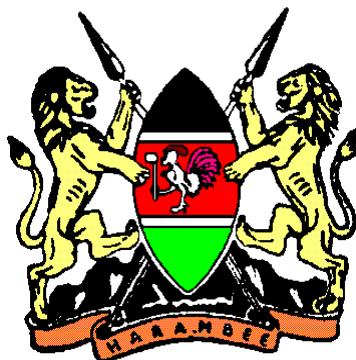


**REPUBLIC OF KENYA**



**COUNTY GOVERNMENT OF KERICHO  
FINANCE AND ECONOMIC PLANNING**

**MEDIUM TERM**

**COUNTY FISCAL  
STRATEGY PAPER  
2022**

**FEBRUARY 2022**

## **Vision**

“A prosperous county where residents enjoy a high quality of life in a sustainable environment”

## **Mission**

“To foster equitable and sustained socio-economic development through effective and efficient mobilization and utilization of available resources.

## **CORE VALUES**

### Accountability and Professionalism

Accountability to its citizens by paying attention to details and running the affairs of the county in a fair manner.

### Yield and Sustainability

Yielding lasting fruits to be enjoyed by the citizens, putting in place measures to ensure sustainability of programs and services rendered.

### Commitment and Hard work

Commitment to work by ensuring that there is always competitive and efficient service delivery, responsive to the needs of the people.

### Innovation and Creativity

Innovation services driven by creative strategies.

## **TAGLINE**

All You Can Imagine

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Contents

<b>Foreword</b> .....	<b>5</b>
<b>Acknowledgement</b> .....	<b>6</b>
<b>CHAPTER ONE</b> .....	<b>7</b>
<b>1.0 COUNTY FISCAL STRATEGY PAPER PROCESS OVERVIEW</b> .....	<b>7</b>
1.1 Introduction .....	7
1.2 County Fiscal Strategy Paper Process.....	7
1.3 Legal basis for the publication of County Fiscal Strategy Paper .....	7
1.4 Rationale for the Fiscal Strategy Paper .....	8
1.5 Outline of the 2022 County Fiscal Strategy Paper .....	9
<b>CHAPTER TWO</b> .....	<b>10</b>
<b>2.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK</b> .....	<b>10</b>
2.1 Introduction.....	10
2.2 Global Economic and Fiscal Overview.....	10
2.3 National Economic and Fiscal Overview.....	12
2.4 County Economic and Fiscal Overview, FY 2020/2021 .....	13
<b>CHAPTER THREE</b> .....	<b>16</b>
<b>3.1 Overview</b> .....	<b>16</b>
<b>3.2 County Strategic Objectives</b> .....	<b>16</b>
<b>3.2.1 Agriculture and Livestock</b> .....	<b>16</b>
<b>3.2.2 Health and Sanitation</b> .....	<b>17</b>
<b>3.2.3 Education, Social Protection, Culture and Recreation</b> .....	<b>18</b>
<b>3.2.6 Lands, Housing and Physical Planning</b> .....	<b>19</b>
<b>3.2.8 Finance, Administration and Intergovernmental Relations</b> .....	<b>20</b>
<b>CHAPTER FOUR</b> .....	<b>22</b>
<b>4.1 Overview</b> .....	<b>22</b>
<b>4.2 Strategic Priorities and Interventions</b> .....	<b>22</b>
<b>4.3 Fiscal Responsibility Principles for the County Government</b> .....	<b>22</b>
<b>4.4 Fiscal Policy Framework</b> .....	<b>23</b>
4.5 Debt Management Strategy .....	24
<b>4.6 FY 2022/23 Budget Framework</b> .....	<b>24</b>
4.7 Revenues projections .....	24
<b>4.8 Resource Envelope and Allocation Criteria</b> .....	<b>26</b>
4.9 Expenditure Forecast.....	26
<b>8.0 CONCLUSION</b> .....	<b>30</b>

## **ABBREVIATIONS AND ACRONYMS**

<b>ADP</b>	-	Annual Development Plan
<b>CFSP</b>	-	County Fiscal Strategy Paper
<b>CIDP</b>	-	County Integrated Development Plan
<b>CRA</b>	-	Commission on Revenue Allocation
<b>CSP</b>	-	County Strategic Plan
<b>ECDE</b>	-	Early Childhood Development Education
<b>ERP</b>	-	Enterprise Resource Planning
<b>FIF</b>	-	Facility Improvement Fund
<b>FY</b>	-	Financial Year
<b>HDU</b>	-	High Dependency Unit
<b>ICU</b>	-	Intensive Care Unit
<b>ICT</b>	-	Information Communication Technology
<b>IFMIS</b>	-	Integrated Financial Management Information System
<b>MTEF</b>	-	Medium Term Expenditure Framework
<b>MTP</b>	-	Medium Term Plan
<b>NHIF</b>	-	National Hospital Insurance Fund
<b>NSSF</b>	-	National Social Security Fund
<b>O&amp;M</b>	-	Operation and Maintenance
<b>PFM A</b>	-	Public Finance Management Act, 2012
<b>PBB</b>	-	Program Based Budgets

## **Foreword**

The 2022 County Fiscal Strategy Paper (CFSP) has been prepared in line with Section 117 (1) and (6) of the Public Finance Management Act, 2012 and PFM Regulations, 2015. The County Fiscal Strategy Paper (CFSP) underpins the county fiscal and budget framework by laying out strategic priorities and fiscal policy – that is what the county plans to do regarding revenue, expenditure and debt management over the medium-term. Importantly, this document sets the sector and program resource ceilings that guide the FY 2022/2023 budget estimates. The CFSP outlines the Medium-Term Fiscal Framework, which offers mechanisms for entrenching sustainable growth and development for efficient service delivery

The county fiscal paper links county planning and budgeting which is the main objective of the Medium-Term Expenditure Framework. The policy document outlines the following broad areas: review of the fiscal performance of the first half of FY 2021/2022; highlights of the recent economic developments and economic outlook; broad strategic priorities and policies for FY 2022/2023 as indicated in the Annual Development Plan 2022/2023 and as outlined in the Kericho County Integrated Development Plan II (2018-2022).

The fiscal framework presented in the paper ensures a sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives calls for greater transparency, effectiveness and efficiency in public financial management in order to ensure fiscal discipline. This Paper therefore puts into perspective how the County anticipates to expend its scarce resources in the 2022/2023 FY and the Medium Term.

Dr. Shadrack Mutai

**CECM Finance and Economic Planning and Head of County Treasury & Ag. CECM Health Services.**

## **Acknowledgement**

The 2022 County Fiscal Strategy Paper provides the resource envelop and presents a fiscal framework for the next budget and the medium term plan. The FY 2022/2023 CFSP outlines the broad strategic macroeconomic issues and fiscal framework, together with a summary of County Government spending plans, as a basis of FY 2022/2023 budget and the medium- term.

The 2022 County Fiscal Strategy Paper has been prepared in compliance with the provisions of the Public Finance Management Act, 2012. The document was prepared through a consultative process that has taken a keen consideration of the views and opinions of the public and other interested groups who submitted their inputs which have greatly informed the content of this Paper.

I am grateful to the County Secretary and all Chief Officers for the valuable information they provided in their respective fields and for the cooperation shown during the period of the assignment. I also take this opportunity to express my profound gratitude to members of the County Executive Committee and especially His Excellency the Governor for the visionary leadership that has enabled us chart a clear development path.

I would like to take this opportunity to thank the entire staff of the Finance and Economic Planning Department for their dedication, sacrifice and commitment to public service.

Mrs. Leah Chirchir  
**Chief Officer Finance**

Mr. Anthony Koskey  
**Chief Officer Economic Planning**

## **CHAPTER ONE**

### **1.0 COUNTY FISCAL STRATEGY PAPER PROCESS OVERVIEW**

#### **1.1 Introduction**

1. This Kericho County Fiscal Strategy Paper 2022 is prepared in line with the Constitution, the Public Financial Management (PFM) Act, 2012. This is the ninth paper prepared by the County Executive that will guide the County Government in preparing its budget for Financial Year (FY) 2022/2023 and the Medium Term.

#### **1.2 County Fiscal Strategy Paper Process**

2. As per the requirement of the Public Finance Management Act, 2012 section 117(5) the County Government has taken into consideration views of various stakeholders during the preparation of the 2022 County Fiscal Strategy Paper.

#### **1.3 Legal basis for the publication of County Fiscal Strategy Paper**

The County Fiscal Strategy Paper is published in accordance with section 117 of the Public Finance and Management Act, 2012. The law states that

(1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.

(2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

(3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.

(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

(5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of—

(a) the Commission on Revenue Allocation;

(b) the public;

(c) any interested persons or groups; and

(d) any other forum that is established by legislation.

(6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.

(7) The County Treasury shall consider any recommendations made by the county assembly when finalising the budget proposal for the financial year concerned.

(8) The County Treasury shall publish and publicise the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

#### **1.4 Rationale for the Fiscal Strategy Paper**

3. The objective of the 2022 County Fiscal Strategy Paper is to lay down the framework for the preparation of the County Budget. It is a requirement under Section 117 of the Public Finance Management Act, 2012 that each County Treasury shall prepare and submit to the County Executive Committee the Fiscal Strategy Paper for approval, and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly by the 28th February each year.

Pursuant to the provisions of the PFM Act 2012, this County Fiscal Strategy Paper addresses the following:

i. The Medium-Term macroeconomic framework and its outlook as contained in the Budget Policy Statement and how it impacts on the County economic environment;

ii. A statement of fiscal responsibility principles, as specified in the PFM Act, 2012 and regulations indicating how the Fiscal Strategy Paper adheres to these principles;

iii. The economic assumptions underlying the County budgetary and fiscal policy over the Medium Term;



iv. Indicative allocation of available resources among County Government entities; and

v. A medium-term fiscal framework defining a top-down aggregate resource envelope and broad expenditure levels.

### **1.5 Outline of the 2022 County Fiscal Strategy Paper**

4. The report is structured into four sections as follows;
  - a) Chapter One provides an overview of the report
  - b) Chapter Two outlines the recent economic development and fiscal outlook at the Global, National and County Levels.
  - c) Chapter Three outlines the County strategic objectives and the various programmes that the County is implementing to achieve her objectives.
  - d) Chapter Four covers the fiscal and budget framework with projected resource envelope and departmental ceilings.

## CHAPTER TWO

### 2.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

#### 2.1 Introduction

5. This section gives an over view of the recent economic developments at the global, national and county levels.

#### 2.2 Global Economic and Fiscal Overview

6. The global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies. The ongoing retrenchment of China’s real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects.

7. Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022—half a percentage point lower for 2022 than in the October World Economic Outlook (WEO), largely reflecting forecast markdowns in the two largest economies. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages produced a downward 1.2 percentage-points revision for the United States. In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downgrade. Global growth is expected to slow to 3.8 percent in 2023. Although this is 0.2 percentage point higher than in the previous forecast, the upgrade largely reflects a mechanical pickup after current drags on growth dissipate in the second half of 2022. The forecast is conditional on adverse health outcomes declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide and therapies become more effective.

8. Elevated inflation is expected to persist for longer than envisioned in the October WEO, with ongoing supply chain disruptions and high energy prices continuing in 2022. Assuming inflation expectations stay well anchored, inflation should gradually decrease as supply-demand imbalances wane in 2022 and monetary policy in major economies responds.
9. Risks to the global baseline are tilted to the downside. The emergence of new COVID-19 variants could prolong the pandemic and induce renewed economic disruptions. Moreover, supply chain disruptions, energy price volatility, and localized wage pressures mean uncertainty around inflation and policy paths is high. As advanced economies lift policy rates, risks to financial stability and emerging market and developing economies' capital flows, currencies, and fiscal positions—especially with debt levels having increased significantly in the past two years—may emerge. Other global risks may crystallize as geopolitical tensions remain high, and the ongoing climate emergency means that the probability of major natural disasters remains elevated.
10. With the pandemic continuing to maintain its grip, the emphasis on an effective global health strategy is more salient than ever. Worldwide access to vaccines, tests, and treatments is essential to reduce the risk of further dangerous COVID-19 variants. This requires increased production of supplies, as well as better in-country delivery systems and fairer international distribution. Monetary policy in many countries will need to continue on a tightening path to curb inflation pressures, while fiscal policy—operating with more limited space than earlier in the pandemic—will need to prioritize health and social spending while focusing support on the worst affected. In this context, international cooperation will be essential to preserve access to liquidity and expedite orderly debt restructurings where needed. Investing in climate policies remains imperative to reduce the risk of catastrophic climate change.

### **2.3 National Economic and Fiscal Overview.**

11. Kenya's economy has been on a path to recovery in 2021 following the slump in 2020 occasioned by the negative effects of the Covid-19 pandemic. It is against this recovery background that Kenya's 2022 Budget Policy Statement (BPS) is based upon.
12. Kenya's economy rebounded strongly in the second quarter of 2021, with real GDP growing 10.1% supported by the easing of Covid-19 containment measures. The rebound is supported by the continued reopening of service sectors, recovery in manufacturing, and stronger global demand. This is reflected in the robust performance of construction, manufacturing, education, real estate, and transport and storage sectors.
13. The 2022 BPS outlines the policy measures that will continue to stimulate resilient and sustainable economic recovery in the short and medium terms. The policies are anchored on the Medium-Term Plan III of Vision 2030 and focuses on creating an enabling environment for businesses and industrial recovery, job creation, and safeguarding livelihoods. Further, the fiscal policy will focus on activities aimed at ensuring successful conduct of the 2022 General Election. As such, the FY 2022/23 budget is being prepared under a revised budget calendar that takes into account the preparations for the 2022 elections.
14. The economic growth projection of the National Treasury of 5.8 percent in 2022 is deemed ambitious due to the possibility of slower economic recovery from the Covid-19 pandemic coupled with the negative impact of the drought experienced in the better part of 2021 and possibly 2022, possible dampening of growth in private investment due to election-related activities, as well as the possibility of reinstatement of some coronavirus containment measures due to emergence of new coronavirus variants. Similarly, the projection that ordinary revenue as a share of GDP will increase from 13.8 percent in 2020/21 to over 16.1 percent by 2023/24 is not premised on specific interventions. There are no novel, specific and quantifiable revenue enhancement measures in the

2022 BPS that will support the assertion of expected faster growth in tax revenue relative to economic activity.

#### **2.4 County Economic and Fiscal Overview, FY 2020/2021**

15. The total local revenue collection was Kshs 595.9 million compared to the target in the revised budget of Kshs 654 million. This represents revenue shortfall of Kshs 58.1 million or 8.8%. The National Government disbursements amounted to Kshs 6.713 Billion consisting of donor funds amounting to Kshs 707.8 million, conditional grants of Kshs 162.2 million and equitable shareable revenue of Kshs 5.843 billion.
16. The total revenue available for spending was Kshs 7.622 billion after the incorporation of transfers from the National Government and the balance from the previous FY 2019/20 of Kshs 565 million.

#### **Revenue performance-July-December 2021**

17. Over the 6-months period, the major source of revenue was Kshs 2,668,725,945 from the Equitable. Own Source Revenue contributed Kshs 228,484,650, while the unspent balance from the previous financial year was Kshs 454,481,843 over the 6-months period.

MONTH	EQUITABLE SHARE	OWN SOURCE REVENUE	UNSPENT BALANCE	TOTAL
JULY	-	18,741,511	454,174,460	472,915,971
AUGUST	514,453,194	82,685,578	307,383	597,446,155
SEPTEMBER	546,606,519	30,662,326	-	577,268,845
OCTOBER	546,606,519	38,612,976	-	585,219,495
NOVEMBER	514,453,194	18,072,036	-	532,525,230
DECEMBER	546,606,519	39,710,223	-	586,316,742
<b>TOTAL</b>	<b>2,668,725,945</b>	<b>228,484,650</b>	<b>454,481,843</b>	<b>3,351,692,438</b>

#### **Own Source Revenue Collection July-December 2021**

18. The analysis of revenues collected from County's local sources is as indicated in the table below from July to December 2021

Revenue Stream	PROJECTION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Hire Of Social Hall/Park & Stadium Fees	450,000	0	0	0	0	2,000	7,000	9,000
Education Payment Fees	0	0	0	0	0	0	0	0
Hospital Payments	184,462,000	4,365,008	70,736,948	20,296,450	30,223,652	9,839,653	29,352,032	164,813,743
Public Health Payments	5,000,000	1,054,920	114,400	820,700	37,900	368,500	288,900	2,685,320
Cemetery Fees	15,000	0	6,000	2,000	0	4,000	1,500	13,500
Refuse Fees	8,000,000	153,700	125,500	51,800	24,400	12,300	122,900	490,600
Forest Cess/Seedling Sale Yard	500,000	19,800	24,800	16,100	34,500	15,700	51,200	162,100
Quarry Stone Cess	3,000,000	198,600	214,900	166,000	183,300	192,600	218,300	1,173,700
Nema Fees	250,000	120,000	140,000	27,500	22,500	15,000	62,500	387,500
Murrum, Ballast , Sand & Scrap Metal Cess Fees	1,000,000	33,100	68,800	99,300	69,500	25,400	2,300	298,400
Land and Property Rates Fees	90,000,000	1,151,925	1,359,101	684,614	452,024	327,555	727,207	4,702,426
House Rent Fees	10,000,000	310,800	783,800	468,600	392,800	391,200	335,500	2,682,700
Building Plan Approvals Fees	8,000,000	275,860	424,860	409,560	965,020	303,300	227,400	2,606,000
Plot Rent	2,000,000	229,240	71,715	77,567	26,200	32,538	46,734	483,994
Signages Fees	6,000,000	97,500	396,634	99,300	32,000	57,750	232,250	915,434
Advertisement, Branding and Billboard Fees	10,000,000	3,729,333	758,700	254,000	163,900	166,700	710,550	5,783,183
Survey Fees	700,000	70,000	58,000	60,000	74,000	40,000	23,000	325,000
Bus Park Fees	25,000,000	1,647,190	1,600,080	1,811,570	1,788,140	1,709,470	1,542,460	10,098,910
Car Park Fees	15,000,000	1,448,300	1,420,500	1,343,750	1,212,000	1,382,250	1,221,050	8,027,850
Fire License Fees	6,000,000	83,800	65,000	36,100	16,500	23,300	129,500	354,200
Reserved Parking Fees	2,000,000	93,600	31,200	123,600	0	0	364,000	612,400
Clamping, Fines and Impounding Fees	300,000	29,150	19,200	32,800	20,300	32,300	20,000	153,750
Boda Boda Payments	3,000,000	128,920	162,000	111,340	103,260	63,360	49,680	618,560
Single Business Permit	65,000,000	1,802,900	1,700,900	1,004,900	390,800	380,800	1,302,500	6,582,800
Market Fees	30,000,000	1,089,700	1,612,080	1,727,830	1,635,780	1,642,180	1,813,340	9,520,910
Alcoholic Drink License Fees	1,000,000	0	0	0	0	0	0	0
Inspection Fees	2,500,000	93,100	74,100	36,700	14,000	10,000	23,600	251,500
Application/Registration Fees	2,500,000	50,800	76,700	29,500	15,400	7,400	12,800	192,600
Business Permits Late Payment Penalties	500,000	62,140	26,830	18,480	13,000	1,450	1,130	123,030
Weights and Measures Fees	2,500,000	49,250	107,430	265,140	182,230	510,760	237,330	1,352,140
Audit Fees	50,000	11,900	3,000	0	3,850	0	0	18,750
Kabianga Tea Farm Payments	0	0	0	0	0	0	0	0
Agriculture Livestock, Veterinary Payments	2,500,000	150,355	188,100	234,265	191,100	182,090	181,940	1,127,850
Slaughter House Operation Fees	1,500,000	112,900	118,000	121,060	117,280	125,420	130,580	725,240
Produce Cess	2,500,000	75,620	81,340	77,850	74,200	65,420	90,900	465,330
Coffee Fees	750,000	0	0	0	0	0	0	0
Tea Transport Cess fees	100,000	0	0	29,250	0	0	0	29,250
Stockyard Sales Fees	2,000,000	2,100	114,960	124,700	133,440	141,640	180,140	696,980
Land Cultivation Fees	400,000	0	0	0	0	0	0	0
	<b>494,477,000</b>	<b>18,741,511</b>	<b>82,685,578</b>	<b>30,662,326</b>	<b>38,612,976</b>	<b>18,072,036</b>	<b>39,710,223</b>	<b>228,484,650</b>

19. From this analysis, in the first half-year, the County has generated 46.2% of its Own Source Revenue (Local Collections, NHIF rebates and FIF) target of Kshs. 494,477,000. Hospital payments was the best performing revenue stream in the period. The stream generated 72.1 % (Kshs. 164,813,743) of the County's Own Source Revenue within the 6-month period. This was followed by bus park fees at 4.41 % (Kshs. 10,098,910) and Market Fees at 4.16 %. (Kshs. 9,520,910).

### County 2021/22 First Half-year expenditure performance

20. The total expenditure for the first half of the FY 2020/21 is Kshs 2,420 million which comprised of Kshs1,644 million for recurrent expenditure, Kshs 776.8 million for development.

21. The table below shows the expenditures per department in both recurrent and development votes.

Development Expenditure			
DEPARTMENT	Budget	Expenditure	Absorption
AGRICULTURE, LIVESTOCK DEVELOPMENT AND FISHERIES	469,097,060	35,065,541.55	7%
EDUCATION, YOUTH AFFAIRS, CULTURE AND SOCIAL SERVICES	144,953,516	45,410,151.75	31%
LANDS, HOUSING AND PHYSICAL PLANNING	158,170,299	12,738,362.70	8%
PUBLIC WORKS, ROADS, TRANSPORT	1,304,008,529	322,208,051.60	25%
TRADE, INDUSTRIALISATION, TOURISM, WILDLIFE AND COOPERATIVE MANAGEMENT	71,097,554	1,886,241.70	3%
WATER, ENERGY, NATURAL RESOURCES AND ENVIRONMENT	423,017,706	194,711,435.85	46%
FINANCE AND ECONOMIC PLANNING	771,053,890	107,344,021.35	14%
HEALTH	433,366,318	57,534,366.40	13%
		<b>776,898,172.90</b>	

Recurrent Expenditure			
DEPARTMENT	Budget	Total Expenditure	
AGRICULTURE, LIVESTOCK DEVELOPMENT AND FISHERIES	168,543,149	64,981,525.60	39%
COUNTY PUBLIC SERVICE BOARD	57,386,254	24,287,952.25	42%
EDUCATION, YOUTH AFFAIRS, CHILDREN, CULTURE AND SOCIAL SERVICES	541,628,759	105,493,320.25	19%
FINANCE AND ECONOMIC PLANNING	322,260,750	112,007,848.35	35%
HEALTH	2,238,777,958	952,208,397.60	43%
ICT	63,324,799	16,844,751.90	27%
LANDS, HOUSING AND PHYSICAL PLANNING	78,200,959	46,309,997.90	59%
OFFICE OF THE GOVERNOR	119,141,040	56,686,126.70	48%
PSM	395,340,346	147,367,332.55	37%
PUBLIC WORKS, ROADS, TRANSPORT AND ICT	91,056,317	39,994,942.50	44%
TRADE, INDUSTRIALISATION, TOURISM, WILDLIFE AND COOPERATIVE MANAGEMENT	70,963,768	25,954,762.90	37%
WATER, ENERGY, NATURAL RESOURCES AND ENVIRONMENT	123,489,587	51,926,855.20	42%
		<b>1,644,063,813.70</b>	

## **CHAPTER THREE**

### **3.0 BUDGET THEME: BUDGETING FOR POST COVID RECOVERY**

#### **3.1 Overview**

22. This chapter provides the details for overall spending priorities of the county government. It also describes the sectoral spending priority programmes and projects for the remaining MTEF period.
23. The 2022/2023 Annual Development Plan spells out priority activities, projects and programmes to be undertaken by the various departments during the plan period. This is key in terms of informing allocation of resources to various sectors, projects and programmes.
24. The medium-term budget framework for 2022/23 – 2024/25 has taken into account the need to ensure fiscal consolidation and prioritize resources towards economic recovery from the COVID 19 shocks. In particular, the budget framework has focused on supporting the “Big Four” Agenda, Post Covid-19 Economic Recovery Programme and the strategic policy initiatives of the Government to stimulate growth, create jobs and reduce poverty.

#### **3.2 County Strategic Objectives**

##### **3.2.1 Agriculture and Livestock**

25. The agriculture sector continues to play a vital role in the rural economy. Strengthening and improving the performance of the agricultural sector and enabling the engagement of the citizens in this process is a prerequisite and a necessary condition for economic growth. The County government is geared towards developing capacity of farmers, promoting modern methods of farming, offering high quality seeds; seedlings and fertilizers, revitalizing the coffee sector, improving tea buying centers as well as ensuring extension services are easily accessible.
26. The County proposes to utilize available land to enhance food security and wealth creation of Kericho citizenry during FY 2022/2023. To increase Agriculture production, food and nutrition security the County plans to



purchase certified seeds for farmers in a timely manner to facilitate timely planting and quality yield of crops. The department will continue promoting agriculture mechanization service. This will promote productivity and mechanization of farming activities for improved crop production.

27. The sector will continue undertaking the following; provision of efficient and effective agricultural, livestock and fisheries services, improving food security and; promoting affordable agricultural land use and efficiency in farm operations through crop management; the veterinary services will continue preventing and controlling spread of disease from within and other counties; providing animal health and extension and welfare services; Improved livelihood for the households in income generation activities through cooperative marketing and value addition.

### **3.2.2 Health and Sanitation**

28. Health sector's overall goal is to attain the highest possible standards of health care to all in accordance with the Constitution and the Kenya Vision 2030. National policy and legal frameworks underscore the "right to health" and recognizes provision of equitable, accessible and affordable health care of the highest attainable standards to all Kenyans. The National and County Governments have their specific functions that are complementary towards achievement of quality, efficient and affordable Universal Health Coverage (UHC) for all Kenyans, being one of the pillars of the "Big Four" Agenda. The county government is committed to supporting the health sector in terms of adequate human resources, health care financing, provision of commodities and developing the required infrastructure.
29. In the forthcoming FY 2022/23, the Department will continue to enhance healthcare access in the County. Already the Ministry has operationalized the Health Sector Strategic Plan to guide it on key priority areas to ensure quality health care in the County

### **3.2.3 Education, Social Protection, Culture and Recreation**

30. The most pressing challenge in today's society is lack of jobs for the youth in the society. In fulfillment of the "Big four" youth empowerment is an important component. The County targets to provide an allocation towards Youth empowerment opportunities to unemployed youths, in addition to access to services and support programmes. The Government has also prioritized human capital development by investing in quality and relevant education including revamping the Vocational Education and Training (TVET) sub sector.
31. The County government is also scaling up social safety nets to promote the wellness of vulnerable members of the society. Towards this, the County government commits provide equipment for people living with disabilities (PWDs).
32. In order to improve access to education and support the national government policy of 100% transition from primary to secondary schools the ministry will continue to offer bursaries and scholarships to support bright but vulnerable students to complete their secondary and university education.

### **3.2.4 Transport, Public Works, Infrastructure, Energy and ICT**

33. Access to improved road infrastructure is a key enabler for socio-economic development. To enhance economic growth, the county government will for the year 2022/2023 focus on completing all ongoing project, road tarmacking, and opening of new roads, expansion and maintenance of feeder roads as well as construction of bridges and footbridges for easy linkages. ICT infrastructure ensures service delivery is fast, efficient and effective and thus the county government has invested to ensure there are modern ICT facilities.
34. The county will continue to leverage on ICT to improve service delivery through initiatives such as e-procurement, IFMIS, revenue

automation and online tracking of county programmes and projects. Further, the county will continue to increase online access to government publications and information through digitizing government records and expanding the available ICT infrastructure.

35. The County Government recognizes the role played by Information and Communications Technology (ICT) to drive social economic development. In the 2022/2023 FY the government will seek to integrate ICT in its operations and service delivery programmes and promotion of e government services. The sub sector will undertake development of ICT infrastructure at both county offices and sub county levels to support service delivery, e-government use and adoption.

### **3.2.5 Trade, Industrialization and Tourism**

36. The Department is responsible for formulating and supporting strategies, plans and programs that promote and ensure expansion and diversification of trade, promotion of fair-trade practices, environmentally sustainable industrialization and tourism

37. In FY 2022/23, the department will continue with the programme of modernization of markets. To empower the residents of Kericho County, the department will continue to allocate funds to support establishment and development of cooperatives within the county.

### **3.2.6 Lands, Housing and Physical Planning**

38. As a factor of production, land is critical to economic, social, political and cultural development. Secure access to land and its sustainable use remain significantly important for employment creation, food security and the socio-economic development of the county.

39. In the medium term this sector will focus on development of adequate, affordable quality housing through developing and implementing county housing unit, provision of affordable and quality housing units.

### **3.2.7 Environment, Water and Natural Resources**

40. The water, environment and natural resources sector plays a critical role in our economy, securing, stewarding and sustaining the environment and natural capital of the country. The sector contributes significantly to Gross Domestic Product (GDP) and has a great potential in contributing to the attainment of the targeted annual GDP growth rate of 10% as envisioned in Vision 2030. Over the previous years the County Government has invested considerable resources in the provision clean and adequate water supply and promoted water harvesting.

41. Access to adequate supply of clean water is fundamental for the achievement the pillars of the County Government of Kericho manifesto. Indeed, adequate safe drinking water and sanitation do compliment efforts towards improved primary health care and productivity of labor. In addition, adequate supply of water is essential for increased agricultural production. For this reason, the county will continue to invest in clean water supply, pipe line extension, borehole drilling and repairs and water pans across the county as well as completing the ongoing water projects in urban and rural areas in order to increase the number of people connected to clean water.

### **3.2.8 Finance, Administration and Intergovernmental Relations**

42. The public administration sector is a fundamental pillar of the county service delivery framework. It provides overall county leadership, oversight and policy direction; prudent public finance management for transparency and accountability; coordinates county and sectoral development planning; management of population policy; ensures effective and efficient county public

service; as well as the development of a sound legislative and regulatory framework.

43. Achievements of the county manifesto necessitates prudent management of available public resources. As such, the County Treasury will continue to strengthen expenditure control and improve the efficiency of public spending through strengthening of systems and PFM reforms with a view to enhancing transparency and accountability to provide fiscal space for financing priority programmes. The focus will be to fast track consideration of reports on budget implementation, audited accounts of the county and its agencies/corporations, digitization of all payments, review of revenue sources, adoption of e-procurement and expanding automation of public service delivery systems. These activities will go a long way in entrenching good governance and ensuring accountability of public resources. A major focus to all this will be capacity building of our staff with the major area being on budgeting and financial reporting.

## **CHAPTER FOUR**

### **4.0 FISCAL POLICY AND BUDGET FRAMEWORK FOR 2022/23 - 2024/25**

#### **4.1 Overview**

44. The priorities outlined in the Medium-Term Plan of Kenya Vision 2030 and the Second County Integrated Development Plan will guide the development of sector priorities, policies, plans and monitoring and evaluation processes for FY 2022/23 - 2024/25 County MTEF budget.

#### **4.2 Strategic Priorities and Interventions**

45. The ultimate goal of the county government is to improve the quality of life for the residents of Kericho County. The CFSP's strategic priorities and policy goals have therefore been aligned as follows;

Strategic Priority 1: Enhanced provision of Quality Health Care and implementation of universal health care to residents.

Strategic Priority 2: Promotion of Food Security.

Strategic Priority 3: County wide promotion of Infrastructural developments.

Strategic Priority 4: Supply and access to quality basic services

Strategic Priority 5: Enhancing efficiency and effectiveness in service delivery.

#### **4.3 Fiscal Responsibility Principles for the County Government**

46. In line with the Constitution, the Public Finance and Management Act, 2012 sets out the fiscal responsibility principle to ensure that prudent and transparent management of public resources. The PFM law (Section 107) states that:

(1) A 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.

(2) In managing the county government's public finances, the County Treasury shall enforce 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.

(3) 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.

(4) 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.

#### **4.4 Fiscal Policy Framework**

47. Budget estimates for the FY 2022/2023 and the MTEF shall be based on the priorities that are outlined in the County Integrated Development Plan (2018-2022), Budget Policy Statement (BPS 2021), Medium Term Plan (MTP IV), and Kenya vision 2030, The National Post Covid 19 Economic Recovery Strategy, the Governor's manifesto and the National Big 4 Agenda.

#### **4.5 Debt Management Strategy**

48. In regard to deficit financing and borrowing, the County Government is aware of the provisions of PFM Act, 2012 and adherence to the requirements of these laws is ensured. Section 107(3) (4) of the PFM Act provides as follows:

- 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.

49. The County Government will continue to prioritize the payment of all pending bills emanating from the different departments before roll out of new projects and programs in the respective departments.

#### **4.6 FY 2022/23 Budget Framework**

50. The 2022/23 budget framework is set against the background of the medium-term fiscal framework, the county government's strategic objectives and priorities as outlined in the CIDP II and broad development policies in the 2018-2022 Governor's manifesto.

#### **4.7 Revenues projections**

51. In FY 2022/23, the County Government targets to raise a total revenue of Kshs. 7.776 Billion; Total equitable share of Kshs 6.430 billion, Donor funds Kshs 492.3 million and county own source revenue of Kshs 853 million.

52. The table below provides a summary of all expected sources of revenue and the amounts: -



<b>FINANCIAL YEAR 2022/23</b>	<b>Baseline year</b>	<b>Projected revenue</b>			<b>% Ratio</b>
<b>SOURCES OF REVENUE</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2022/23</b>
<b>Revenue Description</b>					
1.CRA Equitable share	6,430,664,924	6,430,664,924	6,559,278,222	6,690,463,787	82.70%
2.Local Collections	339,592,000	325,071,600	341,325,180	358,391,439	4.18%
3.Facility Improvement Fund and NHIF Rebates	513,044,240	528,196,452	554,606,275	582,336,588	6.79%
<b>4.CONDITIONAL GRANTS</b>					
4A. Routine Maintenance Fuel Levy	63,569,007				
4B. User fee Reimbursement	36,097,578	-	-	-	0.00%
4C. Development of Youth polytechnics fund	22,866,170	-	-	-	0.00%
<b>5. DONOR FUNDS</b>					
5A. DANIDA FUND	11,921,250	11,921,250	11,921,250	11,921,250	0.15%
5B. Agricultural Sector development support Fund(ASDSP II)	43,114,132	43,114,132	43,114,132	43,114,132	0.55%
5C. Transformative health system (world bank)	75,948,635	75,948,635	75,948,635	75,948,635	0.98%
5D. Kenya Devolution Support Project (world bank)	102,491,953	-	-	-	0.00%
5E. Climate Smart Agriculture Project (world bank)	350,000,000	350,000,000	350,000,000	350,000,000	4.50%
5F. Kenya Urban Support Program UDG (SIDA)	66,394,492	-	-	-	
5G. Climate Change Institutional Support (World bank)	11,320,000	11,320,000	11,320,000	11,320,000	0.15%
5H. Insurance compensation	5,800,000				
UNSPENT FUND	266,715,728				
<b>Total</b>	<b>8,339,540,108</b>	<b>7,776,236,993</b>	<b>7,947,513,694</b>	<b>8,123,495,831</b>	<b>100.00%</b>

#### **4.8 Resource Envelope and Allocation Criteria**

53. The resource envelope available for allocation among the departments is informed by the guiding principles of ensuring fiscal responsibility and resources will be utilized to meet both recurrent and development expenditure in a ratio of 69% and 31% respectively.

54. The Resource Criteria for Resource Sharing

i. Non – discretionary expenditure: In the recurrent expenditure category, nondiscretionary expenditures take the first charge and include statutory obligations such as salaries, gratuity and pension.

ii. Development expenditures are shared out on the basis of CIDP priorities as well as strategic interventions to boost revenue base and stimulate the economic growth as outlined in the National Government Policies and Governor’s Manifesto. The development expenditures are estimated at 31 percent.

iii. On-going projects: emphasis is given to completion of on-going projects with high impact on poverty reduction, social injustices, employment and wealth creation.

iv. Infrastructure projects: with the County government’s commitment to improve infrastructure, construction of roads, development of water and sanitation network and construction of community hospitals/health centers among others will be given priority.

#### **4.9 Expenditure Forecast**

55. The County government spending will be guided by the approved Annual Development Plan 2022/2023 and CIDP 2018-2022 which outlines the proposed projects that will be implemented. The total County expenditure is targeted at Kshs. 7.776 billion. Kshs. 5.375 billion and Kshs. 2,400 billion will be set aside for recurrent and development translating into 69 and 31 percent of recurrent and development expenditures respectively

#### **4.10 Medium- Term Expenditure Baseline Ceilings**

56. The County is committed to improving the implementation and absorption capacity of projects. Due to the tight fiscal framework involved in budget preparation, the departments will be tasked with rationalizing and prioritizing their expenditures and programmes to ensure that they are in line with the CFSP ceilings
57. The table below show the ceilings for the 2022/23 budget and projections of the medium term for global, recurrent and development respectively.

## 1. Global Consolidated Forecast.

COUNTY GOVERNMENT OF KERICHO						
CONSOLIDATED SUMMARY						
	Line Ministries/Departments	TOTAL EXPENDITURE				% OF ALLOCATION
		2021-2022	2022-2023	2023-2024	2024-2025	2022-2023
1	County Assembly Services	747,795,857	831,984,822	840,598,121	840,598,121	11%
2	Public Service & Administration	383,692,579	429,820,597	448,861,801	472,754,798	6%
3	Office of the Governor & Deputy governor	141,213,284	124,301,145	130,516,203	137,042,013	2%
4	County Public Service Board	67,215,254	73,512,544	77,188,171	81,047,580	1%
5	Finance & Economic Planning	433,565,459	361,178,235	404,651,180	472,469,507	5%
6	Health Services	2,928,113,297	3,027,578,482	3,162,988,305	3,190,718,618	39%
7	Agriculture, Livestock Development & Fisheries	660,650,331	615,464,475	679,329,865	679,217,275	8%
8	Education, Youth, Culture & Social Services	530,909,068	649,751,742	670,033,541	691,329,430	8%
9	Public Works, Roads & Transport	988,084,712	535,167,142	619,733,097	624,527,350	7%
10	Trade, Industrialization, Tourism, Wildlife & Cooperative Development	126,927,107	132,276,335	135,793,352	139,463,771	2%
11	Water, Energy, Natural Resources & Environment	416,401,018	466,523,678	552,995,562	561,156,041	6%
12	Land, Housing & Physical Planning	269,410,088	293,324,084	251,660,899	255,578,771	4%
13	Information, Communication & E-Government	87,842,843	175,632,331	108,349,161	111,201,832	2%
14	Kericho Municipal Board	13,000,000	13,000,000	13,400,000	13,820,000	0%
15	Litein municipal Board	13,000,000	13,000,000	13,400,000	13,820,000	0%
16	STRATEGIC INTERVENTION	531,719,212	33,721,382	-	-	0%
	<b>TOTAL EXPENDITURE</b>	<b>8,339,540,108</b>	<b>7,776,236,993</b>	<b>8,109,499,258</b>	<b>8,284,745,107</b>	<b>100%</b>

## 2. Recurrent Expenditure

	Line Ministries/Departments	RECURRENT EXPENDITURE				% OF ALLOCATION
		2021-2022	2022-2023	2023-2024	2024-2025	2022-2023
1	County Assembly Services	728,813,928	826,813,928	826,813,928	826,813,928	15%
2	Public Service & Administration	360,840,346	418,870,257	439,813,769	461,804,458	8%
3	Office of the Governor & Deputy governor	141,213,284	124,301,145	130,516,203	137,042,013	2%
4	County Public Service Board	67,215,254	73,512,544	77,188,171	81,047,580	1%
5	Finance & Economic Planning	285,260,750	305,037,985	320,289,885	383,890,147	6%
6	Health Services	2,549,910,198	2,598,457,559	2,630,867,382	2,658,597,695	48%
7	Agriculture, Livestock Development & Fisheries	160,043,149	160,979,671	219,845,061	281,653,721	3%
8	Education, Youth, Culture & Social Services	426,719,759	405,635,980	425,917,779	447,213,668	8%
9	Public Works, Roads & Transport	93,056,317	91,319,101	95,885,056	100,679,309	2%

10	Trade, Industrialization, Tourism, Wildlife & Cooperative Development	71,963,768	69,912,728	73,408,364	77,078,783	1%
11	Water, Energy, Natural Resources & Environment	140,712,551	155,437,690	163,209,574	171,370,053	3%
12	Land, Housing & Physical Planning	82,100,691	74,626,136	78,357,443	82,275,315	1%
13	Information, Communication & E-Government	59,966,581	54,336,604	57,053,434	59,906,105	1%
14	Kericho Municipal Board	8,000,000	8,000,000	8,400,000	8,820,000	0%
15	Litein municipal Board	8,000,000	8,000,000	8,400,000	8,820,000	0%
	<b>TOTAL EXPENDITURE</b>	<b>5,183,816,576</b>	<b>5,375,241,327</b>	<b>5,555,966,049</b>	<b>5,787,012,775</b>	<b>100%</b>

### 3. Development Expenditure

	Line Ministries/Departments	DEVELOPMENT EXPENDITURE				
		2021-2022	2022-2023	2023-2024	2024-2025	2022-2023
1	County Assembly Services	18,981,929	5,170,894	13,784,193	13,784,193	0%
2	Public Service & Administration	22,852,233	10,950,340	9,048,032	10,950,340	0%
3	Office of the Governor & Deputy governor	-	-	-	-	0%
4	County Public Service Board	-	-	-	-	0%
5	Finance & Economic Planning	148,304,709	56,140,250	84,361,296	88,579,360	2%
6	Health Services	378,203,099	429,120,923	532,120,923	532,120,923	18%
7	Agriculture, Livestock Development & Fisheries	500,607,182	454,484,804	459,484,804	397,563,554	19%
8	Education, Youth, Culture & Social Services	104,189,309	244,115,762	244,115,762	244,115,762	10%
9	Public Works, Roads & Transport	895,028,395	443,848,041	523,848,041	523,848,041	18%
10	Trade, Industrialization, Tourism, Wildlife & Cooperative Development	54,963,339	62,363,607	62,384,988	62,384,988	3%
11	Water, Energy, Natural Resources & Environment	275,688,466	311,085,988	389,785,988	389,785,988	13%
12	Land, Housing & Physical Planning	187,309,397	218,697,948	173,303,456	173,303,456	9%
13	Information, Communication & E-Government	27,876,262	121,295,727	51,295,727	51,295,727	5%
14	Kericho Municipal Board	5,000,000	5,000,000	5,000,000	5,000,000	0%
15	Litein municipal Board	5,000,000	5,000,000	5,000,000	5,000,000	0%
16	STRATEGIC INTERVENTION	531,719,212	33,721,382			1%
	<b>TOTAL EXPENDITURE</b>	<b>3,155,723,532</b>	<b>2,400,995,666</b>	<b>2,521,045,449</b>	<b>2,647,097,722</b>	<b>100%</b>

## **8.0 CONCLUSION**

58. Public participation was carried out across the County in each of the six Sub counties and specific projects identified by the community. These projects will be streamlined into their respective line ministries for implementation. However, emphasis will be given to the ongoing projects to ensure completion and operationalization of the same.
59. This County Fiscal Strategy Paper was prepared in line with the National Government Budget Policy Statement 2022.