



COUNTY GOVERNMENT OF UASIN GISHU

COUNTY TREASURY

**COUNTY BUDGET REVIEW AND
OUTLOOK PAPER
2021**

SEPTEMBER 2021

A Prosperous and Attractive County in Kenya and Beyond

© County Budget Review and Outlook Paper (CBROP) 2021

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Foreword

County Budget Review and Outlook Paper (CBROP) is a backward- and forward-looking paper which reviews the previous financial year's fiscal performance of the County, and updated macroeconomic developments and outlook with implications for the fiscal performance in the current and next financial years. The CBROP 2021 gives the basis for revision of the current budget, even as it provides indicative ceilings to guide preparation of budget for FY 2022/2023 and over the medium term. The paper will also guide development of county fiscal strategy paper (CFSP) 2022. The Paper is prepared pursuant to Section 118 of the Public Finance Management Act, 2012.

The CBROP 2021 has been prepared against a backdrop of a slowdown in the Kenyan economy in 2020/2021, and expected global recovery after a slump in 2020 as a result of adverse effects of the Covid-19 pandemic. The global economy is anticipated to expand by 6.0 percent in 2021 from a contraction of 3.2 percent in 2020. The Kenyan economy is also projected to rebound to 6.6 percent in FY 2021/2022 and stabilize above 6.0 percent over the medium term. This recovery will be reinforced by the prevailing macroeconomic environment, the ongoing implementation of the strategic priorities under the 'Big Four' Agenda and Economic Recovery Strategy, and the expected favorable weather conditions to support agricultural output.

FY 2020/2021 budget was premised on a strengthened fiscal performance in the financial year and over the medium term driven by improved local revenue collection and increased exchequer releases as a result of the expected expansion of the national economy over the medium term, while focusing on expenditure productivity in the face of scarcity in public resources. In the FY 2020/2021, the County Government of Uasin Gishu registered a 12 percent above target collection of local revenue, which collection was also an increase of 42 percent compared to FY 2019/2020 despite the Covid-19 pandemic challenges. In the same period, the County received a total of KSh. 6,874,380,000 as equitable share and KSh. 1,106,115,893 as grants, representing an increase of 19 percent and 14 percent respectively compared to the previous financial year. On expenditure, the County registered absorption rates of 94 percent for recurrent expenditure and 44 percent for development expenditure, an increase from 93 percent and a decrease from 47 percent respectively in FY 2019/2020.

Going forward, in FY 2021/2022 and over the medium, the government will focus on Strategy for Socio-Economic Consolidation and Recovery, supported by positive growth prospects in 2021 and over the medium term. The government will implement policies, programmes and projects to actualize the strategy even as it purposes to transform the lives of residents of Uasin Gishu County. The interventions will also target the youth, women and persons with disabilities (PWDs). To further augment the overarching Strategy, the government will institute measures to improve local revenue performance, monitor expenditures for expenditure productivity, and enhance absorption.

The budget making process for FY 2022/2023 is within a framework of a revised budget calendar, taking into account the impending General Election in 2022. Therefore, County Departments and Agencies are expected to adhere to the indicative ceilings and observe the revised deadlines to enable finalization and appropriation of the FY 2022/2023 budget by 30th April 2022.



CPA Julius Rutto

CECM – Finance & Economic Planning

Acknowledgement

The 2021 County Budget Review and Outlook Paper (CBROP) has been prepared in accordance with Section 118 of the Public Finance Management Act, 2012 which requires the County Treasury to prepare and submit it to the County Executive Committee (CEC) by 30th September of each year. The document reviews the fiscal performance of the previous year and gives information on the updated macroeconomic developments and outlook for the following year. The document will therefore guide preparation of the FY 2022/23 MTEF budget.

The Department of Economic Planning coordinated and managed the overall preparation of the document. I wish to take this opportunity to thank the Planning team as well as the line departments for their inputs and contributions in the document's preparation.

Finally, as a department, we register our special appreciation and gratitude to His Excellency the Governor and His Excellency the Deputy Governor and the entire County Executive Committee for providing leadership in which the development aspirations of our County continue to thrive.



CPA. Millicent Okonjo

Chief Officer – Economic Planning

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Abbreviations and Acronyms

BPS	:	Budget Policy Statement
CECM	:	County Executive Committee Member
CRA	:	Commission of Revenue Allocation
CBROP	:	County Budget Review and Outlook Paper
CFSP	:	County Fiscal Strategy Paper
CIDP	:	County Integrated Development Plan
CO	:	Chief Officer
ERS	:	Economic Recovery Strategy
FY	:	Financial Year
GDP	:	Gross Domestic Product
ICT	:	Information and Communication Technology
MSME	:	Micro Small & Medium Enterprises
MTEF	:	Medium Term Expenditure Framework
PFM	:	Public Finance Management
RRI	:	Rapid Result Initiative

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Facts About County Budget Review and Outlook Paper

County Budget Review and Outlook Paper (CBROP) is prepared according to Section 118 of the Public Finance Management Act, 2012.

1. Section 118 (1) of the Act states that the County Treasury shall;
 - Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
 - Submit the paper to the County Executive Committee by 30th September of that year.
2. Within fourteen days after submission, the CEC shall in turn consider the CBROP with a view to approving it, with or without amendments.
3. Not later than seven days after the CEC has approved the paper, the county treasury shall submit the paper to the County Assembly, thereafter publish and publicize the same.
4. Section 118 (2) of the Act states that in preparing its County Budget Review and Outlook Paper, the County Treasury shall specify:
 - i. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
 - ii. The updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
 - iii. Any changes in the forecasts compared with the CFSP;
 - iv. How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
 - v. Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.
5. Section 107 of PFM Act, 2012 requires the County Treasury to manage its public finances in line with the principles of fiscal responsibility. The section states that:
 - i. Section 107 (1) states that the County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.

- ii. Section 107 (2) states that in managing the county government's public finances, the County Treasury shall adhere to the following fiscal responsibility principles:
 - a) the county government's recurrent expenditure shall not exceed the county government's total revenue;
 - b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
 - c) the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Member for finance in regulations and approved by the County Assembly;
 - d) over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
 - e) the county debt shall be maintained at a sustainable level as approved by county assembly;
 - f) the fiscal risks shall be managed prudently; 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.
- iii. For the purposes 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.
- iv. Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.
- v. The regulations may add to the list of fiscal responsibility principles set out in subsection (2)

Executive Summary

The 2021 County Budget Review and Outlook Paper (CBROP) has been prepared pursuant to section 118 of the PFM Act, 2012. The document details the overall fiscal performance of the County government for the FY 2020/21 including compliance with the fiscal responsibility principles and financial objectives set out in the CFSP for that year. It also presents an updated economic and financial forecast for the FY 2022/23 with information on changes in the forecast and reasons for any deviations from the financial objectives.

The Kenyan economy in 2020 was adversely affected by the outbreak of Covid-19 pandemic and the subsequent containment measures. It contracted by an average of 0.4 percent in the first three quarters compared to an average growth of 5.3 percent over the same period in 2019. The economy is however projected to rebound back in 2021 to 6.6 percent and maintained at above 6.0 percent over the medium term.

The fiscal performance in FY 2020/21 was unsatisfactory despite an impressive growth of 12 percent in local revenue collection. Total revenue collection amounted to KSh 11,810,212,421 against a target of KSh 12,011,937,098 reflecting a shortfall of KSh,724,678 201. On the other hand, total expenditure was KSh 8,297,134,747 against a target of KSh 12,011,937,098 reflecting a shortfall of KSh 3,714,802,351. The underspending can be attributed to lower absorption level of development expenditure by 44 percent.

In FY 2022/23 and the medium-term, the fiscal policy will seek to support sustained economic growth, enhance revenue performance and ensure public expenditure productivity. It will aim to grow revenue by 3 per cent over the medium-term period and overall expenditure by similar margin.

The County will mitigate the adverse effects of the Covid-19 pandemic and its subsequent containment measures that has devastated economic conditions globally and livelihoods. In particular, it will support National Government's efforts to protect lives and livelihoods, cushion the vulnerable and support economic recovery. It will also implement priority programmes in the CIDP and the '*Big Four*' Agenda to boost growth and recovery. However, this outlook will be determined by how the County government manages emerging risks such as emergence of new

Covid-19 variants, adverse weather conditions and increased public expenditure pressures. The County will therefore monitor these risks and respond appropriately to protect the economy.

1.0 INTRODUCTION

The section presents the objectives and significance of County Budget Review and Outlook Paper (CBROP) in the budget making process. It also presents the structure of the paper.

1.1 Objectives of CBROP

County Budget Review and Outlook Paper reviews the previous financial year's (2020/2021) fiscal performance of the County, and how the performance impacts on the financial objectives and fiscal responsibility principles articulated in the County Fiscal Strategy Paper (CFSP) 2020. The paper highlights:

- Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent CFSP;
- Details of the actual fiscal performance in the previous year compared to the budget appropriation for that particular year;
- Information on any changes in the forecasts compared with the CFSP; or how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

1.2 Significance of CBROP

CBROP reviews fiscal performance of the previous financial year, and updated macroeconomic developments and outlook with implications for the fiscal performance in the current and next financial years. CBROP 2021 gives the basis for revision of the current budget in the context of supplementary estimates and the broad fiscal considerations defining the next budget and over the medium term. In addition, the CBROP 2021 provides indicative ceilings informed by the macroeconomic and fiscal outlook to guide FY 2022/2023 budget and over the medium term. The paper will also guide preparation of CFSP 2022.

1.3 Structure of CBROP

The CBROP has four other sections. Section Two reviews the county's fiscal performance for the previous year under the sub-sections; The Overview, Fiscal Performance and Implications of

Fiscal Performance. Section Three reviews recent economic developments and has subsections; Recent Economic Developments, Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook. Section Four presents Resource Allocation Framework with indicative expenditure ceilings set for each department. It has four sub-sections; Adjustment to the Proposed Budget, the Medium-Term Expenditure Framework, Proposed Budget Framework, and Projected Fiscal Balance. Finally, Section Five presents Conclusion even as it highlights the purpose and value of the CBROP.

2.0 REVIEW OF COUNTY FISCAL PERFORMANCE FOR THE FY 2020/21

This chapter provides County's fiscal performance for the financial year 2020/21 in relation to the budget allocation, its execution and implications arising from the fiscal performance for the period under review.

2.1 Overview

During the period under review, the financial objectives set out in the 2020 CFSP required to support growth projections in the County through increased activities in the productive sectors. To attain this, measures meant to expand revenue inflows were pursued and expenditures guided by sector objectives and priorities outlined in the CIDP. Some of the revenue measures instituted by the County government to enhance revenue collection and efficiency included RRI exercise, 100 percent waiver on land rates, automation and integration of revenue systems, among others. The capacity of staff on e-procurement was also built to improve budget absorption as well as programme implementation. The fiscal responsibilities principles stipulated in the PFM Act, 2012 and Regulations were also adhered to.

In the FY 2020/21 budget, actual development expenditure amounted to KSh. 2,564,108,509 against a target of KSh. 5,892,972,806 translating to a 44 percent absorption rate while recurrent expenditure was KSh. 5,733,026,238 against a target of KSh. 6,118,964,292 translating to 94 percent absorption level. In addition, emerging fiscal risks such as escalating expenditures and spread of Covid-19 pandemic were managed appropriately.

2.2 Fiscal Performance

The fiscal performance in the FY 2020/21 was unsatisfactory mainly due to the effects of COVID-19 pandemic and the ensuing containment measures. Overall total revenue grew by 42 percent to KSh. 9,085,570,371 from KSh. 7,531,645,961 in FY 2019/20 while total expenditure fell from KSh. 12,011,937,098 to KSh. 8,297,134,747 over the same period reflecting an absorption rate of 69 percent as indicated in table 2.1.

Table 2.1 Summary of County Fiscal Performance

	FY 2019/20	FY 2020/21			Growth %
	Actual	Approved	Actual	% Deviation	
TOTAL REV. & GRANTS	10,397,890,793	12,011,937,098	11,810,212,421	3%	14%
Unspent Bal from Prev. FY	2,866,244,320	3,269,022,050	2,724,642,050	-17%	-5%
Revenue (Total)	7,531,645,961	8,742,915,048	9,085,570,371	11%	21%
Equitable Share Allocation	5,785,620,000	6,330,000,000	6,874,380,000	19%	19%
Local Revenue	779,330,751	991,000,000	1,105,074,478	12%	42%
Grants (Total)	966,695,210	1,421,915,048	1,106,115,893	-22%	14%
Total Expenditure	8,054,998,476	12,011,937,098	8,297,134,747	-31%	3%
Recurrent	5,354,605,150	6,118,964,292	5,733,026,238	-6%	7%
Development	2,700,393,326	5,892,972,806	2,564,108,509	-56%	-5%
Unspent Bal Current FY			2,827,072,064		

2.2.1 Revenue Performance

During the period under review, the equitable shareable revenue allocation for the County grew by 19 percent from the previous year to KSh. 6,874,380,000, local revenue grew by 42 percent to KSh.1,105,676,540 and conditional grants grew by 14 percent to KSh. 1,106,115,893. The unspent balance reduced by 17 percent because of failure by the National Treasury to remit all conditional grants as budgeted. The increase in revenues is attributed to increased allocations to Counties by the Commission of Revenue Allocation (CRA), improved local revenue performance due to involvement of all departments and the county management in revenue collection (RRI exercises), 100 percent waiver on land rates interest and penalties and automation and integration of revenue system with commercial banks.

Analysis of performance by revenue stream indicates land rates, business permits and street parking fee were the leading revenue earners accounting for 25, 20 and 14 percent of total revenues in that order while fisheries was the least accounting for 0.01 as indicated in table 2.2

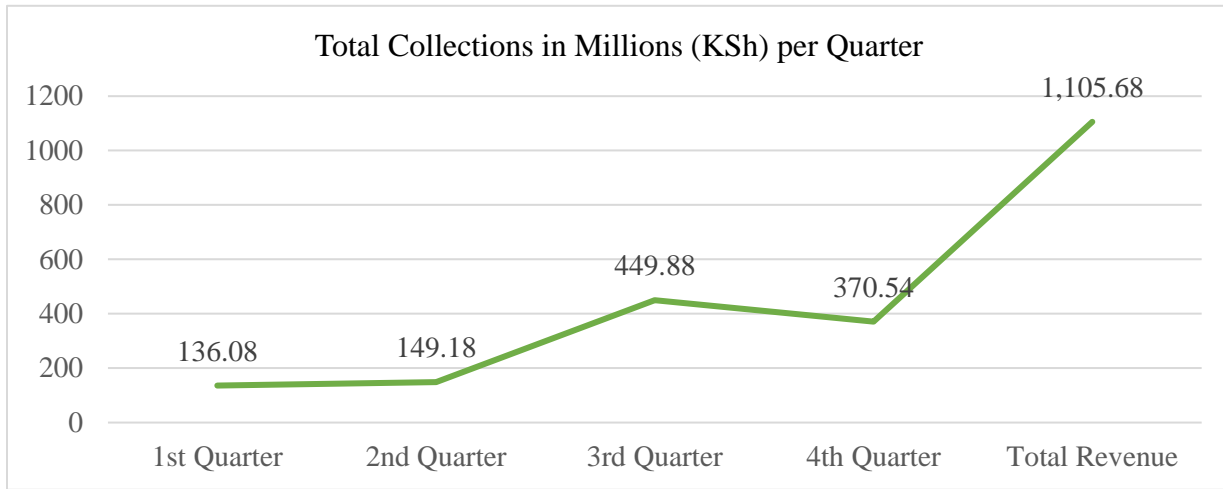
Table 2.2 Summary of Own Source Revenue Performance for FY 2020/2021

Revenue Streams	1 st Q	2 nd Q	3 rd Q	4 th Q	Total KSh. (M)
	KSh. (M)	KSh. (M)	KSh. (M)	KSh. (M)	
Hire of AMS	0.74	0.63	1.63	0.39	3.4
Veterinary Fees	1.06	0.67	0.22	0.09	2.03
Application Fee	0.56	0.07	2.89	1.4	4.92
Audit and Supervision Fees	0.55	0.51	0.6	1.39	3.05
Bar Inspection Fee	-	-	-	0.11	0.11
Betting Control	0.16	0.05	0.23	0.05	0.5

Revenue Streams	1 st Q	2 nd Q	3 rd Q	4 th Q	Total KSh. (M)
	KSh. (M)	KSh. (M)	KSh. (M)	KSh. (M)	
Buildings Plan Approval Fee /scrutiny	5.94	3.56	4.1	2.83	16.43
Burial Fees	0.18	0.14	0.16	0.19	0.66
Business Permits	18.59	6.98	140.4	51.5	217.47
Clamping Fee	2.19	1.07	1.16	0.96	5.38
Conservancy Fees (Eldowas)	2.6	2.6	-	6.7	11.9
Council Premises Occasional Hire (Offices, etc.)	0.04	0.04	0.09	0.19	0.36
Court Fines	0.16	1.39	2.87	1.1	5.53
Enclosed Bus Park Fee	15.81	31.81	30.62	29.04	107.27
Fisheries Fees	-	-	-	0.02	0.02
Fire-Fighting Services	0.44	0.28	3.4	1.95	6.06
Food Quality Inspection Fee	0.48	0.11	1.9	1.4	3.89
Health Centers & Dispensaries Fees	5.62	6.56	10.6	9.94	32.72
Housing Estates Monthly Rent	9.03	6.88	9.93	6.84	32.68
ICT & E-government Led Screen	0.02	0.1	0	0.09	0.22
Impounding Charges	0.85	1.12	1.02	1.49	4.48
Innoculation Fee	0.27	0.38	0.85	0.68	2.17
Land Rates Collection	13.46	13.43	75.09	170.37	272.35
Livestock Auction/Sales Fees	0.02	0.06	0.03	0.05	0.16
Log Cess/ Bark cess/Hide/skins	0.92	1.55	1.45	0.31	4.22
Motor Bikes	2.3	3.26	4.99	4.42	14.96
Market Fees	4.83	7.78	5.62	4.34	22.57
Public Health Fees	0.63	0.34	5.05	1.25	7.26
Public Toilet	0.26	0.1	0.02	0.01	0.38
Refuse Collection Fee	2.66	0.3	15.16	7.1	25.22
Right-of-Way / Way-Leave Fee	0.83	1.4	1.12	0.49	3.85
Sand, Gravel & Ballast Extraction	1.32	0.12	4.57	0.77	6.78
Sign Boards & Advertisement Fee	4.08	2.33	44.56	10.19	61.15
Slaughtering Fee	3.05	4.61	4.57	4.32	16.55
Street Parking Fee	34.42	37.04	53.22	35.09	159.77
Sugarcane Cess	-	0.57	0.64	0.47	1.68
Water Kiosks Sale/Supply Fees	0.05	0.04	-	-	0.08
Weight and Measures fees	0.52	0.91	3.86	0.71	6
Wheat & Maize Cess	1.31	10.42	17.28	12.23	41.23
Bank interest	-	-	-	0.04	0.04
TOTAL REVENUE	136.08	149.18	449.88	370.54	1,105.68
Quarterly % Performance	12%	13%	41%	34%	100%

Source: Uasin Gishu County Treasury, 2021

Figure 2.1 Showing Quarterly Local Revenue Performance for FY 2020/21



As shown in Figure 2.1 revenue performance peaked in the third quarter (January-March 2021) accounting for 41 percent of total revenues collected in the period under review. This is the period when single business permits and land rates are renewed.

2.2.2 County Expenditure Performance

In the FY 2020/2021, actual expenditures amounted to KSh. 8,337,074,593 against a revised budget of KSh. 12,011,937,098 reflecting an absorption rate of 69 percent. Of this, KSh. 5,772,966,084 was recurrent while KSh. 2,564,108,509 was development. The underspending of KSh. 3,674,862,505 can be attributed to delayed exchequer releases, Covid-19 pandemic disruptions, slow procurement processes in awarding of tenders for development projects, among others.

2.2.2.1 Budget Absorption and Comparison between CFSP 2021 Ceilings and FY 2020/21 Budget

As indicated in table 2.3, the Public Administration sector recorded the highest absorption rate of 86 percent followed by Education sector 89 percent while on the other hand ARD sector recorded the lowest absorption rate of 45 percent. The overall low absorption rate on development expenditure across the sectors can be attributed to the Covid-19 pandemic disruptions, slow procurement processes, delays in disbursements of funds, among other challenges.

Table 2.3 Showing Absorption Rates by Sectors and Comparison with CFSP, 2021

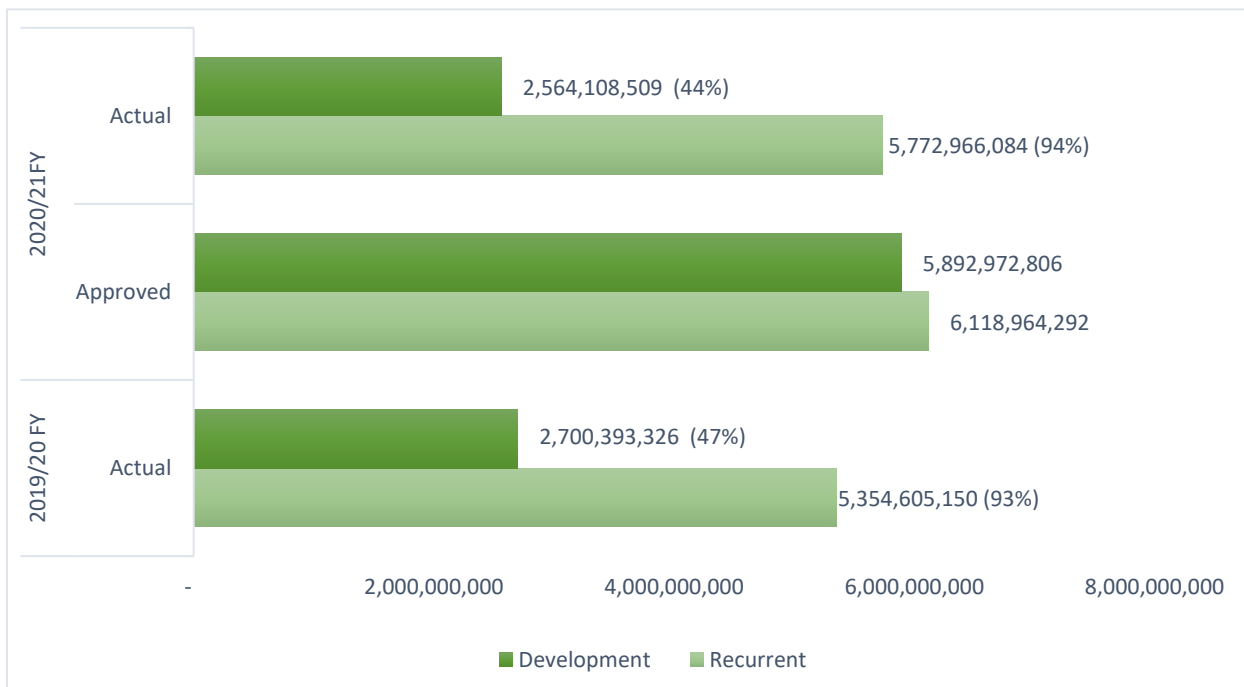
Sector	Department	C-FSP 2021 Ceilings (FY 2020/21)			Budget Allocation FY 2020/21			Cumulative Expenditure FY 2020/21			Absorption (%)	Deviation (%)
		Rec	Dev	Total	Rec	Dev	Total	Recurrent	Dev	Total	Total	CFSP-Budget)
Public Admin	Office of the Governor	102,899,629	0	102,899,629	97,296,590	0	97,296,590	93,414,858	0	93,414,858	96%	-5%
	Finance	275,494,409	1,242,347,172	1,517,841,582	459,709,768	0	459,709,768	382,300,729	0	382,300,729	83%	-70%
	County Public Service Board	147,163,087	0	147,163,087	53,614,234	0	53,614,234	48,968,442	0	48,968,442	91%	-64%
	Public Administration	837,228,231	10,415,268	847,643,499	51,502,103	113,858,355	165,360,458	46,628,399	93,919,290	140,547,689	85%	-80%
	Economic Planning	113,171,136	154,513,277	267,684,414	78,390,178	0	78,390,178	72,831,134	0	72,831,134	93%	-71%
	Public Service Management	65,149,506	0	65,149,506	841,102,421	12,830,079	853,932,500	838,307,160	9,247,000	847,554,160	99%	1211%
	County Assebmly	721,974,749	120,000,000	841,974,749	686,014,946	260,000,000	946,014,946	685,786,972	16,366,510	702,153,482	74%	12%
	Sub-total	2,263,080,748	1,527,275,717	3,790,356,466	2,267,630,240	386,688,434	2,654,318,674	2,168,237,694	119,532,800	2,287,770,494	86%	-30%
ARD	ICT & E-Government	62,692,940	15,622,902	78,315,841	46,158,541	40,308,950	86,467,491	33,369,308	33,198,585	66,567,893	77%	10%
	Agriculture	232,025,133	281,360,116	513,385,249	242,960,047	538,939,963	781,900,010	235,215,263	440,260,546	675,475,809	86%	52%
	Livestock Devt and Fisheries	42,782,649	30,012,803	72,795,453	11,074,227	162,942,168	174,016,395	10,130,815	85,924,508	96,055,323	55%	0%
	Trade, Investment and Ind.	59,483,823	44,272,114	103,755,937	37,506,144	222,090,404	259,596,548	34,672,391	99,196,114	133,868,505	52%	150%
	Lands & Housing	65,716,241	47,853,760	113,570,000	87,866,332	170,719,922	258,586,254	78,233,145	45,750,426	123,983,571	48%	128%
	Physical Planning	61,228,839	21,734,610	82,963,450	11,430,815	50,578,104	62,008,919	9,872,370	38,759,319	48,631,689	78%	-25%
	Co-op & Enterprise Devt	39,456,292	48,987,098	88,443,390	6,651,502	43,787,596	50,439,098	5,724,205	30,874,300	36,598,505	73%	-43%
	Eldoret Municipality	75,921,571	168,729,269	244,650,840	17,486,969	1,548,848,345	1,566,335,314	12,091,541	273,388,253	285,479,794	18%	540%
	Sub-total	639,307,487	658,572,673	1,297,880,160	461,134,577	2,778,215,452	3,239,350,029	419,309,038	1,047,352,051	1,466,661,089	45%	150%
Infrastructure	Roads & Public Works	581,279,808	282,501,777	863,781,585	519,694,113	1,022,715,486	1,542,409,599	499,752,123	543,155,243	1,042,907,366	68%	79%
	Water, Environ & Natural Resources, Tourism & Wildlife	138,452,491	139,342,584	277,795,075	157,406,009	595,429,468	752,835,477	129,616,481	266,026,454	395,642,935	53%	171%
	Sub-total	719,732,299	421,844,361	1,141,576,660	677,100,122	1,618,144,954	2,295,245,076	629,368,604	809,181,697	1,438,550,301	63%	101%
Health Service	Health Services	2,209,618,482	298,479,005	2,508,097,487	2,243,086,956	794,028,579	3,037,115,535	2,088,374,959	356,037,594	2,444,412,553	80%	21%
Education	Education, Social & Culture	416,999,817	91,986,715	508,986,532	445,295,482	145,827,518	591,123,000	443,402,756	104,568,438	547,971,194	93%	16%
	Youth and Sports	258,677,661	124,434,491	383,112,153	24,716,915	170,067,869	194,784,784	24,273,033	127,435,929	151,708,962	78%	-49%
	Sub-total	675,677,479	216,421,206	892,098,685	470,012,397	315,895,387	785,907,784	467,675,789	232,004,367	699,680,156	89%	-12%
Total		6,507,416,495	3,122,592,963	9,630,009,458	6,118,964,292	5,892,972,806	12,011,937,098	5,772,966,084	2,564,108,509	8,337,074,593	69%	25%

Comparison between CFSP 2021 ceilings and FY 2020/21 budget shows an overall growth in budget due to increased allocations of equitable shareable revenue and improved local revenue performance. Adjustments to the sector ceilings saw ARD ceilings' increase by 150 per cent while those of Public Administration and Education sectors declined by 30 and 12 percent. These are as a result of re-alignments of programmes in line with the strategic priorities and emerging needs in the county.

2.2.2.2 Recurrent and Development Expenditure

As shown in Figure 2.2, absorption rates for recurrent and developments expenditures for the period under review were 94 and 44 percent respectively. This reflects an increase of 1 percent in recurrent and a decrease of 3 percent in development expenditure compared to the previous period (FY 2019/2020).

Figure 2.2 Showing Absorption Levels by Recurrent and Development Votes

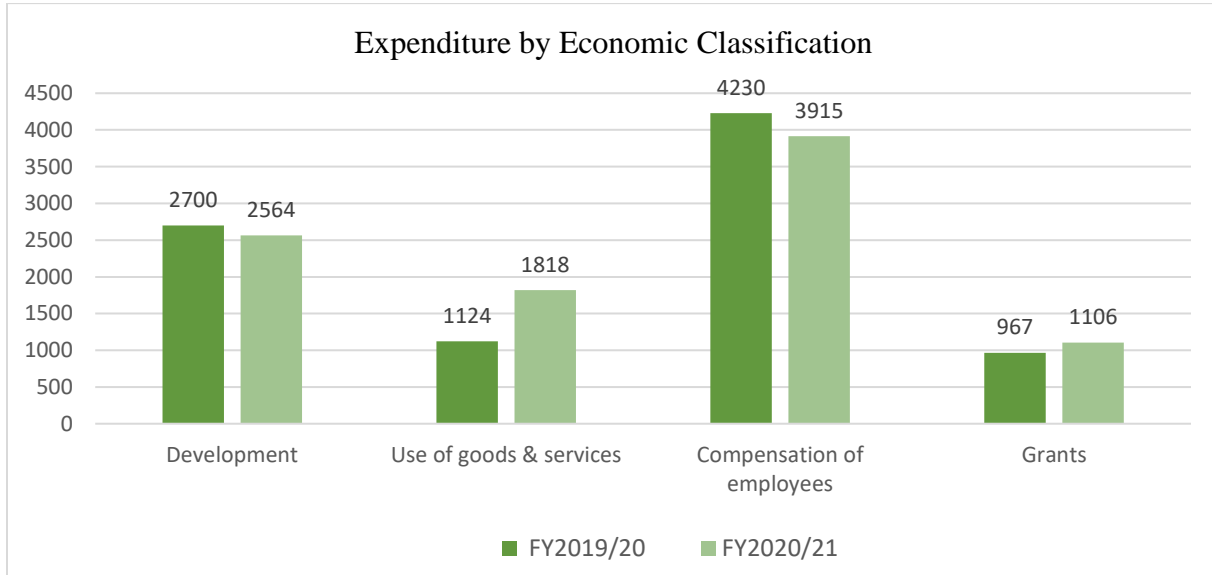


2.2.2.3 Expenditure by Economic Classification

The actual expenditure by economic classification for personnel emoluments amounted to KSh. 3,915,376,758 translating to 43 percent of the total budget and reflects a decline of 13 percent compared to the previous year. Similarly, actual development expenditure declined to

KSh.2,564,108,509 in FY 2020/21 from KSh. 2,700,393,326 in the FY 2019/20 reflecting a 5 percent decrease as illustrated in figure 2.3.

Figure 2.3 Showing Expenditure by Economic Classification



2.3 Implication of FY 2020/21 Fiscal Performance

The fiscal performance in FY 2020/21 has implications on financial objectives outlined in the 2021 CFSP and the FY 2021/22 Budget. This is because the basis for fiscal projections for FY 2021/22 will change given the outcome of the FY 2020/21 and the first two months of the current FY. The sector ceilings for the medium-term were also based on the utilization levels of departments and strategic priorities of the county government among other factors.

3.0. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

This section highlights the recent economic developments, county economic outlook and policies, medium-term fiscal framework, risks to the outlook, and proposed interventions to the risks. It gives an opportunity for the County to review and analyze recent economic performance for the purposes of positioning its outlook in the next financial year and over the medium term.

3.1 Recent Economic Developments

This CBROP has been prepared against a backdrop of a slowdown in economic growth in Kenya within a context of a projected global economic recovery amidst uncertainty occasioned by the new COVID-19 mutations particularly the Delta variant that required broader reinstatement of containment measures. Global economy is expected to grow by 6.0 percent from a contraction of 3.2 percent in 2020. However, emerging markets and developing countries are expected to pick up slowly compared to advanced economies given their different country policy responses to the pandemic. Sub-Saharan Africa is projected to grow at 3.4 percent in 2021 from a contraction of 1.8 percent in 2020 due to improved exports and commodity prices, the rollout of vaccination programmes, and recovery in both private consumption and investment as economies re-open. However, recent increase in inflation rates in sub-Saharan Africa is likely to dampen recovery in 2022.

Kenya also faced two other shocks including the invasion of swarms of desert locusts that damaged crops, and floods as a result of above normal rainfall received in May 2020, thus contributing to the slowdown. 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 largely due to 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) sectors. However, the performance in the third quarter was relatively better compared to second quarter of 2020 due to partial easing of COVID-19 containment measures.

However, economic growth in Kenyan is projected to rebound to 6.6 percent in FY 2021/2022 and stabilize above 6.0 percent over the medium term. This is revised growth projection from 7.0 percent. This recovery will be reinforced by the prevailing macroeconomic environment, the ongoing implementation of the strategic priorities under the 'Big Four' Agenda and Economic Recovery Strategy, and the expected favorable weather conditions to support agricultural output.

Since end 2017, year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent. However, the 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.

On the other hand, short-term interest rates remained fairly low and stable. The Central Bank rate was retained at 7.0 percent 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 percent in July 2021 from 2.1 percent in July 2020.

The Kenya Shilling to the US Dollar exchanged at KSh. 108.1 in July 2021 compared to KSh. 107.3 in July 2020. This is attributed to the foreign exchange market which has largely remained stable but partly affected by tight global financial conditions due to uncertainty with regard to the COVID-19 pandemic.

During the FY 2020/21, the County managed to collect local revenue totaling KSh. 1,105,074,478 against a target of KSh.991,000,000 surpassing the target by 12 percent, and an improvement of 42 percent compared to the previous year. In the same period, the county government received a total of KSh 6,874,380,000 as equitable share and total grant of KSh 1,106,115,893. On the other hand, total expenditure stood at KSh 8,297,134,747, recurrent expenditure taking KSh. 5,733,026,238 and development expenditure KSh 2,564,108,509 representing 94 percent and 44 percent absorption rates respectively.

3.2 County Economic Outlook and Policies

The County government will focus on safeguarding the economy against adverse effects of COVID-19 by adopting and implementing several interventions as articulated in the Post Covid-19 County Socio-Economic Recovery Plan while aligning with the National Post-Covid-19 Economic Recovery Strategy (ERS) whose fundamental pillar is a sound macroeconomic framework. The other key pillars being accelerated growth in private sector investment; enhanced allocations to strengthen health care systems; supported recovery and growth of MSMEs; up-scaled investment in ICT and digital infrastructure; facilitated clean, green and resilient growth; enhanced resilience of the economy to global supply chain shocks; and better disaster preparedness and management; and economic governance, inequality, social cohesion, gender, youth, regional

integration, and international cooperation. In the next financial year, the government will also prioritize completion of ongoing projects.

The County will strengthen collaboration, partnerships and networks with regional counties, National Government, private sector and development partners in alleviating development challenges affecting residents of Uasin Gishu County.

In addition, strategic interventions articulated in the CIDP 2018-2022 will be implemented towards realization of the County's development goals and the 'Big Four' Plan. The government will also continue with mass vaccination across the county in order to prevent renewed waves of infection and the emergence of new variants so as to allow for faster normalization of activity.

3.3 Medium Term Fiscal Framework

In the next financial year and over the medium term, the government will prioritize in creating a secure and conducive business environment, investing in agricultural production and food security, investing in infrastructure development in roads, water and ICT, investing in cooperatives and enterprise development and quality social services targeting strengthening health care system and access to education. All these strategies are geared towards economic recovery, growth, employment and income, poverty reduction, improved business environment and empowering the youth, women and vulnerable

The government also aims at enhancing revenue mobilization to increase revenue for expanded expenditure on development. The mobilization measures put in place will be expected to improve revenue performance in the individual revenue streams that underperformed. These will include improved enforcement for compliance and automation of all revenue streams.

The government will also put emphasis on expenditure management focusing on expenditure productivity. This will be achieved by ensuring that County resources are channeled to the incomplete projects initiated by the current government. The Government will also continue to channel more resources to vulnerable groups including youth, women and persons with disabilities (PWDs) by implementing programmes such as *Youth in Agribusiness* and *Inua mama na kuku* to enhance the participation in socio-economic development of the County.

This is geared towards economic recovery to support sustained, rapid and inclusive economic growth and safeguard livelihoods.

3.4 Risks to the Outlook

The County anticipates the following risks over the medium-term:

- Emergence of new COVID-19 variants that may require broader reinstatement of containment measures, could lead to renewed disruptions to trade and tourism;
- Adverse weather conditions that could lead to lower agricultural output;
- Conflicting priorities between the County Assembly and the County Executive thus affecting budget absorption.
- Increased wage bill and other recurrent expenditures would put a strain to the fiscal space.

3.5 Proposed Interventions to the Risks

The County will minimize the impacts of these risks by:

- Mass vaccination to prevent renewed waves of infection and the emergence of new variants so as to allow for faster normalization of activity.
- Improve dialogue between the County Executive and the Assembly in the budget making process.
- Retaining recurrent and development expenditures within the prescribed limit of 65 and 35 percent respectively;

4.0 RESOURCE ALLOCATION FRAMEWORK

This section establishes the total resource envelope and expenditure ceilings for the County in FY 2022/23 and MTEF.

4.1 Implementation of the FY 2021/22 Budget

Implementation of the current budget has started in earnest with indications in the first two months showing to improved performance in local revenue collection. This performance together with the strong outcome of local revenue collection in the FY 2020/21 indicate that projections of the FY 2021/22 are realistic and will support the expenditure estimates in the FY 2022/23 budget. In view of this confidence, the revenue projections and expenditure estimates for the current year has been retained as approved in June 2021 and in line with 2021 County Fiscal Strategy Policy.

Therefore, total revenues for the FY 2021/22 are projected at KSh 9,677,712,285 with equitable share at KSh 8,068,858,318 (83 percent of total revenues), conditional grants at KSh 608,853,967 (6 percent of total revenues) and local revenues at KSh 1 billion (11percent of total revenues). On the other hand, expenditures are projected at KSh 9,677,712,285 with recurrent expenditure projected at KSh 6,487,376,788 (67 percent of total expenditures) and development expenditures projected at KSh 3,190,335,497 (33 percent of total expenditures). The expenditure amount excludes unspent balances from the previous year to be included in the supplementary budget.

4.2 FY 2022/23 Budget Framework

The FY 2022/23 and the medium-term budget framework will be supported by the County government's efforts to stimulate economic activity and reduce the adverse effects of Covid-19 pandemic on the economy. This will be achieved through targeted programmes aimed at post Covid-19 economic recovery and realization of the County goals outlined in the CIDP. The County government will also prioritize completion of started projects, enhance expenditure productivity and local revenue performance.

In the FY 2022/23 revenue collection is projected at KSh 9,949,778,035. Of this, equitable share is projected at KSh 8,310,924,068 (84 percent of total revenues), conditional grant at KSh 608,853,967 (10 percent of total revenues), and local revenue at KSh 1,030,000,000 (6 percent of total revenues). This revenue performance will be supported by the economic recovery efforts and on-going reforms in local revenue administration.

On the other hand, overall expenditure is projected at KSh 9,949,778,035. Of this, recurrent expenditure will amount to KSh 6,765,848,509 (68 percent of total budget) while, development expenditure will amount to KSh 3,183,929,525 (32 percent of total budget).

Table 4.1: Summary of Revenue and Expenditure Projections for FY 2022/23 and MTEF

Items	FY 2020/21		Budget Estimates	Projections		
	Revised Budget	Actual	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Revenues						
Unspent Balance	3,269,022,050	2,724,642,050				
Equitable Share	6,330,000,000	6,874,380,000	8,068,858,318	8,310,924,068	8,560,251,790	8,817,059,343
Local Revenue	991,000,000	1,105,074,478	1,000,000,000	1,030,000,000	1,060,900,000	1,092,727,000
Grants	1,421,915,048	1,106,115,893	608,853,967	608,853,967	627,119,586	645,933,174
Total Revenue & Grants	12,011,937,098	11,810,212,421	9,677,712,285	9,949,778,035	10,248,271,376	10,555,719,517
Expenditures						
Personnel Emoluments	3,926,910,852	3,915,376,758	4,335,554,179	4,071,409,704	4,193,551,996	4,319,358,555
Operations & Maintenance	2,192,053,440	1,817,649,480	2,151,822,609	2,694,438,805	2,775,271,969	2,858,530,128
Development	5,892,972,806	2,564,108,509	3,190,335,497	3,183,929,525	3,279,447,411	3,377,830,834
Total Expenditure	12,011,937,098	8,297,134,747	9,677,712,285	9,949,778,035	10,248,271,376	10,555,719,517

4.3 Medium Term Fiscal Projections

The economic recovery envisaged in the Medium-Term Fiscal Policy will be driven by measures that support sustained economic growth, revenue enhancement and public expenditure productivity. The County will also seek to mitigate the adverse effects of the Covid-19 pandemic and its subsequent containment measures that has devastated economic conditions globally and livelihoods.

Given the revenue measures instituted by the County government, local revenue is projected to grow by 6 per cent by FY 2024/25. Overall expenditures are also projected to grow by a similar margin over the same period. Therefore, to support these growths, the following measures will be pursued:

- intensify local revenue collection
- re-prioritization of recurrent expenditures towards development
- ensure public spending productivity

4.4 Medium-Term Expenditure Framework

Over the medium-term, the County government will direct resources to priority areas that support economic recovery and achieve county goals outlined in the CIDP. The goals are on attaining food security, reducing poverty, improving health, increasing access to clean water, providing reliable infrastructure and quality education. Achievements of these goals will have implications on the budget ceilings indicated in Table 4.2. Thus, allocations of resources will be guided by the following criteria;

- linkage of programmes to the CIDP and other plans
- completion of ongoing programmes/projects
- programmes with greater impacts to the local community
- expected outputs and outcomes from a programme
- utilization of allocated funds by county departments
- requirements of Uasin Gishu County Equitable Development Act, 2019 to allocate 40 percent of development expenditure on ward projects

Based on the above medium-term expenditure framework, Table 4.2 provides an indicative sector ceiling for the 2022/2023 – 2024/2025 MTEF period.

Table 4.2: Summary of Indicative Sector Ceilings for the 2022/2023 – 2024/2025 MTEF

Sector	MDAs	Sub-Totals	Total Expenditure Kshs.				% Share of Total Expenditure			
			Estimates 2020/21	C-BROP Ceiling 2022/2023	Projections		Estimates 2020/21	Ceilings 2022/2023	Projections	
					2023/2024	2024/2025			2023/2024	2024/2025
Public Admin.	Office of the Governor	Sub-Totals	83,046,590	214,245,119	220,672,473	227,292,647	0.71%	2.15%	2.15%	2.15%
	Finance	Sub-Totals	404,609,768	1,741,618,317	1,793,866,867	1,847,682,873	3.45%	17.50%	17.50%	17.50%
	Economic Planning	Sub-Totals	68,605,271	168,103,770	173,146,883	178,341,289	0.59%	1.69%	1.69%	1.69%
	Public Service Management	Sub-Totals	558,132,500	665,279,284	685,237,662	705,794,792	4.76%	6.69%	6.69%	6.69%
	Devolution & Public Administration	Sub-Totals	136,410,458	234,284,218	241,312,744	248,552,127	1.16%	2.35%	2.35%	2.35%
	County Public Service Board	Sub-Totals	45,614,234	76,223,564	78,510,271	80,865,579	0.39%	0.77%	0.77%	0.77%
	County Assembly	Sub-Totals	806,014,946	762,120,113	784,983,717	808,533,228	6.87%	7.66%	7.66%	7.66%
ARD	Agriculture	Sub-Totals	763,100,010	773,888,577	797,105,234	821,018,391	6.51%	7.78%	7.78%	7.78%
	Livestock Development & Fisheries	Sub-Totals	160,091,395	100,570,717	103,587,839	106,695,474	1.37%	1.01%	1.01%	1.01%
	Trade, Investment & Industrialisation	Sub-Totals	231,993,331	120,851,834	124,477,389	128,211,710	1.98%	1.21%	1.21%	1.21%
	Co-op & Enterprise Dev	Sub-Totals	36,539,098	82,840,157	85,325,362	87,885,123	0.31%	0.83%	0.83%	0.83%
	ICT & e-govt.	Sub-Totals	80,157,491	89,111,302	91,784,641	94,538,180	0.68%	0.90%	0.90%	0.90%
	Physical Planning & Urban Dev	Sub-Totals	55,232,169	91,764,277	94,517,205	97,352,721	0.47%	0.92%	0.92%	0.92%
	Lands and Housing	Sub-Totals	766,586,254	304,405,990	313,538,170	322,944,315	6.54%	3.06%	3.06%	3.06%
	Eldoret Municipality	Sub-Totals	1,565,365,314	174,561,412	179,798,254	185,192,202	13.35%	1.75%	1.75%	1.75%
Infrastructure & ICT	Roads, Transport, Energy & Public Works	Sub-Totals	1,343,323,099	642,256,177	661,523,862	681,369,578	11.45%	6.45%	6.45%	6.45%
	Water, Environment, Natural Resources, Tourism & Wildlife	Sub-Totals	717,890,390	318,733,412	328,295,415	338,144,277	6.12%	3.20%	3.20%	3.20%
Health	Health Services	Sub-Totals	3,137,065,535	2,628,483,034	2,707,337,525	2,788,557,650	26.75%	26.42%	26.42%	26.42%
Education	Education, Culture, & Social Services	Sub-Totals	554,123,000	485,439,175	500,002,350	515,002,421	4.73%	4.88%	4.88%	4.88%
	Youth Affairs, Gender and Sports	Sub-Totals	213,186,245	274,999,319	283,249,298	291,746,777	1.82%	2.76%	2.76%	2.76%
		Grand Total	11,727,087,098	9,949,779,767	10,248,273,160	10,555,721,354	100%	100%	100%	100%

5.0 CONCLUSION

The CBROP 2021 has been prepared against a backdrop of a slowdown in the Kenyan economy in 2020/2021 and expected recovery amidst uncertainty relating to new COVID-19 mutations particularly the Delta variant that could require broader reinstatement of containment measures. In 2020, the Kenyan economy was adversely affected by the outbreak of COVID-19 pandemic and the subsequent containment measures, which disrupted economic activities. Thus, the impact of the pandemic has weakened substantially economic growth. 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.

In the next financial year and over the medium, the government will focus on Strategy for Socio-Economic Consolidation and Recovery, supported by positive growth prospects in 2021 and over the medium term. The government will also continue with mass vaccination across the county in order to prevent renewed waves of infection and the emergence of new variants so as to allow for faster normalization of activities.

The budget making process for FY 2022/2023 is within a framework of a revised budget calendar, taking into account the impending General Election in 2022. Therefore, County Departments and Agencies are expected to adhere to the indicative ceilings and observe the revised deadlines to enable finalization and appropriation of the FY 2022/2023 budget by 30th April 2022.