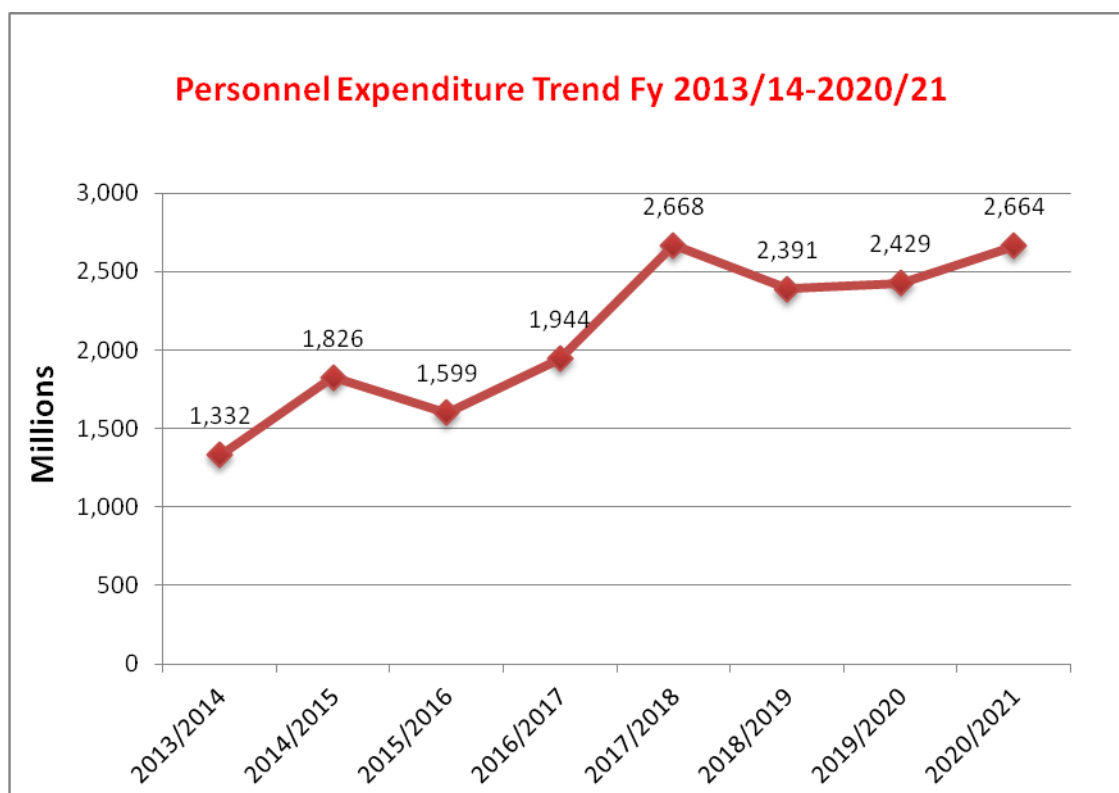
2.1.3. Compliance with the Fiscal Responsibility Principles

The County approved budget for FY 2020/2021 complied with the fiscal responsibility principles as outlined in the PFM Act 2012. The Development Budget of Ksh. **3,488,085,734** which is 41.5 % of the total budget of Ksh.**8,396,207,368** in the FY 2020/21 is over and above the minimum requirement of **30%**. The personnel emoluments expenditure was **Ksh 2,663,904,368** against an approved budget of Kshs.**2,788,292,632** for personnel emoluments. Similarly the personnel emoluments is **32%** of the approved budget and is thus within the maximum required of 35% of the county revenue. An analysis of the county wage bill trend over the years from the year 2013/2014 to 2020/2021 reveals that the average wage bill is approximately 52% of the recurrent budget implying that personnel emoluments accounts for slightly more than half of the Recurrent budget. The wage bill as proportion of the total budget was highest in FY 2017/2018 at 40 percent of the total budget.

The County wage bill has continued to rise in absolute terms to reach **Ksh. 2,663,904,368** in FY 2020/2021 due to implementation of planned recruitments and employee promotions based on existing Collective Bargaining Agreements. The FY 2020/21 wage bill which was **32%** of total budget was within the required threshold. If left unchecked, the continued rise in personnel expenditure will affect the County ability to meet its financial obligations in other core expenditure areas.

An analysis of the wage bill trend as a percentage of the Total budget is illustrated in figure 6.

Figure 6: Analysis of Personnel Expenditure Trend



2.2 Sector Performance during the FY 2020/2021

2.2.1 Agriculture, Livestock, Fisheries and Cooperative Development Sector

The achievements for the sector for financial year 2020/2021 included procurement and distribution of 15,000 (50 kgs) bags of Mavuno fertilizers to vulnerable farmers under the fertilizer grant. In addition, 25,000 coffee seedlings, 41,000 avocado seedlings and 15,000 macadamia seedlings were procured and distributed under crop diversification programme. During the year under review two tractors were acquired to support Conservation Agriculture, while in modernizing agriculture, 25 (1 per ward) model farms were established for demonstration of good agricultural practices and technologies at the ward level. Additionally, through the support of National government 900 litres of assorted pesticides was distributed to combat Fall Armyworm from the national government. Ten youth groups were also capacity build on spray service provider's use of chemicals.

For the Livestock, Fisheries and Cooperative subsectors, the achievements in the year under review included improvement of Livestock Productivity through promotion and demonstrations

on fodder bulking and conservation under which 432 farmers in groups were assisted in establishment of improved pastures and fodder namely the bracharia, Rhodes, Napier, maize and sorghum for silage. In promoting poultry production and productivity a total of 15 groups of 330 farmers were capacity built on various aspects of chicken production, marketing and value addition. The sub sector also facilitated for acquisition of 10,000 improved Kienyeji chicks from KALRO Naivasha which were distributed to 500 farmers in 25 groups in Bidii Ward. Other activities under taken included improvement of livestock breeding technology adoption by working with individual farmers on selection, breeding, upgrading and ensuring quality AI services to farmers by AI service providers through regular field supervisions and accreditation of qualified AI technicians to eliminate quacks. Technical advice was also given to 2,600 farmers using AI on selection, breeding and upgrading.

During the year under review over 186,000 heads of cattle were vaccinated, 4 cattle dips were also renovated with the aim of reducing incidences of notifiable livestock diseases. Under fisheries promotion, 20 fish ponds were constructed and 59 existing ponds restocked with 86,750 tilapias and cut fish fingerlings valued at Ksh.475, 000. In addition 113 ponds of surface area 37,350m² were harvested where a total of 4,971kg of fish was harvested estimated at Kshs.1, 410,100. In a bid to promote vibrant cooperative movements, registration of 32 new cooperatives was undertaken in addition to reviving 16 dormant cooperative societies. Other routine activities such as auditing of cooperatives and capacity building were undertaken for 25 and 33 cooperatives respectively.

Under the NARIGP programme whose objective is “to increase agricultural productivity and profitability of the county communities, the 4 priority value chains implemented in the year under review included; Dairy cow milk, banana, Tomato & local chicken and 4 multi community projects; Chesucheki, Muroki, Chepkaitit and Amani. Consequently, the sub sector also implemented the ASDSP programme under which the value chain actors and value chain organizations database was developed.

2.2.2 Health

During the period under review the key milestones for the sector included; the continuation of completion works for Trans Nzoia Teaching and Referral Hospital (TTRH), rehabilitation of neonatal unit at the Maternity Block at Kitale County Hospital, Rehabilitation of Mt Elgon Hospital Covid Centre and Doctors Plaza, construction of a single unit staff house at Kapkoi Health Centre, Chain Link Fence and Sentry House at Khalwenge Dispensary among other infrastructural projects at the primary healthcare facilities. Further achievements for the sector included procurement of medical drugs and non-pharmaceutical supplies. Additionally, the sector strengthened human resource establishment through employment of 352 health workers of various cadres. Other initiatives undertaken included the routine public health and disease surveillance activities and family planning community outreach services.

2.2.3 Trade, Commerce and Industry

For the period under review, construction of the Kitale Business center, a major county flagship project, was continued with 40% completion rate being achieved. The sector further commenced the construction of fresh produce market at Tulwet and Makutano in addition to renovation of Lukhome and Sitatunga fresh produce markets. The ongoing construction of 12 model kiosks at Kapkoi market, 11 model kiosks at Kapsara (6) and Kachibora (5) was also furthered in a bid to provide favourable business environment for traders. Other major interventions by the sector included Procurement and distribution of 642 branded market umbrella shades for Bidii ward. The sector also continued to streamline the liquor enterprises and generate revenue from the ventures through the continued licensing of the Liquor selling outlets. Under fair trade practices and consumer protection 4,400 measuring equipment were calibrated.

2.2.4. Land, Housing and Urban Development.

The notable achievements for the department for the fiscal period included; conclusion of the development of Trans Nzoia County Spatial Plan and Kitale Integrated Development Plan which are key documents that guide the planning and development of the key urban centres in the county. In addition, the department also facilitated the establishment of Kitale Municipal Board and in conjunction with the department of trade and the Kitale Municipal Board; construction of the Kitale Business centre flagship project was fast tracked. The department also carried out routine activities for the sector such as plan approvals, development controls and surveying services.

2.2.5 Gender, Youth, Sports, Culture and Tourism

In the financial year 2020/2021 under sports sub sector, drawings and designs were developed for Kenyatta stadium to facilitate for the impending construction works. The department also managed to provide financial support to 11 sports teams/ federations and assorted sports equipment were provided to 30 sports teams. In empowering youth and other vulnerable groups car wash machines and motor bikes were procured for youth groups in Matisi ward. Additionally 3 youth empowerment centres were established in Makutano, Matisi and Hospital wards respectively. However rehabilitation of ward sports grounds for Sirende, Endebess and Chepsiro Wards were not undertaken due to delays in procurement process.

In respect to social safety net programmes the sub sector of gender supported the elderly, PWDs and other vulnerable and marginalized groups and individuals, by improving the quality of life of 4,332 persons in the County.

In culture and tourism sub sector the department provided financial support to 10 cultural groups, preserved 10 cultural sites, identified 3 County tourism products for promotion and participated in one National music festival. Kitale museum was not refurbished as planned due to emerging that led to the reprioritized of funds during supplementary budget.

2.2.6 Public Works, Transport and Infrastructure

The key milestones attained included the ongoing upgrade of County referral Hospital access road to bitumen standards, upgrading of Kiminini township streets to bitumen standards and routine maintenance of approximately 1200Km of County roads among other works. Similarly through the intervention of National government road agencies such as KENHA and KURRA, the upgrading of key Class B roads have been undertaken. The construction of 29 kilometers Kitale –Endebess- Suam border road is ongoing. This road is key for economic growth of the County and Kenya as it connects Kenya and Uganda through the Suam Border. Other major road infrastructural projects implemented through KeRRA include the upgrading to bitumen standards of Veterinary –kwanza, Maili Saba –Chepchoina, and Maili saba-Sibanga-Kaplamai roads among others. Additionally the upgrading and rehabilitation of Kitale airstrip is underway. This will enhance the airstrip’s capacity to handle moderately larger flight.

2.2.7 Environment, Water, and Natural Resources

The sector made notable strides in the period under review. In advancing environmental conservation, 80,000 tree seedlings were distributed and planted. In order to enhance access to safe water, 50Km of water pipelines were laid, 20 boreholes drilled and equipped as well as protection of 27 springs undertaken.

2.2.8 Governance and Public Service Management

The key interventions undertaken during the fiscal year under review included administration of the performance management system, development of county competency framework, provision of Wi-Fi services at the county headquarter and the 5 sub counties and procurement of assorted ICT equipment. Further, the department initiated the construction of sub county headquarters with 15 percent completion being achieved for the Kiminini Sub County headquarter. Under human resource development and management, promotion of 537 staff was undertaken in addition to validation of staff job descriptions and training of staff members in various cross cutting areas. Other achievements included the operationalization of the scheme of service for enforcement officers, rolling out civic education activities in the wards and sub counties, Covid-19 mitigation and development of various policies for enhanced service delivery.

2.2.9 Education

The key achievements for the sector in the financial year 2020/2021 included; Construction of 25 modern ECDE classrooms and 15 VIP latrines in addition to completion of the 28 NHC ECDE classrooms. Similarly, the department initiated the construction of twin workshops at Koros, Kapkarwa and Chalicha with the Kapkarwa VTC being completed while Koros and Chalicha VTCs are ongoing. Additionally the sector carried out capacity building of ECDE caregivers on the CBC curriculum besides training for VTCs project managers. Under the education sector support initiative, bursary was awarded to 14,000.

2.2.10 County Public Service Board

In the year under review, CPSB made some notable achievements and these included; recruitment of five hundred and seven (507) officers into the county public service (377 on P & P and 130 contract terms) , renewal of contracts for two hundred and fifty one (251) temporary staff, confirmation of appointment for one hundred and sixty seven (167) officers into permanent and pensionable terms and also promotion of five hundred and seventeen (517) members of staff in various cadres. Further, the board established the office of the county attorney pursuant to the office of the County Attorney Act, 2020 and recruited the office bearers. In addition, the sector also approved a total of thirteen (13) inter-county transfers.

In fulfillment of section 59 of the County Governments Act the sub sector prepared and submitted its Annual Reports to County Assembly and H.E. the Governor that highlighted the progress in the execution of the sub sector mandate.

Additionally for period under review, the CPSB approved eighty four (84) staff trainings across various county departments and inducted its new members and trained the secretariat on employee wellness and team building.

Other notable achievement was the ongoing construction of additional office block with 98% completion rate being achieved.

2.2.11 Finance and Economic Planning

During the period under review the sector recorded a number of milestones key among them being adherence to the legal framework governing budget formulation with Budget Circular, CBROP, CFSP and MTDSP being formulated and presented within the stipulated timelines. Further for the period under consideration the sector produced 2021-22 Annual Development plan besides initiating the process of Mid Term review of the 2nd generation CIDP 2018-2022.

In a bid to strengthen Monitoring and Evaluation and enhance capacities of county department officers in M&E, the sector in conjunction with the GDU facilitated for training of 23 officers on M&E at the Kenya school of Government, Nairobi.

The department also trained 13 officers drawn from all the county departments including sub county administrators on Revenue Administration and Monitoring. The training was also conducted for the 11 sub-county Revenue Administration officers.

Similarly during the fiscal year, a workshop was also held for county management and officers to brainstorm on revenue enhancement measures. The process of revenue automation was also undertaken in the year under review through rolling out of a robust revenue automation system namely the River Bank, a recommendation arising from the Kisumu stakeholder workshop.

Other achievements attained involved compliance with timelines in reporting and preparation of financial statements. The preparation of the consolidated County procurement plan for 2020-2021 was also successfully undertaken besides the routine coordination of supply chain management services.

2.2.12 County Assembly

During the year under review, the County Assembly was able to advertise for the tender for the construction of the Administration block and contract for the same awarded. The site handover was also undertaken. Other interventions included the installation and commissioning of CCTV, renovation of the County Assembly premises and the approval of 10 bills under the pursuance of the legislative mandate.

2.2.13 Kitale Municipal Board

In the period under review a number of interventions were undertaken. The subsector in Collaboration with other sectors undertook the construction works of the Kitale Business center which is a significant county flagship project. The upgrading of 1.75 Kilometers of Barabara Mpya –Mitume Road to bitumen standards is also ongoing with 60% percent of the works complete. Similarly the Construction of Bondeni Market was initiated with a percentage completion rate of 70% being achieved. Other activities undertaken by the sub sector in the year under focus included the development of kitale urban integrated plan, development of municipality by-laws, and enforcement of urban development controls through approval of plans and demolition of illegal structures among other activities.

SECTION THREE

3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.0 Recent Economic Developments

This BRP has been prepared against a background of a projected global economic recovery amidst uncertainty relating to new COVID-19 mutations particularly the Delta variant that could require broader reinstatement of containment measures. Global growth in 2021 is projected at 6.0 percent from a contraction of 3.2 percent in 2020 (WEO July 2021). However, economic prospects vary across countries with the emerging markets and developing economies expected to pick up slowly compared to advanced economies given different country policy responses to the pandemic. The projected recovery in advanced economies, particularly the United States, reflects the anticipated legislation of additional fiscal support in the second half of 2021 and broader vaccinations coverage across the group.

Economic growth in the sub-Saharan Africa region is projected at 3.4 percent in 2021 from a contraction of 1.8 percent in 2020 due to improved exports and commodity prices, and the rollout of vaccination programmes. This growth will also be supported by a recovery in both private consumption and investment as economies re-open. However, the recent increase in infection rates in sub-Saharan Africa are expected to weigh down the region's recovery in 2022.

In 2020, the Kenyan economy was adversely affected by the outbreak of COVID-19 pandemic and the swift containment measures which disrupted economic activities. Additionally, Kenya faced two other shocks; the invasion of swarm desert locusts that damaged crops and floods following receipt of above normal rainfall in May 2020. As a result, economic growth slowed down in FY 2020/21. In the first three quarters of 2020 the economy contracted by an average of 0.4 percent compared to an average growth of 5.3 percent over the same period in 2019. The decline was largely characterized by contractions in the services sector especially accommodation and Restaurant (45.1 percent), Education (31.2 percent), Wholesale and Retail trade (1.3 percent) and Transport and Storage (0.9 percent) subsectors. However, the performance in the third quarter of 2020, albeit constrained, was relatively better compared to the second quarter of 2020 due to partial easing of COVID-19 containment measures.

The Agriculture sector recorded an improved growth at an average of 6.4 percent in the first three quarters of 2020 compared to a growth of 3.6 percent in the corresponding period of 2019. The sector's performance was supported by a notable increase in tea production, exports of fruits and sugarcane production. The Service and Industry sectors were adversely affected by the COVID-19 pandemic. As a result, the sectors contracted by an average of 2.1 percent in the first three quarters of 2020 down from an average growth of 6.1 percent in a similar period in 2019.

Economic indicators by sector for the fourth quarter of 2020 point to strong recovery. Agriculture sector is expected to have performed well following favourable weather conditions which prevailed during the fourth quarter of 2020, resulting in improved production of key crops. Industrial activity is also expected to have recovered strongly as reflected in the Economic

indicators of the following sectors; Construction (cement consumption), Manufacturing (cement production), and Electricity and Water supply (electricity generation). However, performance of some service sectors (accommodation and Restaurant and, Transport and Storage) are likely to remain subdued due to the COVID-19 containment measures which prevailed during the quarter under review.

Leading indicators point to a relatively strong recovery in the first quarter of 2021, supported by strong performance of Agriculture, Construction, Information and Communication, Real Estate, and Finance and Insurance sectors. The enhanced COVID-19 containment measures implemented in five counties (Nairobi, Kiambu, Machakos, Kajiado and Nakuru) between March 26 and May 1, and the 13 western lake basin region (Including Trans Nzoia County) between June 18 and July 30 are expected to have an impact on output in the second and third quarters as business in most sectors were in operation.

Similar to the Global economy, Kenya's economy is projected to rebound in 2021 to 6.6 percent from an earlier projection of 7.0 percent in the 2021 BPS. The downward version was due to the impact of containment measures between March and July period as a result of the third wave of the COVID-19 pandemic.

Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since end 2017. The year-on-year inflation rate increased in July 2021 but remained within the target range at 6.4 percent from 4.4 percent in July 2020, mainly on account of higher food and fuel prices.

Food inflation remained the main driver of overall inflation in July 2021, contributing 3.5% points, an increase, compared to a contribution of 2.4% points in July 2020. The increase is on account of a rise in prices of key food items particularly tomatoes, white bread, cabbages, spinach, sukuma wiki and cooking oil. Fuel inflation contributed 1.9% points to overall inflation in July 2021 compared to 1.2% points in July 2020 following a pickup in international oil prices. Fuel inflation in July 2021 is reflected in higher electricity costs and increased fares attributed to rise in petrol prices.

Short-term interest rates remained fairly low and stable. The Central bank rate was retained at 7% in July 2021 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by COVID-19 pandemic. The money market was relatively liquid in July 2021 supported by government payments, which offset tax remittances. As such, the interbank rate remained low but increased slightly to 3.3% in July 2020.

Interest rates on the Treasury bills remained relatively stable in July 2021. The 91-day Treasury Bills rate was at 6.6% in July 2021 compared to 6.2% in July 2020. Over the same period, the 182-day Treasury Bills rate increased to 7.1 percent from 6.7% while the 364-day increased to 7.5% from 7.6%.

The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate remained stable at 12.0% in June 2021 compared to 11.9% in June 2020

while the average deposit rates declined from 6.9% to 6.4% over the same period. This led to a marginal increase in the average interest rate spread by 0.4% points over the review period.

The foreign exchange market has largely remained stable but partly affected by tight global financial conditions attributed to uncertainty with regard to Covid-19 pandemic, In this regard, the Kenya shilling to the US Dollar exchanged at Ksh 108.1 in July 2021 compared to Ksh 107.3 in July 2020. In comparison to most sub Saharan African currencies, the Kenyan shilling has remained relatively stable weakening by 1.3 percent against the US Dollar. The stability in Kenya shilling was supported by increased remittances, adequate foreign exchange reserves and favourable horticultural exports (fruit, vegetables and cut flowers).

3.1 Medium Term Growth Prospects

3.1.1 Global Growth Outlook

The global economic recovery continues to strengthen, largely supported by gradual reopening of economies, ongoing deployment of vaccines, and strong policy measures. Nevertheless, the outlook for global growth remains highly uncertain, due to the resurgence of infections, the reintroduction of containment measures, and the uneven pace of vaccinations across the globe. As such, a global growth is projected to grow at 6.0 percent in 2021, moderating to 4.9 percent in 2022 from the contraction of 3.2 percent in 2020.

Global growth is expected to moderate to 3.4 percent over the medium term reflecting projected damage to supply potential and forces that preceded the pandemic, including slower labor force growth due to aging population in advanced economies and some emerging market economies. The emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses.

The Sub-Saharan African region has not been spared the negative effects of the pandemic with the region estimated to have contracted by 1.8 percent in 2020. Consistent with forecast in other regions, economic growth in the region is expected to recover to 3.4 percent in 2021 and 4.1 percent in 2022 supported by improved exports and commodity prices along with a recovery in both private consumption and investment. However, per capita output is not expected to return to 2019 levels until after 2022.

The global economy is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent in 2019. However, world economic growth is projected to rebound to 5.4 percent in 2021 mainly supported by a gradual strengthening in consumption and investment resulting from economic stimulus programmes from major economies to boost recovery after the Covid-19 pandemic.

Growth in the advanced economies is projected at negative 8.0 percent in 2020 recovering to 4.8 percent in 2021. This reflects deeper than anticipated effects of the pandemic on economic activity in the first half of 2020 and more gradual recovery in the second half of the year.

The emerging markets and developing economies are also projected to contract by 3.0 percent in 2020. Better prospects are however expected in 2021 with growth forecasted at 5.9 percent; this

recovery is well echoed in the forecasted growths of Emerging and Developing Asia and Europe, Latin America and the Caribbean, and Sub-Saharan Africa.

The Sub-Saharan African region has not been spared the negative impact of the pandemic with the region projected to contract by 3.2 percent in 2020. Consistent with forecast in the other regions, economic growth in the region is expected to recover to 3.4 percent in 2021 as most of the economies in the region recover from the adverse effects of the Covid-19 pandemic

3.1.2 Domestic (National) Growth Outlook

Like the rest of the world, the domestic economy was not spared from the adverse impact of the Pandemic in FY 2020/21. As such, economic growth is estimated to have slowed down in FY 2020/21. However, growth is expected to rebound to 6.2 percent in FY 2021/22 and above 6.0 percent over the medium term.

The National Economic will be reinforced by prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under “Big Four” Agenda and Economic Recovery Strategy. Weather conditions are expected to be favorable supporting agricultural output. As a result export of goods and services will expand as global demand normalizes. These factors will push up consumer demand and increase both public and private sector investment reinforcing the project growth. The economic growth projections over the medium term are aligned to those of the Third Medium Plan (2018-2022) of the Vision 2030.

3.1.2.1 Monetary Policy Outlook

The main objective of monetary policy, over the medium term will be to maintain price stability with overall inflation expected to remain within the target range. 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.

3.1.2.2 Fiscal Policy Outlook.

Fiscal policy over medium-term aims at enhancing revenue mobilization expenditure rationalization and strengthening management of public debt to minimize cost and risks of the portfolio, while accessing external concessional funding to finance development projects. This is geared towards economic recovery to support sustained, rapid and inclusive economic growth, safeguard livelihoods and continue the fiscal consolidation programme to create fiscal space for the implementation of the “Big Four” Agenda.

3.1.3 County Outlook

3.1.3.1 Economic Outlook

The County, like the rest of the Country has not been spared from the impacts of Covid-19 pandemic and the ensuing containment measures. Generally, all major sectors contributing to the County economy have been negatively affected by the immediate impact of the COVID-19 containment measures. It is noteworthy that Trans Nzoia was among the 13 Counties in the Lake

basin region which experienced enhanced COVID-19 containment measures between June 18 and July 30. This is expected to have had an impact in the third quarter of 2021 as this affected the informal sectors of the economy; - mainly Jua kali sector, retail and wholesale trade, businesses in the fresh produce and open air markets, transport sector especially the Boda Boda sector as well as supply chain and linkages with distant markets in Turkana County, Uganda and Southern Sudan since the County is the gateway to these geographical locations. The hospitality and other services sector have also been equally affected.

Despite the setback, Trans Nzoia County just like the Nation is expected to enjoy sustained Economic recovery due to the easing in the containment measures and the resultant improvement in the County business environment. Agriculture continues to be main contributor to the county Economy. As a result the favorable weather conditions coupled with county investment initiatives such as; - investment in agriculture sector e.g through provision of input, crop diversification, conservation agriculture, livestock disease management and promotion of cash crops have resulted in increased production and subsequently incomes. In addition, the sector has continually provided employment albeit seasonal to many especially during the planting, weeding and the maize harvesting season in October- December.

The continuing infrastructure development especially the construction of the Kitale-suam Border and the anticipated completion of the Kitale Business Centre will significantly but positively impact the local economy.

3.1.3.2 Fiscal Outlook

The County Government fiscal framework will be guided by the projected recovery of the County economy and expected improvements in the national transfers as a result of the recently passed horizontal revenue allocation formula. In the current fiscal year, the County deviated from its stated financial objectives due to the disruptions of COVID-19.

Trans Nzoia County's share of equitable share increased from 5,760,300,000 in 2020/2021 to 7,186,157,670 in 2021/22 denoting a growth of approximately 24.75 percent based on the County Allocation Revenue Bill 2021. This trend of growth in the equitable share is anticipated in the Fy 2022/2023. On the other hand, the County Own Source Revenues are expected to slowly recover in 2021 and beyond but the county is going to adopt a more cautious approach as 2022 planned elections approaches. The focus of the County finance bill 2021 and beyond is largely on striking a balance between generation of own source revenue and promoting recovery of county businesses.

a) Revenue Performance

The Revenue performance in the first quarter 2021/2022 has been unsatisfactory as only 23% of the total expected revenue for the year has been realized. Out of this, the proportion of OSR and equitable share realized is 11 percent and 17% percent respectively. The remaining proportion is unspent balance. The own source revenue (Local sources) realized for the first quarter amounted to Ksh. 58,426,205 representing 11% of the targeted OSR revenue for the year. The total revenue realized for the Quarter including unspent balance carried forward was Ksh. **2,162,472,621** against an approved Annual target of **Kshs. 9,253,170,349**.

Tables 9 and 10 provide detailed analysis of County revenue by sources.

Table 9: 1st Quarter Approved and Actual Revenue Realized by Source Fy 2021/2022

No	Revenue Stream	Annual Approved Targeted Revenue (Kshs.)	Actual Revenue (Kshs.)	Variance (Kshs.)	Actual as % of Approved Target
		A	B	C=A-B	D=B/A *100
1	Own Source Revenue	529,500,000	58,426,205	471,073,795	11%
2	Equitable share	7,186,157,670	1,185,716,016	6,000,441,654	17%
3	NARIGP	298,658,950	0	298,658,950	0%
4	THUSP	80,437,623	0	80,437,623	0%
5	DANIDA	12,762,750	0	12,762,750	0%
6	Leasing of Medical Equipment	153,297,872	0	153,297,872	0%
7	ASDSP	24,025,084	0	24,025,084	0%
8	KDSP level 2	105,802,077	105,802,077	0	100%
9	KISIP II	50,000,000	0	50,000,000	0%
10	Equitable Share	489,625,500	489,625,500	0	100%
11	KDSP level 2 Unspent Balance	95,266,760	95,266,760	0	100%
12	User Fee Unspent Balance	21,304,915	21,304,915	0	100%
13	THUSP Unspent Balance	21,718,242	21,718,242	0	100%
14	Rehabilitation of Village Polytechnics Unspent Balance	21,954,947	21,954,947	0	100%
15	KUSP UDG Unspent Balance	162,657,959	162,657,959	0	100%
Total		9,253,170,349	2,162,472,621	7,090,697,728	23%
Net Grants		2,067,012,679	976,756,605	1,090,256,074	

Source: County Treasury 2021

Table 10: 1st Quarter OSR report by sector for financial year 2021/2022

Sector/Revenue Source	Annual Budgeted	Actual	Variance
Agriculture, Livestock and Fisheries			
Agricultural mechanization services	4,000,000	7,800	3,992,200
Hire/lease of county agricultural land	300,000	-	300,000
Audit of co-operative societies	250,000	47,898	202,102
Coffee movement permits	300,000	9,300	290,700
Livestock auction fees	1,000,000	44,490	955,510
Sale of tree seedlings	200,000	3,300	196,700
Slaughter house operation fees	1,500,000	546,710	953,290
Meat inspection	1,500,000	189,885	1,310,115
Hides and skins license	500,000	-	500,000
A.I. services	300,000	-	300,000
Livestock movement permits	500,000	-	500,000
Certificate of transport(COT)	200,000	-	200,000
Lab services	100,000	-	100,000
Sector Total	10,650,000	849,383	9,800,617
Trade, Commerce and Industry			
Open air markets	16,450,000	3,113,640	13,336,360
Market stalls, Bandas and Enclosed Markets	7,000,000	839,050	6,160,950
Weight and measures fees	1,500,000	128,180	1,371,820
Liquor fees	20,000,000	1,506,000	18,494,000
Sector Total	44,950,000	5,586,870	39,363,130
Water, Environment and Natural Resources			
Refuse collection and conservancy	4,000,000	136,396	3,863,604
Hydrological investigation and drilling of boreholes	2,000,000	-	2,000,000
Use of county dumpsite	-	37,450	(37,450)
Tree harvesting permit(farm trees)	500,000	89,400	410,600
Licensing of extractive resources	2,000,000	-	2,000,000
Noise control permit	1,000,000	129,000	871,000
Nuisance abatement fees	100,000	-	100,000
Sector Total	9,600,000	392,246	9,207,754
Works, Transport and Infrastructure			
Hire of construction machinery	5,000,000	-	5,000,000
Fire inspection/ compliance certificates	3,000,000	106,000	2,894,000
Way leave charges i.e. cutting, trenching and installation of fiber cables/water pipes	500,000	-	500,000
Pole rates i.e. kplc and telecom poles	-	-	-
Sector Total	8,500,000	106,000	8,394,000
Health			
Income from health(medical and public health)	200,000,000	25,976,805	174,023,195

Cemetery charges	200,000	8,000	192,000
Toilets fees	900,000	224,960	675,040
Sector Total	201,100,000	26,209,765	174,890,235
Physical Planning, Lands and Housing			
Approval of development applications	6,000,000	601,633	5,398,367
Plot subdivision and transfer of plots	1,000,000	160,000	840,000
House rents	1,000,000	-	1,000,000
Survey fees	1,000,000	66,000	934,000
Temporary occupation license(TOL)	100,000	6,000	94,000
Outdoor advertisement charges	15,000,000	1,994,860	13,005,140
Sector Total	24,100,000	2,828,493	21,271,507
Gender, Youth, Sports, Culture and Tourism			
Registration/renewal of welfare groups/sports clubs and performing artists	200,000	-	200,000
Sector Total	200,000	-	200,000
Education (service department)			
Hire of county brick-making machines	100,000	-	100,000
Sector Total	100,000	-	100,000
Finance and Economic Planning			
Cess	35,000,000	651,646	34,348,354
Land rates(current, arrears and penalties)	45,000,000	2,827,049	42,172,951
Single business permit (current, arrears and penalties)	70,000,000	6,143,101	63,856,899
Street parking (daily, seasonal Parking and clamping)	20,000,000	2,390,100	17,609,900
Enclosed bus park fees(seasonal)	45,000,000	8,876,800	36,123,200
Motor bike fees (seasonal)	15,000,000	1,559,502	13,440,498
Amusement permits	300,000	5,250	294,750
Sector Total	230,300,000	22,453,448	207,846,552
Grand Total	529,500,000	58,426,205	471,073,795

Source: County Treasury 2021

b) First Quarter Expenditure Performance

Budget performance in the first Quarter has been inadequate due to the late commencement of the execution of the Annual Budget and the delay in the transfers from the National Government. The actual total expenditure for the quarter is **Ksh.700, 162,829** against a projected expenditure of **Ksh.2, 313,292,587**. The expenditure recorded is for recurrent vote with nil expenditure being recorded for the development vote. The greater proportion of the recurrent expenditure comprises personnel emoluments which accounts for **86.9 percent** while **11.8 percent** of the recurrent expenditure has been incurred under operations and maintenance.

The actual quarterly expenditure translates to 30 Percent of the projected quarterly expenditure and 8 percent of the **Kshs. 9,253,170,349** projected expenditure for the financial year 2021/22.

Table 11 provides a summary of county expenditure for the first Quarter for Fy 2021/2022.

Table 11: 1st Quarter Expenditure Analysis by Economic Classification

DESCRIPTION	BUDGETED 1st Quarter	ACTUAL 1st Quarter	% PERFORMANCE
	A	B	C=B/A *100
Personnel	726,020,542.25	631,220,322.25	86.9
Operation & Maintenance	582,095,526.75	68,942,507.40	11.8
Development	1,005,176,518.25	0	-
Total	2,313,292,587.25	700,162,829.65	30.3

Source: County Treasury 2021

3.1.4 Risks to the outlook

The anticipated risks to the outlook include:

i. Public expenditures pressures particularly on wages

The County wage bill has continued to rise in absolute terms to reach Ksh. 2.664 Billion in FY 2020/2021 due to implementation of planned recruitments and employee promotions based on existing Collective Bargaining Agreements. If left unchecked, the continued rise in personnel expenditure will affect the County's ability to meet its financial obligations in other core expenditure areas.

ii. Political risks;

It is expected that 2022 being an election year, heightened political activities especially in the Fourth quarter are likely to erode investor confidence and affect Kenya's projected growth. The trickledown effects are likely to be experienced at the County level.

iii. High stock of pending Bills

The delivery of County public goods and services is largely achieved through prequalified suppliers and contractors. Over the recent period the County pending bills has continued to rise. The failure to promptly meet the financial obligations to its suppliers and contractors exposes the County to reputational risk as a poor debtor to its suppliers.

iv. Underperformance in Own Source Revenue

The consistent underperformance in own source revenue greatly affects budget execution. The county is not able to totally meet its expenditures needs as a result of short fall revenue.

v. The impact of covid-19 pandemic

Despite the gradual easing of the COVID-19 containment measures, the impact of the pandemic is still being felt. The slowdown in the county economic activities have constrained the collection of own source revenue.

vi. Uncertainty arising from erratic weather partners.

Trans Nzoia is predominantly agro based County. Changes in weather patterns thus greatly have a bearing in the performance of the county productive sector.

vii. Increasing oil prices

Increase oil prices have led to volatility in commodity prices. Oil price increases have been felt in many sectors of the economy such agriculture, manufacturing, transport, wholesale and retail trade among others. It has led to high costs of production and contributed to escalating costs in the supply chain of goods and services. These costs have been transferred to the general population thereby increasing the cost of living. This will in turn affect the fiscal space in the County with regard to own source revenue generation and the execution of the budget.

The County Government is continually monitoring these risks and taking appropriate policy measures to caution the fiscal framework set out in the current CFSP 2021. The economic policy to be undertaken by the County Government in the FY 2022/23 Budget and the Medium Term will continue to focus on striking an appropriate balance between support for growth, timely implementation of projects and enhancing fiscal discipline while providing room for the implementation of devolution as enshrined in the Constitution of Kenya 2010.

These policies and reforms aim to consolidate the significant gains already made in the priority areas within a sustainable fiscal framework and achieving efficiency and improving the productivity of expenditure.

The broad development policies outlined in the Second County Integrated Development Plan (CIDP) will continue to provide the basis for prioritizing expenditures in the Medium Term Budget. Priority shall be given to programmes aimed at scaling up levels of investment in economic and social infrastructure, supporting rapid economic growth and development, creation of employment opportunities and COVID-19 Pandemic intervention activities for a healthy County.

SECTION FOUR: RESOURCE ALLOCATION FRAMEWORK

4.0 Adjustment to 2021/2022 Budget

The execution of Fy 2021/2022 budget has began slowly with indicators in the first quarter pointing to not meeting the end year target especially in revenue collection and budget absorption. The fiscal objectives as outlined in the CFSP 2021 must therefore be updated to reflect the budget reality as determined by;

- Covid-19 pandemic and effects of the subsequent containment measures;
- The delayed commencement of the execution of the 2021/2022 budget;
- weaker revenue performance in the first quarter of financial year 2021/2022 and the effect of this in the medium term;
- Uncertainty regarding the forthcoming general elections
- Expenditure pressures with respect to collective bargaining agreements
- Volatility in oil prices and resultant effect on cost of production and commodity prices

Adjustments to the 2021/22 budget therefore underpins the base that determines the fiscal framework for FY. 2022/23 and the medium term. In view of resource constraints, the County Government will continue to focus on striking an appropriate balance between support for growth through timely implementation of projects and enhancing fiscal discipline. The Government will rationalize expenditures by shifting expenditures towards projects that will be of impact and promote growth of county economy as well and protecting lives in the face of Covid-19 pandemic. The development thrust trajectory will primarily focus on returning the county economy to the path of recovery.

On local Revenue collection, the County Government will undertake regular sensitization of citizens on various fees and enhance enforcement to raise compliance levels. Sealing of revenue leakages is ongoing and will be strengthened once the automation of the whole revenue collection system is in place. The Automation process began with street parking and is anticipated to continue until all Revenue sources are covered. Revenue collectors will be closely monitored in addition, to placing them on performance contracts to ensure that targeted levels are met. Further, the county will enhance revenue collection from high potential revenue streams such as Cess and Liquor lincensing. The County will also undertake comprehensive mapping and review of the revenue sources to determine the feasibility of the same.

4.1 Medium-Term Expenditure Framework

In view of the recent macroeconomic circumstances, growth prospects and limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority expenditures across the sectors. The current 2nd generation CIDP 2018-2022 whose implementation is ongoing will guide resource allocation in the medium term. The 2022/2023

annual development plan has been finalized and the sectors have outlined key strategies for implementation in the financial year 2022/2023 which will guide the resource allocation.

CBROP 2021 FINAL

4.2FY 2021/2022 Budget Framework

Just like for the National Economy, the county medium term budget framework is premised on the County government's effort to stimulate and sustain local economic activities, mitigate the adverse impacts of COVID-19 pandemic on the county economy and re-position it on sustainable and inclusive growth path. This is going to be realized through the implementation of the Trans Nzoia Covid-19 Socio Economic recovery Re-engineering strategy, the Big Four Agenda and the priority programs outlined in the CIDP II.

In addition, the FY 2021/22 budget framework is set against the background of the updated medium-term county fiscal framework. As a policy tool, the framework targets to enhance growth and productivity across all sectors of the County. The projected growth assumes normal weather pattern during the year, a downward surge of Covid-19 and eventual flattening of the infections leading to lifting of the containment measures, local investors responding to the development initiatives outlined in the CIDP and ADP and continued favorable weather conditions to support agriculture sector.

The total revenues for Fy 2021/22 are projected at Ksh **9,253,170,349** out of which transfers from the National Government (equitable share and grants) are amounting to Kshs. **7,911,142,026** while own source revenue collection is projected at kshs **529,500,000**. Similarly, unspent balance for equitable share and development partners grants/loans account for **489,625,500** and Kshs. **322,902,823** respectively in the total projected county revenues for 2021/2022.

4.2.1 Revenue Projections

The FY 2022/2023 budget will target projected revenue collection of Ksh. **555,975,000** Million from Local Sources and projected equitable share of Ksh. **7,545,465,554** billion totaling to Ksh. **8,101,440,554** billion. These projections however, are anchored on the on-going enhancements of the capacity of Revenue department, favorable weather conditions, resilience of the Kenyan economy and easing of Covid-19 containment measures.

4.2.2 Expenditure Forecasts

Based on the projected OSR and Equitable share revenue, in the FY 2022/2023 this CBROP has proposed an expenditure of Ksh. **8,101,440,554** billion out of which the recurrent expenditure will be **Ksh. 5,494,087,490** billion and development expenditure of **Ksh. 2,607,353,064** billion respectively. This expenditure is projected to rise to Kshs. **8,931,838,211** at the end of the MTEF period in 2024/2025.

Table 12 provides a summary of proposed expenditure for both recurrent and development for financial year 2022/2023 and the MTEF period.

Table 12: Summary of proposed Expenditure by Economic Classification for FY 2022/23-2024/25 in Ksh. Shillings

Vote	Approved Budget	Projected		
	2021/22	2022/23	2023/24	2024/25
Recurrent	5,232,464,276	5,494,087,490	5,768,791,865	6,057,231,458
Development	3,135,476,853	2,607,353,064	2,737,720,717	2,874,606,753
Total	8,367,941,129	8,101,440,554	8,506,512,582	8,931,838,211

Source: County Treasury

**Outer MTEF years projected at 5%.*

4.3 Resource Allocation Criteria

The Resource allocation for Sectors will be based on the following principles: -

- Linkage of sector programs with the CIDP and ADP and other County Plans;
- Degree to which the programme addresses the key mandate of the department;
- Provision of services as contained in schedule 14 of the constitution;
- Degree to which the programme address constitutional obligations;

Consequently, the focus in resource allocation will be geared towards;

- Improving public services delivery;
- Enhancing Human resource capacity;
- Creating enabling environment for trade and investment;
- Fast tracking the implementation of the CIDP;
- Promoting agricultural diversification; and
- Ensuring easy access to basic social services including water, education and health care.
- Programs cost effectiveness and sustainability.

Annex I gives the tentative expenditure ceilings for the various sectors. The ceilings will be firmed up in County Fiscal Strategy Paper in February 2022.

5.0 Conclusion

The 2021 CBROP is being prepared against a background of expected global recovery after a slump in 2020 occasioned by negative effects of Covid-19 pandemic. The resultant effects of the pandemic saw a slow-down in business activities and by extension revenue collection. To cushion businesses and County residents from the adverse effects of Covid-19 Pandemic and

stimulate economic recovery, the County will continue to implement measures and programmes geared towards economic recovery and business stimulation.

Nationally, the economy is expected to rebound to 6.2% in FY 2021/22 from the slowdown in FY 2020/21 and remain above 6% in the medium term. This implies stabilization in County revenue expectations from own resource as well as national government/donor grants. However significant increase in revenue may not be recorded. This in effect advocates for proper prioritization of public expenditures to the most impactful programmes with highest welfare to people of Trans Nzoia.

In addition, considering the tight resource envelope that is available for Fy 2022/23 budget, all the County departments are required to carefully scrutinize their proposed budgets and ensure strict adherence to sector ceilings provided herein. The County departments are required to carefully undertake detailed costing of projects, taking into account strategic significance, deliverables (output and outcomes), alternative interventions, and administration and implementation plans in allocation of resources.

Annex 1: Department Revenue against Total Expenditure Ceilings (Recurrent and Development)

Sector		Revenue	Approved Estimates	Projected Expenditure Ksh.		% Share of Total Expenditure		
		2020/21	2021/2022	2022/2023	2023/24	2021/22	2022/23	2023/24
Agriculture	Subtotal		451,614,867	474,195,610	497,905,391	6%	6%	6%
	Recurrent	4,800,000	243,281,746	255,445,833	268,218,125	3%	3%	3%
	Development		208,333,121	218,749,777	229,687,266	3%	3%	3%
Livestock	Subtotal		106,465,079	111,788,333	117,377,750	1%	1%	1%
	Recurrent	5,850,000	32,950,000	34,597,500	36,327,375	0%	0%	0%
	Development		73,515,079	77,190,833	81,050,375	1%	1%	1%
Trade, Commerce & Industry	Subtotal		152,723,901	160,360,096	168,378,101	2%	2%	2%
	Recurrent	44,950,000	63,466,876	66,640,220	69,972,231	1%	1%	1%
	Development		89,257,025	93,719,876	98,405,870	1%	1%	1%
Water Environment and Natural Resources	Subtotal		358,563,684	376,491,868	395,316,462	5%	5%	5%
	Recurrent	9,600,000	98,494,569	103,419,297	108,590,262	1%	1%	1%
	Development		260,069,115	273,072,571	286,726,199	3%	3%	3%
Works, Transport & Infrastructure	Subtotal		619,817,302	650,808,167	683,348,575	8%	8%	8%
	Recurrent	8,500,000	201,937,869	212,034,762	222,636,501	3%	3%	3%
	Development		417,879,433	438,773,405	460,712,075	5%	5%	5%
Education, ICT and Vocational Training	Subtotal		535,472,918	562,246,564	590,358,892	7%	7%	7%
	Recurrent	100,000	393,026,371	412,677,690	433,311,574	5%	5%	5%
	Development		142,446,547	149,568,874	157,047,318	2%	2%	2%
Health Services	Subtotal		2,158,093,051	2,265,997,704	2,379,297,589	27%	28%	28%
	Recurrent	201,100,000	1,793,096,885	1,882,751,729	1,976,889,316	23%	23%	23%
	Development		364,996,166	383,245,974	402,408,273	5%	5%	5%
Lands, Housing and Urban Development	Subtotal		148,021,203	155,422,263	163,193,376	2%	2%	2%
	Recurrent	24,100,000	67,543,816	70,921,007	74,467,057	1%	1%	1%
	Development		80,477,387	84,501,256	88,726,319	1%	1%	1%
Kitale Municipality	Subtotal		292,412,959	307,033,607	322,385,287	4%	4%	4%
	Recurrent		70,500,000	74,025,000	77,726,250	1%	1%	1%
	Development		221,912,959	233,008,607	244,659,037	3%	3%	3%

Gender, Youth, Culture, Sports, Women & Tourism	Subtotal		277,299,082	291,164,036	305,722,238	3%	4%	4%
	Recurrent	200,000	55,707,902	58,493,297	61,417,962	1%	1%	1%
	Development		221,591,180	232,670,739	244,304,276	3%	3%	3%
Governance /Executive	Subtotal		240,649,246	252,681,708	265,315,794	3%	3%	3%
	Recurrent		188,324,246	197,740,458	207,627,481	2%	2%	2%
	Development		52,325,000	54,941,250	57,688,313	1%	1%	1%
Public Service Management	Subtotal		546,957,901	574,305,796	603,021,086	7%	7%	7%
	Recurrent		504,632,901	529,864,546	556,357,773	6%	7%	7%
	Development		42,325,000	44,441,250	46,663,313	1%	1%	1%
CPSB	Subtotal		86,615,170	90,945,929	95,493,225	1%	1%	1%
	Recurrent		78,150,170	82,057,679	86,160,562	1%	1%	1%
	Development		8,465,000	8,888,250	9,332,663	0%	0%	0%
Finance	Subtotal		855,743,917	898,531,113	943,457,668	11%	11%	11%
	Recurrent	230,300,000	718,005,599	753,905,879	791,601,173	9%	9%	9%
	Development		137,738,318	144,625,234	151,856,496	2%	2%	2%
Economic Planning	Subtotal		66,994,733	70,344,470	73,861,693	1%	1%	1%
	Recurrent		46,694,733	49,029,470	51,480,943	1%	1%	1%
	Development		20,300,000	21,315,000	22,380,750	0%	0%	0%
County Assembly	Subtotal		1,048,921,665	859,123,291	902,079,455	13%	11%	11%
	Recurrent		676,650,593	710,483,123	746,007,279	9%	9%	9%
	Development		372,271,072	148,640,168	113,002,315	5%	2%	1%
Total	Total	529,500,000	7,946,366,678	8,101,440,554	8,506,512,582	100%	100%	100%
	Recurrent		5,232,464,276	5,494,087,490	5,768,791,864	66%	68%	68%
	Development		2,713,902,402	2,607,353,064	2,694,650,856	34%	32%	32%

**Sector Projections at 5% for Outer years are based on approved expenditures for FY 2021/2022 (Equitable share & OSR)

Annex 2: Trend in Growth of Equitable share

Exchequer Receipts Trend	Allocation	Growth	Percentage Growth
2013/2014 (Base year)	3,356,022,973	3,356,022,973	100%
2014/2015	4,013,445,218	657,422,245	16%
2015/2016	5,099,612,701	1,086,167,483	21%
2016/2017	5,502,547,171	402,934,470	7%
2017/2018	5,647,400,000	144,852,829	3%
2018/2019	5,620,600,000	-26,800,000	0%
2019/2020	5,264,914,200	-355,685,800	-7%
2020/2021	5,760,300,000	495,385,800	9%
2021/2022 (CARA April 2021)	7,186,157,670	1,425,857,670	20%
2022/2023 (CBROP 2021 projected Growth)	7,545,465,554	359,307,884	5%