



COUNTY BUDGET REVIEW AND OUTLOOK (CBROP)

SEPTEMBER, 2021

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MARAGOLI,

KENYA

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ABBREVIATIONS AND ACRONYMS

BROP		The National Treasury 2020 Budget Review and Outlook Paper
COVID 19		Corona Virus Disease of 2019
CRA	:	Commission of Revenue Allocation
CBROP	:	County Budget Review and Outlook Paper
CFSP	:	County Fiscal Strategy Paper
GDP	:	Gross Domestic Product
FY		Financial Year
IFMIS	:	Integrated Financial Management Information System
KNBS	:	Kenya National Bureau of Statistics
MTEF	:	Medium Term Expenditure Framework
ORS	:	Own Revenue Source
PFM	:	Public Finance Management
SBP	:	Single Business Permit
SWG	:	Sector Working Group

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FOREWORD

The Vihiga County Budget Review and Outlook Paper 2021 (CBROP) has been prepared pursuant to section 118 of the Public Financial Management Act, 2012. This review document focused on the fiscal year ending June 2021 compared with the previous year (2019/20).

The (CBROP 2021) is prepared at a time of unprecedented worldwide pandemic COVID 19 which has led to contraction of the global economy disrupting businesses including international trade and leading to loss of livelihoods for millions of people globally. The Global economy is estimated to have contracted by 3.5 percent in 2020 from a growth of 2.8 percent in 2019. Global growth is projected to pick up to 5.5 percent in 2021 reflecting expectations of a vaccine-powered strengthening of activity and additional policy support in a few large economies.

On the national scene, the Pandemic and the containment measures have not only disrupted our ways of lives and livelihoods, but to a greater extent business. Nonetheless, there has been an improvement in economic activity in the third and fourth quarters of 2020, albeit at a slow pace, following reopening of the economy. The recovery in economic activities resulted to a contraction of 1.1 percent in the third quarter of 2020, which was an improvement, compared with the contraction of 5.5 percent registered in the second quarter of 2020. The economy is therefore estimated to grow by 0.6 percent in 2020 and projected to bounce back to above 6.0 percent over the medium term.

During the period under review the County Government continued with the Programme based approach linking the financial resources directly to defined policy goals and objectives.

The total County Exchequer Issues in the FY 2020/21 amounted to Kshs.3.93 billion for recurrent and Kshs. 1.92 billion for development representing 96.4 percent and 76.3 percent of the approved budget respectively.

Receipts from County Own Source of Revenue (OSR) increased substantially by approximately 11.94 percent, from Kshs. 145.62 million collected in FY 2019/20 to Kshs.165.89 million in FY 2020/21. This was attributed by improved collection strategies and the Covid 19 containment measures which lessened its effects to the economy.

Total county expenditure amounted to Kshs.5.75 billion against a budget of Kshs.6.58 billion, representing an absorption of 87 percent.

Factors leading to divergence from fiscal policies included;

- Growth in equitable share following the approval of the CARA legislation.
- Inclusion of conditional funds in the CARA legislation to specific programs.
- Inclusion of the balance brought forward from the previous financial year.
- Provision for historical pending bills to comply with the National Treasury requirements.
- Provision for COVID 19 Emergency Response funds.
- To ensure compliance with the provisions of section 135 of the PFM Act, 2012.

The County Government remains committed to maintaining the trend of economic growth and development in line with the needs and commitments made to the people of Vihiga County.

I therefore call for adherence to sector ceilings and strict guidance provided in this document to facilitate the finalization and appropriation of the estimates in the medium-term expenditure framework.

HON. CPA ALFRED INDECHE

County Executive Member, Finance and Economic Planning

ACKNOWLEDGEMENT

The successful preparation of the CBROP, 2021 was a collaborative effort of the County Treasury team and the various departments.

This document provides an overview of how the actual performance of FY2020/21 affected our compliance with the fiscal responsibility principals and the financial objectives as well as information showing adjustments made in the projections outlined in the 2020 County fiscal strategy paper.

All sector working groups are expected to ensure that their budgets are aligned to the overall County priorities while taking into account the available resources.

I take this opportunity to thank H.E the Governor for his overall steadfast leadership and guidance to the County Treasury to performing its mandate. I wish to acknowledge all the budget implementing units for their supply of the inputs that qualified the finalization of this document.

May I express my gratitude to the County Executive Committee member for Finance and Economic Planning for his continued provision of technical guidance and leadership as head of the County Treasury.

The attainment of this document was made possible with the inputs from the respective departments. Further I wish to acknowledge the continuous submission of views and suggestion from stakeholders and the public in the course of various stages of the County Budget Preparations process.

CPA LIVINGSTONE IMBAYI

Chief Officer, Finance and Economic Planning.

EXECUTIVE SUMMARY

The Vihiga County Budget Review and Outlook Paper (CBROP) 2021 is one of the Budget Policy documents prepared towards enhancing financial discipline and fiscal responsibilities in the county in accordance with the Public Finance Management Act (PFM) Act 2012 and its regulations. It is a product of various stakeholder engagements and consultations and fulfills the requirement of the Constitution of Kenya, 2010 Article 220(2). This paper is organized in five chapters and presents the actual county fiscal performance for the FY 2020/21, Macro-economic projections and proposed medium term budget for sector departments for the FY 2022/23. The objective of this document is to provide a review of the fiscal performance for the FY 2020/21 and how it impacts on the financial objectives and fiscal responsibility principles as set out in the PFM Act and the Current Budget Estimates.

At the national scene, the Real Gross Domestic Product (GDP) is estimated to have contracted by -0.3 per cent in 2020 compared to a growth of 5.0 per cent in 2019. The contraction was spread across all sectors and at local scene with accommodation and hotel activities, education and administrative services performing dismally. The trend in economic performance was not exclusive at the national level; the counties were hard hit as evidenced in contraction of economic activities in key productive sectors. The contraction in growth was majorly attributable to slowdown in economic activities due to effects of Covid-19 Pandemic. The Gross County Product for Vihiga County averagely remained at 59 Billion with share of County in GDP at 0.8%.

The county fiscal performance for the FY 2020/2021 was below the anticipated targets on account of expanding priority development expenditures and effect of Covid-19 on economic activities affecting revenue performance targets by a shortfall of 21.74% implying a budget deficit. Despite the shortfall, Own source revenues for FY 2020/21 increased by 11.94 per cent (165.89 million) compared to the previous year. During the year under review total expenditure was 5.75 billion and grew by 12.5 % with an increase in development expenditure (1.98 billion) by 50% and a reduction of 0.53% for the recurrent expenditure (3.77 billion). Under the recurrent expenditures, Personal Emoluments expenditure (2.45 billion) grew by 12.9% while Operations and Maintenance expenditure (1.32 billion) contracted by -18.52%. This is attributable to measures put in place for fiscal discipline and generally, there was increased total expenditure by 12.52% as a result of measures put in place for fiscal discipline and financial responsibilities. The budget expenditures with respect to approved budget significantly improved in the year under review with absorption rate at 87%, and an improvement by 19.71% compared to the previous year expenditures.

In order to effectively implement County programs and projects as stipulated in the CIDP 2018-2022, the focus for the FY 2022/23 medium term expenditure framework shall be to enhance own source revenue and rationalization of expenditures to core areas addressing economic recovery plans. In

addition, policies to resuscitate the economy following the Covid-19 pandemic, including the County post Covid-19 recovery strategy, economic stimulus programs are to be prioritized for expenditure. As a result, it is projected that there will be a reduction in fiscal deficit that will support sustainable budget implementation and in effect put the County in accelerated economic growth path.

Accordingly, the County Fiscal Strategy Paper (CFSP) for FY 2022/23 should put emphasis on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities and mitigate the adverse impact of COVID-19 pandemic.

Articulation Process

The PFM Act 2012 gives credence on effective public engagements in planning, budgeting and implementation of public programmes. The preparation of the 2021 CBROP was therefore prepared in an all-inclusive and engaging process that involved key stakeholders and actor. The following approach was adopted:

- The preparation of the 2021 CBROP was spearheaded by the Department of Finance and Economic Planning, all County Departments;
- Held public consultative meetings with key stakeholders and general public at ward, sub-county and county levels;
- Draft document uploaded on the county website and written submissions received from the public;
- Held a consultative meeting with the H.E the Governor, the cabinet and members of the CBEF;
- Held several meetings to develop the zero draft strategies for plan finalization and subsequent completion and forwarding to the Cabinet and the County Assembly for discussion and approval.

PREAMBLE

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

The County Treasury is mandated by Section 118 of the Public Finance Management (PFM) Act, 2012 to prepare County Budget Review and Outlook Paper (C-BROP) for the County, which is to be submitted to the County Executive Committee by 30th September of the year. Section 118 (1) of the PFMA, 2012 states that; the County treasury shall:

- (a) Prepare a County Budget Review and Outlook Paper in respect of the County for each financial year; and
- (b) Submit the paper to the County Executive Committee by 30th September of that year. Section 118 (2) of the Act provides details of issues presented in the County Budget Review and Outlook Paper. The section 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.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. Section 107 of the PFM Act, 2012 states that:

- (1) 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.

The limits in the regulations Legal notice number 35 section 25 (1) are as quoted:

.....”25. (1) In addition to the fiscal responsibility principles set out in section 107 of the Act, the following fiscal responsibility principles shall apply in the management of public finances—

- (a) The County Executive Committee Member with the approval of the County Assembly shall set a limit on the county government’s expenditure on wages and benefits for its public officers pursuant to section 107(2) of the Act;
 - (b) The limit set under paragraph (a) above, shall not exceed thirty-five (35) percent of the county government’s total revenue;
 - (c) For the avoidance of doubt, the revenue referred to in paragraph (b) shall not include revenues that accrue from extractive natural resources including as oil and coal;
 - (d) The county public debt shall never exceed twenty (20%) percent of the county governments total revenue at any one time;
 - (e) The county annual fiscal primary balance shall be consistent with the debt target in paragraph (d);
 - (f) The approved expenditures of a county assembly shall not exceed seven per cent of the total revenues of the county government or twice the personnel emoluments of that county assembly, whichever is lower;
 - (g) Pursuant to section 107(5) of the Act, if the county government actual expenditure on development shall be at least thirty percent in conformity with the requirement under section 107(2)(a) of the Act;
 - (h) If the county government does not achieve the requirement of regulation 25(1)(f) above at the end of the financial year, the county executive committee member for finance shall submit a responsibility statement to county assembly explaining the reasons for the deviation and provide a plan on how to ensure annual actual expenditure outturns as well as medium term allocation comply with the provisions of Section 107 (2) (a) of the Act and these regulations in the subsequent years; and
 - (i) The compliance plan above shall be binding and the county executive committee member for finance shall ensure implementation “
- (2) 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 plan 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, considering 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.

The regulations may add to the list of fiscal responsibility principles set out in subsection (2)

CHAPTER ONE

1.0 INTRODUCTION

The County Budget Review and Outlook Paper 2021 (CBROP) is prepared in line section 118 of the Public Finance Management (PFM) Act, 2012. The paper reviews the fiscal performance of the County for the financial year 2020/2021; the updated macro-economic and financial forecasts; and deviations from the approved County Fiscal Strategy Paper (CFSP) 2020 and reasons for such deviations.

1.1 Objectives of CBROP

The objective of the paper is to provide a review of the previous fiscal performance of the County and how this impacts the macro-economic outlook specifically:

- (i) Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- (ii) Details of the actual fiscal performance in the previous year compared to the budget appropriation for that particular year;
- (iii) Any changes in the forecasts compared with the CFSP;
- (iv) Indication on 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.

1.2 Significance of CBROP

The paper is a policy document and links planning with budgeting. It is significant in the budget making process within the Medium-Term Expenditure Framework (MTEF) as it reviews previous fiscal performance for the year and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal responsibility principles were adhered as provided in section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget.

1.3 Structure of CBROP

This paper has four other sections. Section two reviews the County's fiscal performance for the previous year. It is divided into three sub-sections, namely, The Overview, Fiscal Performance and Implications of Fiscal Performance. Section three reviews recent economic developments and has

four subsections of Recent Economic Developments, Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook. Section four sets out how the County Government intends to operate within its means. It establishes the resources envelop (total revenues) it expects then allocates these across departments by setting expenditure ceilings for each department. In addition, it has four subsections: adjustment to the proposed budget; the medium-term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing. And lastly, section five gives a conclusion of the entire paper.

CHAPTER TWO

2.0 REVIEW OF COUNTY FISCAL PERFORMANCE IN 2020/2021 FY

This chapter details the County's fiscal performance for the financial year FY 2020/21 in relation to the budget appropriation for the year; and implications arising from the fiscal performance for the period under review.

2.1 OVERVIEW OF THE FY 2020/21 BUDGET

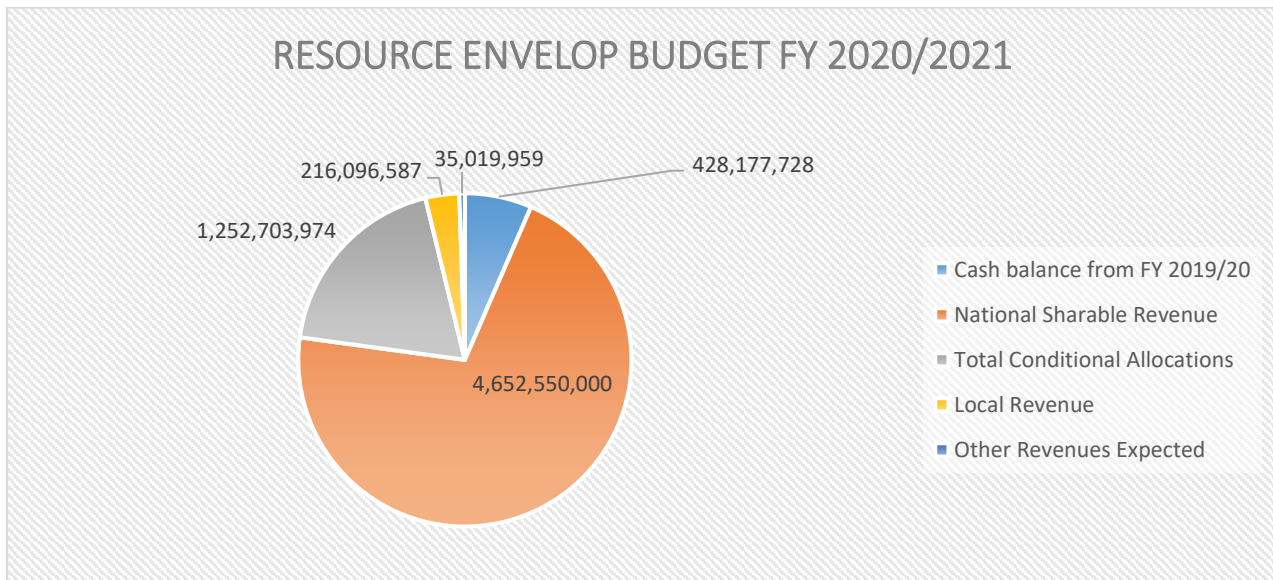
The County's approved third supplementary budget for FY 2020/21 was Kshs.6.58 billion, comprising Kshs.2.51 billion (38.1 per cent) and Kshs.4.07 billion (61.9 per cent) allocation for development and recurrent programmes respectively. To finance the budget, the county expected to receive Kshs.4.65 billion (71 per cent) as the equitable share of revenue raised nationally, Kshs.1.25 billion (19.2 per cent) as total conditional grants, Kshs.216.1 million (3.3 per cent) from own sources of revenue, and a cash balance of Kshs.428.18 million (6.5 per cent) from FY 2019/20. The county also received Kshs.35.01 million as "other revenues" not contained in the CARA, 2020.

Table 1: Summary of Third Supplementary Budget FY 2020/21

VOTE	VOTE TITLE	Compensation to Employees	Other Recurrent	Development	Totals
1	Office of The Governor	125,136,878	129,824,764	4,842,064	259,803,706
2	Finance & Economic Planning	88,832,624	224,112,698	537,045,789	849,991,111
3	Agriculture, Livestock, Fisheries & Cooperatives	95,982,508	53,789,712	322,142,029	471,914,249
4	Health Services	975,335,356	514,364,089	377,402,442	1,867,101,887
5	Education, Science, Technical and Vocational Training	222,394,139	122,583,181	253,543,625	598,520,945
6	Gender, Culture, Youth, Sports and Social Services	28,108,367	87,962,092	32,443,245	148,513,704
7	Trade, Industry, Tourism and Entrepreneurship.	15,470,960	43,292,289	48,583,834	107,347,083
8	County Public Service Board	19,110,021	33,766,478	0	52,876,499
9	Environment, Water, Energy & Natural Resources.	33,546,149	82,889,151	160,448,637	276,883,937
10	Transport, Infrastructure & Communication	27,187,134	86,703,666	398,756,926	512,647,726
11	Physical Planning, Land and Housing	30,919,410	45,817,719	339,626,388	416,363,517
12	County Assembly	349,163,384	269,188,127	33,603,656	651,955,167
13	Administration and Coordination of County Affairs	276,636,184	90,492,533	3,500,000	370,628,717
	TOTAL COUNTY EXPENDITURE	2,287,823,114	1,784,786,499	2,511,938,634	6,584,548,247

Source: Vihiga County Treasury

Figure 1. Shows the sources of revenue for budget financing in the FY 2020/21



Source: Vihiga County Treasury

Table 2: Sources of Revenue as a percentage of the total 2020/21 budget

RESOURCE ENVELOP			
Revenue Source	CARA 2020 Kshs.	Budget for 2020/21 as per 3 rd Supplementary Kshs.	Percent %
Equitable Share	4,652,550,000	4,652,550,000	70.66
Compensation for user fees foregone	12,657,201	12,657,201	0.19
Road Maintenance Levy	134,895,698	136,928,406	2.08
Leasing of Medical Equipment	132,021,277	132,021,277	2.01
Loans and Grants (Danida)	13,230,000	18,989,396	0.29
Own Resources	-	216,096,587	3.28
Conditional Grant for Rehabilitation of Village Polytechnics	69,979,894	70,001,128	1.06
Transforming Health Systems for Universal Care Project-THS-UHC	93,531,471	134,450,324	2.04
National Agriculture And Rural Inclusive Growth Project - NARIGP	198,457,709	251,069,449	3.81
Agriculture Sector Development Support Programme - ASDSP II	12,316,175	37,265,898	0.57
Kenya Devolution Support Programme - KDSP 1	45,000,000	75,000,000	1.14
Kenya Urban Support Programme - UDG Grant	-	295,458,460	4.49
Kenya Urban Support Programme - UIG Grant	-	9,969,151	0.15
Covid Grant	-	50,288,284	0.76

Covid Allowances		28,605,000	0.43
Nutrition International		7,241,200	0.11
Donations towards Covid Pandemic	-	26,717,430	0.41
Foreign Exchange		1,061,329	0.02
Balance Brought Forward	-	428,177,728	6.50
Total Proposed County Expenditure	5,364,639,425	6,584,548,248	100.00

Source: Vihiga County Treasury

The conditional grants contained in the CARA 2020 amounted to Kshs.0.71 billion compared to the approved Third supplementary budget of Kshs.1.25 billion. This increase was attributed to additional funding for Covid 19 Emergency Response Kshs.78.89 million, unspent balances from FY 2019/2020 Kshs.428.18 million and other grants received from donors Kshs.35.01 million that were not in CARA 2020.

2.2 FISCAL PERFORMANCE

During the FY 2020/21, the County budgeted for Kshs. 4.65billion as equitable share of revenue raised nationally, Kshs.1.25 billion as total conditional grants, Kshs. 428.18 million as balances brought forward from FY 2019/20, Kshs. 35.01 million as other grants received and Kshs.216.1 million as own source revenues totaling to Kshs. 6.58 billion.

The County then raised Kshs.165.89 million from own source revenue.

In overall, own source revenues for 2020/21 FY increased by 11.94 per cent compared to the previous year. Actual OSR income was Kshs. 165.89 million which was below the projected Kshs. 216.10 million, this marked a shortfall of 23.23%.

Total expenditure amounted to Kshs.5.75 billion comprising of Kshs.3.77 and Kshs.1.98 billion for recurrent and development expenditure for FY 2020/21 respectively compared to the previous year 2019/20 where the total expenditure was Kshs.5.11 billion comprising of Kshs.3.79 billion and Kshs.1.32 billion for recurrent and development expenditure respectively.

Table 3: Comparison of expenditures in financial year 2019/20 and 2020/21 in Billions

	2019/20 Kshs.	2020/21 Kshs.	% Variance
Recurrent expenditure	3.79	3.77	-0.53
Development expenditure	1.32	1.98	50.00
Total	5.11	5.75	12.52

Source: Vihiga County Treasury

From the table above, there was an increase in development expenditure by 50% and a reduction of 0.53% for the recurrent expenditure. Generally, there was increased expenditure by 12.52%.

2.2.1 Own Source Revenue (OSR)

In 2020/21 FY, the County collected own source revenue amounting to Kshs.165.89 million against a target of Kshs.216.10 million which is about 23.23 percent below target.

Trends in the OSR since FY 2013/14 show that FY 2020/21 recorded the second highest collection after FY 2018/2019. The decreased collections in FY 2019/20 and 2020/21 can be attributed to the negative effects of the Covid-19 Pandemic. The trends are as attributed in the table below.

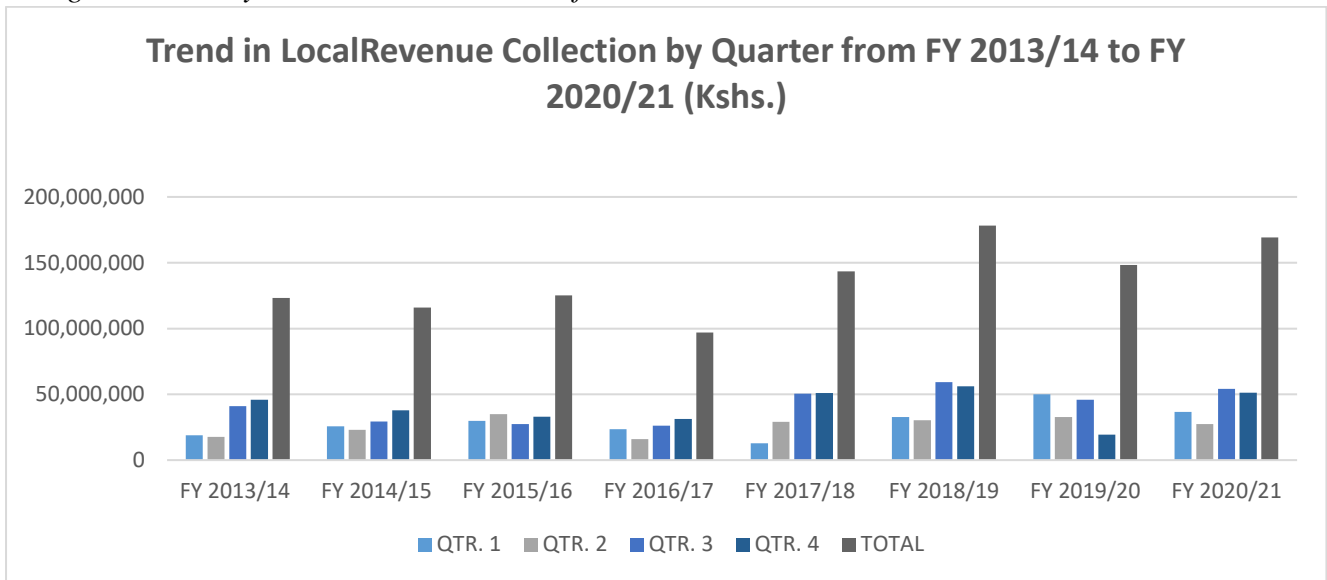
Table 4: Vihiga County, Trend in ORS by Quarter from FY 2013/14 to the FY 2020/21

Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2020/21 (Kshs.)								
	FY 2013/14 Kshs.	FY 2014/15 Kshs.	FY 2015/16 Kshs.	FY 2016/17 Kshs.	FY 2017/18 Kshs.	FY 2018/19 Kshs.	FY 2019/20 Kshs.	FY 2020/21 Kshs.
QTR. 1	18,825,000	25,624,320	29,925,190	23,563,100	12,820,045	32,673,478	50,087,994	34,854,639
QTR. 2	17,683,250	23,095,640	34,891,710	15,954,700	29,069,063	30,214,350	32,738,910	25,811,232
QTR. 3	41,034,020	29,423,870	27,377,470	26,129,400	50,549,434	59,145,673	45,956,975	55,185,886
QTR. 4	45,786,700	37,896,590	32,925,190	31,300,700	51,092,210	56,137,646	19,415,258	50,042,583
TOTALS	123,328,970	116,040,420	125,119,560	96,947,900	143,530,752	178,171,147	148,199,137	165,894,340

Source: Vihiga County Treasury

From the table above it is observed that collections in the 3rd and 4th quarter of FY 2020/2021 there was significant increase in collections as compared to same period in the previous year FY 2019/2020, this was due to ease of pressure from the Covid 19 pandemic and its effects.

Figure 2. Yearly trend in OSR collection from the 2013/14 FY to 2020/21 FY



Source: Vihiga County Treasury

Table 5: ORS Performance per stream 2020/21

No.	STREAM	1 ST QTR Kshs.	2 ND QTR Kshs.	3 RD QTR Kshs.	4 TH QTR Kshs.	TOTAL
1	Parking Fee	7,237,910.00	8,369,780.00	8,770,760.00	9,366,630.00	33,745,080.00
2	Market	3,177,650.00	3,814,030.00	3,856,420.00	3,714,180.00	14,562,280.00
3	SBP	8,869,714.00	1,589,165.00	18,396,095.00	12,827,860.00	41,682,834.00
4	Plot Rent	43,785.00	158,565.00	203,227.00	68,486.00	474,063.00
5	Plot Rate	160,868.00	434,793.00	381,102.00	80,610.00	1,057,373.00
6	Stall Rent	1,330,900.00	708,000.00	840,250.00	822,900.00	3,702,050.00
7	House Rent	812,989.00	1,733,830.00	319,403.00	976,419.00	3,842,641.00
8	Group Registration	2,600.00	1,100.00	1,300.00	0.00	5,000.00
9	Fines & Penalties	41,015.00	0.00	1,000.00	73,105.00	115,120.00
10	Tender Documents	0.00	0.00	0.00	0.00	0.00
11	Physical Planning	173,500.00	234,500.00	426,500.00	282,500.00	1,117,000.00
12	Unclamping	0.00	0.00	0.00	0.00	0.00
13	Facility Imp. Fund	6,593,799.00	3,220,994.00	4,953,481.00	11,052,259.00	25,820,533.00
14	Public Health	167,909.00	99,045.00	709,753.00	636,650.00	1,613,357.00
15	Water & Admin.	653,150.00	455,310.00	713,070.00	236,150.00	2,057,680.00
16	Hire of Machines	373,540.00	898,600.00	524,645.00	186,960.00	1,983,745.00
17	Plan App. & Approval	340,440.00	322,700.00	655,550.00	643,950.00	1,962,640.00
18	Inspection	192,500.00	115,000.00	315,000.00	295,000.00	917,500.00
19	Electrical Scrutiny	104,000.00	105,500.00	217,000.00	195,250.00	621,750.00
20	Mechanical Scrutiny	47,000.00	39,000.00	112,000.00	94,000.00	292,000.00
21	Advertisements	123,100.00	319,550.00	1,974,900.00	608,160.00	3,025,710.00
22	Branding	70,050.00	79,610.00	5,158,500.00	1,880,600.00	7,188,760.00

23	Signages	0.00	0.00	384,180.00	159,330.00	543,510.00
24	Land Boundary	126,000.00	116,000.00	179,000.00	73,040.00	494,040.00
25	Weights & Measures	0.00	126,850.00	233,900.00	48,900.00	409,650.00
26	Obstruction	0.00	0.00	0.00	0.00	0.00
27	Clearance Fee	4,500.00	2,500.00	0.00	3,500.00	10,500.00
28	Ground Rent	73,464.00	19,100.00	124,790.00	387,111.00	604,465.00
29	Slaughter Mgmt.	59,900.00	56,650.00	44,610.00	39,740.00	200,900.00
30	Conservancy	1,460,177.00	416,000.00	2,887,270.00	2,115,000.00	6,878,447.00
31	Veterinary	314,770.00	532,420.00	660,080.00	844,130.00	2,351,400.00
32	Search Fee	0.00	0.00	0.00	0.00	0.00
33	Fertilizer	0.00	0.00	0.00	0.00	0.00
34	Way Leave	96,050.00	27,600.00	0.00	0.00	123,650.00
35	Transfer Fee	14,000.00	42,100.00	0.00	10,000.00	66,100.00
36	Stock Sale	529,940.00	777,820.00	794,950.00	685,870.00	2,788,580.00
37	Renovation	16,000.00	67,000.00	42,000.00	43,000.00	168,000.00
38	Hire of Hall	0.00	0.00	0.00	3,000.00	3,000.00
39	Fire Compliance	0.00	11,500.00	587,500.00	105,500.00	704,500.00
40	Sand & Murram	12,600.00	12,400.00	7,750.00	9,300.00	42,050.00
41	Others	585,819.00	277,820.00	0.00	153,172.00	1,016,811.00
42	Liquor License Fee	0.00	206,000.00	296,000.00	933,000.00	1,435,000.00
43	Tea Cess	0.00	0.00	0.00	0.00	0.00
44	Noise Emission	0.00	4,400.00	4,400.00	4,500.00	13,300.00
45	Vihiga FM	1,045,000.00	416,000.00	409,500.00	382,821.00	2,253,321.00
	TOTAL	34,854,639.00	25,811,232.00	55,185,886.00	50,042,583.00	165,894,340.00

Source: Vihiga County Treasury

From the table above, SBP's contributed the highest revenue; this was mainly because of improved enforcement measures and an increase in the number of business premises.

Some revenue streams recorded nil collections, namely: Tea Cess which was as a result of lack of the Tea Cess bill, unclamping which was because the revenues collected from this stream are reported in another stream called fines and penalties and fertilizer which was given freely.

Hire of halls recorded the lowest amount, and this was mainly because the County has one hall in Sabatia which is in a poor state and requires renovation.

Table 6: ORS Comparison Table 2020/21 Budget & FY 2020/21 Actuals

SR. No	RECEIPTS	APPROVED BUDGET 2020/21 Kshs.	ACTUAL 2020/2021 Kshs.	VARIANCE Kshs.	% Variance
1	Parking Fees	57,291,352.00	33,745,080.00	-23,546,272.00	-41.099
2	Land Rates	5,808,105.00	1,085,373.00	-4,722,732.00	-81.313
3	Plot, Stall, house, Site Rent	533,409.00	8,621,624.00	8,088,215.00	1516.325
4	Single Business Permits	35,688,589.00	48,464,700.00	12,776,111.00	35.799
5	Plans Inspection/Approval	8,486,937.00	4,597,390.00	-3,889,547.00	-45.830
6	Advertising and Branding	2,534,210.00	10,503,180.00	7,968,970.00	314.456
7	Hire of Machines	1,207,430.00	1,983,745.00	776,315.00	64.295
8	Fertilizer	17,326,870.00	0	-17,326,870.00	-100.000
9	Market and Trade Fees	28,811,886.00	14,562,280.00	-14,249,606.00	-49.457
10	Inspection and Impound Fees	171,277.00	1,694,795.00	1,523,518.00	889.505
11	Livestock Cess	3,445,397.00	2,788,580.00	-656,817.00	-19.064
13	Public Health Service	3,886,746.00	1,613,357.00	-2,273,389.00	-58.491
14	Weights and Measures	188,438.00	409,650.00	221,212.00	117.392
16	Hire of Hall	94,247.00	3,000.00	-91,247.00	-96.817
18	Facility Improvement Fund	39,842,232.00	25,820,533.00	-14,021,699.00	-35.193
19	Group registration	223,552.00	5,000.00	-218,552.00	-97.763
20	Sand and Murram	166,430.00	42,050.00	-124,380.00	-74.734
21	Land Boundary Disputes	943,228.00	493,000.00	-450,228.00	-47.733
22	Noise Emission	18,563.00	13,300.00	-5,263.00	-28.352
23	Veterinary Services	4,100,800.00	2,531,050.00	-1,569,750.00	-38.279
24	Water supply administration Fees	2,897,944.00	2,057,680.00	-840,264.00	-28.995
25	Liquor license	2,428,945.00	1,435,000.00	-993,945.00	-40.921
26	Others	0	1,170,652.00	1,170,652.00	-
27	Vihiga FM	0	2,253,321.00	2,253,321.00	-
	TOTAL	216,096,587.00	165,894,340.00	-50,202,247.00	-23.231

Source: Vihiga County Treasury

From the table above, the following observations were made:

A number of revenue streams out performed, having surpassed the projected collections contained in the budget. These were as follows;

- Plot, stall/rent: This revenue stream recorded high collections as compared to the projected budget due to enhanced collection strategies with collection at Mudete been streamlined and the remittance of house rent from government houses.
- SBP: This revenue stream also recorded a high performance compared to its projected estimate because of enhanced enforcement strategies.
- Advertising: This revenue stream recorded a high performance as compared to its projected budget, mainly because of enhanced collection strategies which involved the inclusion of payments for wall branding as well as vehicle branding.

Another observation was that a number of revenue streams did not meet the projected targets as contained in the budget. These were as follows;

- Markets: This revenue stream did not reach the projected target, and this can be mainly attributed to the fact that most business people were still recovering from the effects of Covid-19 as seen in the stoppage of a number of imports when the calamity struck.
- Land rates: The huge variance in the land rates was caused by lack of enabling legislation to enforce collection of the same; this is because of the delay in the approval of the Valuation Roll by the County Assembly.
- Livestock Cess: This revenue stream was affected mainly by the outbreak of foot and mouth disease and Covi-19 which led to fewer collections received.
- Public Health Service: This revenue stream was affected mainly because of personnel challenges and leakages. Another reason is the fact that there are many sources of revenue for the above that have not implemented, which if done will see this revenue stream not only achieve its projected budget but surpass.
- Facility Improvement Fund: This recorded low revenue due to the numerous medical strikes which affected the operations of the facilities, leading to a sharp decline in collections.
- Liquor licensing: This stream also recorded low collections as compared to its projections due to the Covid-19 curb measures like curfews and closing of all liquor businesses, which led to a decline in collections.

Table 7: ORS Comparison Table 2019/20 Actuals and FY 2020/21 Actuals

NO	RECEIPTS	FY 2019/2020 Kshs.	FY 2020/2021 Kshs.	VARIANCE Kshs.	%VARIANCE
1	Parking Fees	29,821,400	33,745,080	3,923,680	13.16
2	Land Rates	817,100	1,085,373	268,273	32.83
3	Plot, Stall, Site Rent	6,341,388	8,621,624	2,280,236	35.96
4	Single Business Permits	24,644,043	48,464,700	23,820,657	96.66
5	Plans Inspection/Approval	3,056,310	4,597,390	1,541,080	50.42
6	Advertising (Billboards)	3,881,900	10,503,180	6,621,280	170.57
7	Hire of Machines (Lease and rental of Machines)	1,964,060	1,983,745	19,685	1.00
8	Fertilizer	42,950	-	-42,950	-
9	Market and Trade Fees	13,345,560	14,562,280	1,216,720	9.12
10	Inspection and Impound Fees	1,088,930	1,694,795	605,865	55.64
11	Livestock Cess	1,449,940	2,788,580	1,338,640	92.32
12	Public Health Service	2,253,070	1,613,357	-639,713	-28.39
13	Weights and Measures	115,950	409,650	293,700	253.30
14	Hire of Hall		3,000	3,000	-
15	Facility Improvement Fund	36,333,017	25,820,533	-10,512,484	-28.93
16	Group registration	93,900	5,000	-88,900	-94.68
17	Sand and Murram	154,410	42,050	-112,360	-72.77
18	Land Boundary Disputes	319,480	493,000	173,520	54.31
19	Noise Emission		13,300	13,300	-
20	Veterinary Services	2,619,880	2,531,050	-88,830	-3.39
21	Water supply administration Fees	935,230	2,057,680	1,122,450	120.02
22	Liquor license	4,248,500	1,435,000	-2,813,500	-66.22
23	Miscellaneous	9,539,572	1,170,652	-8,368,920	-87.73
24	Vihiga FM receipts	2,556,032	2,253,321	-302,711	-11.84
	TOTAL COLLECTION	148,199,137	165,894,340	17,695,203	11.94

Source: Vihiga County Treasury

From the table above, we can observe most of the revenue streams exhibit positive variance when compared to the previous year. There was a positive increase of 11.94 percent in collections in FY 2020/21 as compared to FY 2019/20. This is attributed to, enhanced collection strategies that were employed and Covid-19 containment measures which lessened the effects of covid-19.

Proposed Recommendations for Revenue Performance

- The County needs to review the Vihiga County Trade Licensing Act, 2017 so as to charge Single Business Permits in accordance with the respective business activities undertaken by clients.
- The county needs to automate revenue collection process in order to address the challenges associated with revenue leakages.
- The county needs to implement the stipulated house rent rates with respect to county houses so as to realize forecasted revenue from the stream.
- The County needs to hasten the process of preparation of the valuation roll to facilitate efficient collection of revenue from the land rates revenue stream.
- The county needs to engage third parties where necessary to partner in collection of land rates so as to maximize collections in the revenue stream.
- The county needs to undertake refurbishment and renovation of the hall at Sabatia Sub County to attract potential clients.
- The County needs to hire more technical personnel to support enforcement of collections in plans approval, inspections and physical planning revenue streams.
- The county to consider issuing farm inputs at a fee to earn revenue to the county.

2.2.2 Disbursement from Exchequer

During the period under review, the Controller of Budget authorized withdrawal of Kshs.5.84

Billion from the CRF account, which was 88.75 per cent of the Approved third Supplementary Budget FY 2020/21.

Table 8: Exchequer Issues per Department including Donor Funding

Department	Exchequer Issues in the FY 2020/21 (Kshs. Million)		
	Rec Kshs.	Dev Kshs.	Totals Kshs.
Agriculture, Livestock, Fisheries & co-operatives	146,772,220	220,372,132	367,144,352
Lands, Housing & Physical Planning	76,737,129	179,491,143	256,228,272
Transport & Infrastructure	113,890,800	326,735,662	440,626,462
Industrialization, Trade & Tourism	58,763,249	42,138,943	100,902,192
County Health Services	1,371,408,923	182,573,832	1,553,982,755
Education, Science & Technology	344,977,320	247,478,007	592,455,327
County Executive	254,961,642	2,248,169	257,209,811
County Assembly	618,135,532	31,643,118	649,778,650
Finance & Economic Planning	287,424,112	522,019,130	809,443,242
County Public Service Board	52,876,499	-	52,876,499
Public Service & Administration	367,128,717	2,210,246	369,338,963
Gender, Culture, Youth & Sports	116,070,458	21,104,332	137,174,790
Environment, Water, Natural Resources & Forestry	116,435,300	137,472,193	253,907,493
TOTAL	3,925,581,901	1,915,486,907	5,841,068,808

Source: Vihiga County Treasury

2.2.3 Expenditure Performance

Total expenditure in the FY 2020/21, amounted to Kshs.5.75 billion against a budget of Kshs. 6.58 billion as per the Approved third supplementary Budget FY 2020/21 as shown from table 9 below. This represented an absorption rate of 87%.

The total expenditure of FY 2020/21 was Kshs. 5.75 billion Compared to the total expenditure for FY 2019/20 which was Kshs. 5.11 billion; this represented an absorption rate of 87 percent and 73 percent respectively, which shows there was an increase in absorption by 19.71%.

In addition, a total of Kshs.3.77 billion was spent on recurrent activities in FY 2020/21 and Kshs. 4.14 billion spent in FY 2019/2020 with absorption rates of 93 and 92 percent respectively. This shows a slight increase in absorption of the recurrent budget by 0.68 percent. Development expenditure was Kshs.1.98 billion and Kshs.1.32 billion for FY 2020/21 and FY 2019/20 respectively with absorption rates of 93 percent and 79 percent respectively, which shows an increase in absorption of the development budget by 67.84 percent.

Generally, the absorption rate in FY 2020/21 was 87 percent, which marked an improvement by 19.71 percent as compared to the previous FY 2019/2020 which was 73 percent.

Table 9: Absorption rates of FY2019/20 and FY 2020/21 compared in Kshs. billion

<i>Expenditure</i>	<i>Budget 2019/20 Kshs. Billion</i>	<i>Actuals Expenditure2 019/20 Kshs. Billion</i>	<i>Budget 2020/21 Kshs. Billion</i>	<i>Actuals Expenditure2 020/21 Kshs. Billion</i>	<i>Absorption % 2019/20</i>	<i>Absorption % 2020/21</i>	<i>% Change</i>
Recurrent	4.14	3.79	4.07	3.77	92	93	0.68
Development	2.82	1.32	2.51	1.98	47	79	67.84
Totals	6.96	5.11	6.58	5.75	73	87	19.71

Source: Vihiga County Treasury

2.2.3. 1 Recurrent Expenditure

The total recurrent budget for FY 2020/21 amounted to Kshs.4.07 billion comprising of Kshs.2.29 billion incurred on personnel emoluments and Kshs.1.78 billion on operations and maintenance as shown in the table below. The total recurrent expenditure was Kshs.3.77 billion comprising of an expenditure of Kshs.2.45 billion and Kshs.1.32 billion on Personnel emoluments and Operations and Maintenance respectively, representing absorption rates of 106.99 percent and 74.16 percent respectively.

Table 10: FY 2020/21 Expenditure by Economic Classification compared to Budget

	FY 2020/21 Budget Kshs.	FY 2020/21 Actual Expenditure Kshs.	% Absorption
Personnel Emoluments	2.29	2.45	106.99
Operations and Maintenance	1.78	1.32	74.16
Development Expenditure	2.51	1.98	78.88
Total	6.58	5.75	87.39

Source: Vihiga County Treasury

2.2.3. 2 Development Expenditure

The total development expenditure of Kshs.1.98 billion against the total development budget which was Kshs. 2.51 billion. This represented an absorption of 78.88 percent.

Table 11: Budget Performance by Department in the FY 2020/21(Budget Absorption Rate)

Department	Budget Allocation (Kshs. Million)		Total Budget (Kshs. Million)	Expenditure in The FY 2020/21 (Kshs. Million)		Total Expenditure in The FY 2020/21 (Kshs. Million)	FY 2020/21 Absorption rate (%)		Overall Absorption rate (%)
	Rec	Dev		Rec	Dev		Rec	Dev	
Agriculture, Livestock, Fisheries & co-operatives	149.77	322.14	471.91	142.39	148.88	291.27	95.07	46.22	61.72
Lands, Housing & Physical Planning	76.74	339.63	416.37	68.1	321.29	389.39	88.74	94.60	93.52
Transport & Infrastructure	113.89	398.76	512.65	99.73	256.49	356.22	87.57	64.32	69.49
Industrialization, Trade & Tourism	58.76	48.58	107.34	52.25	44.37	96.62	88.92	91.33	90.01
County Health Services	1,489.70	377.4	1867.1	1,390.39	232.9	1623.29	93.33	61.71	86.94
Education, Science & Technology	344.98	253.54	598.52	366.09	244.22	610.31	106.12	96.32	101.97
County Executive	254.96	4.84	259.8	233.14	2.25	235.39	91.44	46.49	90.60
County Assembly	618.35	33.6	651.95	565.31	32.17	597.48	91.42	95.74	91.65
Finance & Economic Planning	312.95	537.05	850	280.54	539.87	820.41	89.64	100.53	96.52
County Public Service Board	52.88	0	52.88	38.37	-	38.37	72.56	-	72.56
Public Service & Administration	367.13	3.5	370.63	353.12	0.5	353.62	96.18	14.29	95.41
Gender, Culture, Youth & Sports	116.07	32.44	148.51	76.07	21.1	97.17	65.54	65.04	65.43
Environment, Water, Natural Resources & Forestry	116.44	160.45	276.89	106.14	131.09	237.23	91.15	81.70	85.68
TOTAL	4,072.62	2,511.93	6,584.55	3,771.64	1,975.13	5,746.77	92.61	78.63	87.28

Source: Vihiga County Treasury

From the table above the overall absorption rates for recurrent and development expenditures were 92.6 percent and 78.6 percent respectively.

Overall absorption rate for the entire Budget was 87.28 percent. The department of Education, Science & Technology had the highest absorption rate of 101.97 percent while the department of Agriculture, Livestock, Fisheries & co-operatives had the lowest absorption rate of 61.72 percent.

2.2.4. Budget Comparison between CFSP 2020 ceilings and FY 2020/21

budget

In Table 12 below shows that there was great variance between CFSP forecasted ceilings, budget and the actual expenditures in respective budget allocations. There is significant variance between Ceilings and actual expenditures in all the departments. The overall Approved budget (third supplementary budget) allocation is higher than the ceiling allocation. Some of the reasons for the budget divergence to the CFSP include:

- Growth in equitable share following the approval of the CARA legislation.
- Inclusion of conditional funds in the CARA legislation to specific programs.
- Inclusion of the balance brought forward from the previous financial year.
- Provision for historical pending bills to comply with the National Treasury requirements.
- Provision for COVID 19 Emergency Response funds.
- Removal of donor funding where there is evidence that the same will not be funded (EU Water Tower).
- To ensure compliance with the provisions of section 135 of the PFM Act, 2012.

Table 12: Comparison of Actual Expenditure with CFSP 2020 and FY 2020/21 Budget

Department	BUDGET 2020/21 Kshs. Million	2020 CFSP Kshs. Million	Actual Expenditure in The FY 2020/21 Kshs. Million	Variance between ceiling and expenditure Kshs. Million	Variance between ceiling and Budget Kshs. Million
Agriculture, Livestock, Fisheries & co-operatives	471,914,249	288,798,809	291,269,998	2,471,189	-183,115,440
Lands, Housing & Physical Planning	416,363,517	427,597,578	389,385,346	-38,212,232	11,234,061
Transport & Infrastructure	512,647,726	468,271,346	356,217,277	-112,054,069	-44,376,380
Industrialization, Trade & Tourism	107,347,083	136,998,765	96,617,214	-40,381,551	29,651,682
County Health Services	1,867,101,887	1,574,945,829	1,623,294,177	48,348,348	-292,156,058
Education, Science & Technology	598,520,945	536,705,418	610,309,490	73,604,072	-61,815,527
County Executive	259,803,706	260,973,093	235,390,862	-25,582,231	1,169,387
County Assembly	651,955,167	651,955,167	597,486,731	-54,468,436	0

Finance & Economic Planning	849,991,111	361,436,126	820,414,599	458,978,473	-488,554,985
County Public Service Board	52,876,499	39,131,769	38,374,668	-757,101	-13,744,730
Public Service & Administration	370,628,717	291,979,559	353,617,908	61,638,349	-78,649,158
Gender, Culture, Youth & Sports	148,513,704	193,312,979	97,169,395	-96,143,584	44,799,275
Environment, Water, Natural Resources & Forestry	276,883,937	247,781,149	237,224,266	-10,556,883	-29,102,788
TOTAL	6,584,548,247	5,479,887,587	5,746,771,931	266,884,344	-1,104,660,660

Source: Vihiga County Treasury

2.2.5. Expenditure by economic classification comparison between FY 2019/20 and 2020/21

The table 13 below shows actual expenditure by economic classification; in the FY 2020/21 actual expenditures for personnel emoluments and operations and maintenance were at Kshs.2.45 billion and Kshs.1.32 billion respectively, while for FY 2019/20 the actual expenditures for personnel emoluments and operations and maintenance were Kshs. 2.17 billion and Kshs.1.62 billion respectively.

This represented an increase in the absorption of personnel emoluments by 12.90 percent and a decrease of 18.52 percent for operations and maintenance.

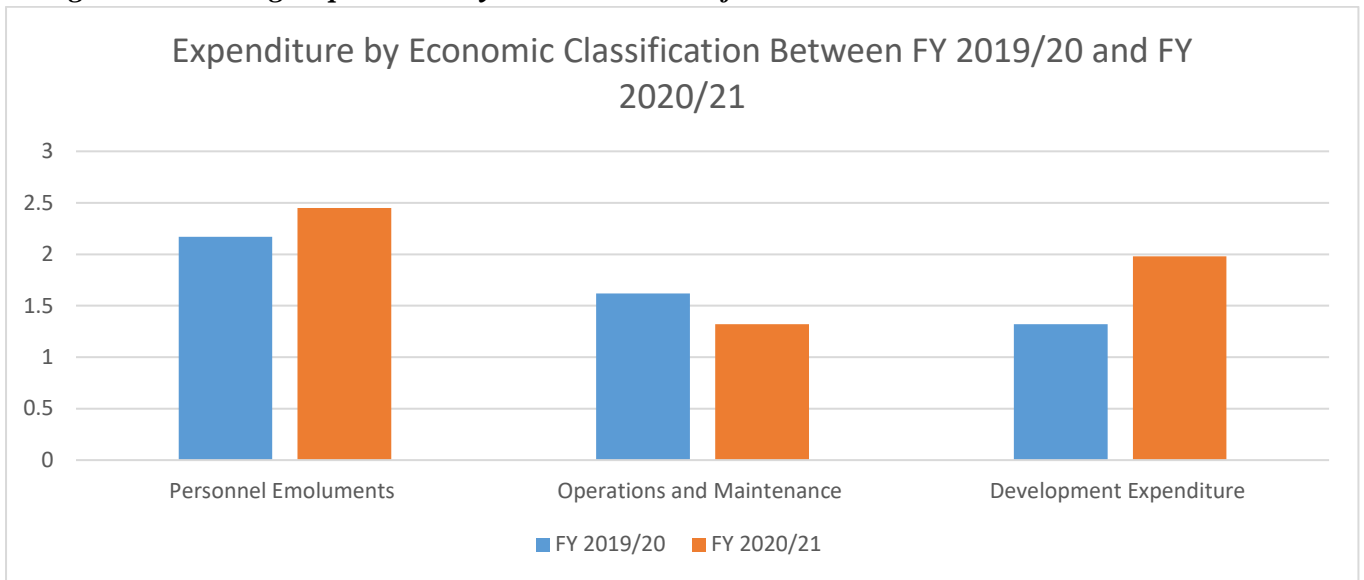
Generally, increase in absorption rates in personnel emoluments was as a result of recruitment of new staff, while the reduction in operations was due to late disbursement of funds.

Table 13: FY 2019/20 and FY 2020/21 Expenditure by Economic Classification comparison

Economic Class	FY 2019/20 Budget	FY 2020/21 Expenditure	% Change
	Kshs. billion	Kshs. billion	
Personnel Emoluments	2.17	2.45	12.90
Operations and Maintenance	1.62	1.32	-18.52
Development Expenditure	1.32	1.98	50.00
TOTAL	5.11	5.75	12.52

Source: Vihiga County Treasury

Figure 3. Showing Expenditure by Economic Classification



Source: Vihiga County Treasury

2.2.5 Implication of 2020/21 FY Fiscal Performance

- In 2020/21 FY, the County collected own source revenue amounting to Kshs.165.89 million against a target of Kshs.216.10 million which is about 23.23 percent below target, this implies that the budget was not financed fully (deficit).
- Total expenditure in the FY 2020/21, amounted to Kshs.5.75 billion against a budget of Kshs. 6.58 billion as per the Approved third supplementary Budget FY 2020/21, this represented an absorption rate of 87%. Thus, the budget was not fully absorbed.
- The total recurrent budget for FY 2020/21 amounted to Kshs.4.07 billion comprising of Kshs.2.29 billion incurred on personnel emoluments and Kshs.1.78 billion on operations and maintenance, the total recurrent expenditure was Kshs.3.77 billion comprising of an expenditure of Kshs. 2.45 billion and Kshs.1.32 billion on Personnel emoluments and Operations and Maintenance respectively, representing absorption rates of 106.99 percent and 74.16 percent respectively. Generally, this represents an absorption of 93 percent of the recurrent budget.
- The total development expenditure of Kshs.1.98 billion against the total development budget which was Kshs. 2.51 billion. This represented an absorption of 78.88 percent. Thus, the development budget was not fully absorbed.
- The total expenditure of FY 2020/21 was Kshs. 5.75 billion compared to the total expenditure for FY 2019/20 which was Kshs. 5.11 billion, this represented an absorption rate of 87 percent and 73 percent respectively, which shows there was an increase in absorption by 19.71%.

The County should implement the following recommendations in order to improve budget execution;

- Enhance Own Source Revenue to reduce the budget deficit.
- National Treasury should make timely exchequer disbursement to counties
- Departments should spend within planned and budgeted programs
- Departmental expenditure returns must be prepared and submitted timely.
- Pending bills should be avoided and in case they occur, they should be documented, verified and budgeted.

3.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

This chapter presents Recent Economic Developments; Medium Term Fiscal Framework; and Risks to the Outlook. Its purpose is to turn the attention from the past to the present time and the immediate future. In this section, the County Government discusses its assessment of the prospects for growth after analyzing the recent economic events and circumstances.

3.1 Recent Economic Developments

3.1.1 INTERNATIONAL OUTLOOK

Global GDP contracted by 4.2 per cent in 2020 compared to a growth of 2.7 per cent in 2019. The contraction was mainly attributed to slowdown in economic activities due to emergence of the Coronavirus Disease 2019 (COVID-19) which significantly constrained economic activities across all sectors. In addition, decline in oil prices as a result of dwindling demand also significantly contributed to the slowdown of most economies worldwide. Real GDP in Advanced Economies is estimated to have contracted by 5.8 per cent in the year 2020 compared to 1.7 per cent growth in 2019. This was due to accelerated collapse in economic activity driven by sharp declines in demand and supply of services. Sub Saharan Africa economies contracted by 1.9 per cent in 2020 compared to a real GDP growth of 3.2 per cent in 2019. East African Community (EAC) real GDP contracted by 0.2 per cent in 2020 compared to a growth of 6.2 per cent recorded in 2019.

Global inflation eased from 3.5 per cent in 2019 to 3.2 per cent in 2020 largely due to significant decline in oil prices. World trade volume contracted by 10.3 per cent in 2020 compared to 1.0 per cent growth in 2019, a reflection of pronounced weakness in aggregate demand. The decline in trade volume was as a result of lockdowns and restriction of movements coupled with border closures that notably constrained consumption of a wide variety of goods. World current account surplus as a percentage of GDP narrowed from 0.5 per cent in 2019 to 0.2 per cent in 2020. This was mainly attributed to weak external demand and decline in oil prices. Global employment levels deteriorated substantially during the review period. Unemployment rate stood at 6.5 per cent in 2020 from 5.5 per cent in 2019.

3.1.2 DOMESTIC OUTLOOK

Economic Performance

In Kenya real Gross Domestic Product (GDP) is estimated to have contracted by 0.3 per cent in 2020 compared to a growth of 5.0 per cent in 2019. The contraction was spread across all sectors of the economy but was more pronounced in the Tourism sector, accommodation and food serving activities, education, professional and administrative service activities. ICT, Agriculture, Forestry and Fishing activities were however more vibrant in 2020 despite a contraction in global demand in 2020. Globally the Information Communication Technology sector grew by 5.4% compared to 1.9% in 2019.

Agriculture sector grew by 4.6 per cent in 2020 compared to 2.3 per cent growth in 2019. Manufacturing sector growth slowed down from 2.8 per cent in 2019 to 0.2 per cent in 2020. Despite most sectors recording contraction in growths, the economy was somewhat supported by accelerated growths in agricultural production (4.8 per cent), construction activities (11.8 per cent), financial and insurance activities (5.6 per cent) and health services activities (6.7 per cent).

Vihiga County was not spared either in the general decline of economic growth and development experienced during the period under review. The County has close to half of its population living below the poverty line at 43.2 per cent. The GCP for Vihiga County remained 0.8 per cent compared to the previous year. The emergence of the COVID-19 pandemic not only disrupted healthcare systems in the county but posed threat to the county's development agenda in most sectors. The wholesale and retail trade sector for example experienced a mixed pattern where periods of positive growth were inter-passed with periods of negative growth and near subdued performance especially at the onset of COVID-19. This was mainly attributed to the containment measures that restricted movements, and local and regional trade.

Money, Banking and Finance

During the review period, the government through the Central Bank of Kenya (CBK) adopted an accommodative monetary policy stance in order to spur economic growth and cushion the banking sector from the effects of the COVID-19 pandemic. The Monetary Policy Committee (MPC) revised the Central Bank Rate (CBR) from 8.50 per cent in 2019 to 8.25 per cent in January 2020 and revised it further in March, and 7.00 per cent in April 2020 and retained it at this level till the end of the year under review. Broad money supply (M3) and total domestic credit expanded from Kshs. 3,524.0 billion and Kshs. 3,660.5 billion as at the end of December 2019 to Kshs. 3,990.9 billion and Kshs. 4,340.9 billion as at the end of December 2020, respectively. Net foreign assets declined from Kshs. 806.4 billion as at the end of December 2019 to Kshs. 748.6 billion as at the end of December 2020.

Interest rates generally declined during the review period. The lending rate for commercial banks' loans and advances reduced from 12.24 per cent in December 2019 to 12.02 per cent in December 2020, while the average deposit rate reduced to 6.30 per cent in December 2020 from 7.11 per cent in December 2019. Similarly, the savings rate and the 91-day Treasury bill rate reduced to 2.70 per cent and 5.29 per cent respectively in December 2020. The interbank rate declined to 5.29 per cent in December 2020.

Total assets under life insurance business grew by 10.5 per cent to Kshs. 499.1 billion in December 2020 while total assets of the general insurance businesses grew by 1.8 per cent to Kshs. 193.5 billion over the same period. Assets of Deposit Taking Savings and Credit Cooperatives (DTSCs) increased by 13.5 per cent to Kshs. 630.9 billion in 2020, while deposits and loans increased by 13.1 per cent and 12.2 per cent, respectively. Pension sub-sector assets grew by 1.9 per cent to Kshs. 1,322.6 as at the end of June 2020. The NSE 20 share index declined for the third consecutive year to 1,868 points in 2020.

Public Finance

The total National Government expenditure is expected to grow by 16.0 per cent from Kshs. 2,947.6 billion in 2019/20 to Kshs. 3,419.3 billion in 2020/21. Recurrent and development expenditures are also estimated to grow by 21.8 per cent and 11.5 per cent, to Kshs. 2,740.8 billion and Kshs. 678.4 billion, respectively. Total revenue, including grants, is expected to grow by 6.5 per cent from Kshs. 1,816.0 billion in 2019/20 to Kshs. 1,933.6 billion, during the review. Total ordinary revenue is estimated to grow by 9.0 per cent to Kshs. 1,892.6 billion, while tax revenue is estimated to increase by 8.8 per cent to Kshs. 1,669.8 billion, over the same period. Expense is estimated from Kshs. 2,493.3 billion in 2019/20 to Kshs. 2,727.0 billion in 2020/21. Total stock of public debt rose by 14.3 per cent to Kshs. 6,057.8 billion as at end of June 2020, with public external debt accounting for 55.3 per cent of the total debt.

Expenditure by County Governments is expected to increase by 11.8 per cent to Kshs. 466.4 billion in 2020/21, while revenue is estimated to increase by 13.8 per cent to Kshs. 416.3 billion.

Total revenue for the General Government increased by 4.7 per cent to Kshs. 2,138.9 billion in 2019/20, where tax revenue and other revenue accounted for 72.1 per cent and 24.8 per cent, respectively. Expense rose from Kshs. 2,213.1 billion in 2018/19 to Kshs. 2,693.7 billion in 2019/20 with compensation of employees, and use of goods and services accounting for 33.5 per cent and 18.8 per cent, respectively. Expenditure on net acquisition of non-financial assets declined by 22.2 per cent to Kshs. 371.4 billion in 2019/20. Net borrowing increased by 43.0 per cent to Kshs. 926.3 billion in 2019/20.

Agriculture

Agriculture remained the dominant sector, accounting for 23.0 per cent of the total value of the economy in 2020. Industry related activities accounted for 17.1 per cent of the total contribution in GDP growth in the same period. Nominal GDP increased from Kshs. 10,255.7 billion in 2019 to Kshs. 10,753.0 billion in 2020. Similarly, gross domestic expenditure at current prices increased from Kshs. 11,123.0 billion in 2019 to Kshs. 11,667.7 billion in 2020. Gross National Disposable Income increased from Kshs. 10,630.4 billion in 2019 to Kshs. 11,100.4 billion in 2020. Gross domestic product per capita in constant prices however declined from Kshs. 183,664.1 in 2019 to Kshs. 179,021.6 in 2020.

Employment, Earnings and Consumer Prices

In 2020, total employment outside small-scale agriculture and pastoral activities stood at 17.4 million, down from 18.1 million recorded in 2019. In the same period, wage employment in the private sector declined by 10.0 per cent from 2,063.2 thousand jobs in 2019 to stand at 1,856.5 thousand jobs. Within the public sector, wage employment increased from 865.2 thousand in 2019 to 884.6 thousand in 2020. During the review period, informal sector employment is estimated to have contracted to 14.5 million jobs.

The nominal wage bill for private and public sectors declined from Kshs. 2,279.0 billion in 2019 to Kshs. 2,197.6 billion in 2020 mainly due to a decrease of 6.6 per cent wage bill in the private sector. The share

of County governments wage payments to total public sector wage payments improved to 23.1 per cent in 2020 compared to 22.0 per cent in 2019. Nominal average earnings grew by 3.0 per cent to Kshs. 801.7 thousand whereas real average earnings per employee declined by 1.5 per cent to 740,493.9 in the review period. Inflation rate as measured by the Consumer Price Index (CPI) increased from 5.3 per cent in 2019 to 5.4 per cent in 2020.

International Trade and Balance of Payments

The balance of trade deficit narrowed from Kshs. 1,209.7 billion in 2019 to Kshs. 999.9 billion in 2020. This improved performance resulted from a 7.9 per cent increase in total exports to Kshs. 643.7 billion coupled with a 9.0 per cent decline in the value of imports to Kshs. 1,643.6 billion in 2020.

The increase in total exports was largely driven by an increase in domestic exports from Kshs. 520.8 billion in 2019 to Kshs. 567.4 billion in 2020. Export earnings of horticultural products, tea; and titanium ores and concentrates contributed to the increase in domestic exports by 10.6, 14.8 and 20.5 per cent, respectively. Expenditure on principal imports of petroleum products, industrial machinery and road motor vehicles declined from a combined value of Kshs. 657.2 billion in 2019 to Kshs. 514.2 billion in 2020. Consequently, expenditure on imports declined from Kshs. 1,806.3 billion in 2019 to Kshs. 1,643.6 billion in 2020.

The Current Account improved from a deficit of Kshs. 539.2 billion in 2019 to a deficit of Kshs. 491.7 billion in 2020. The increase in the value of exports relative to the decline in imports, valued on f.o.b basis, led to the narrowing of the Current account deficit during the year in review. Despite this, there was marked reduction in net receipts from services from Kshs. 178.0 billion in 2019 to Kshs. 37.5 billion in 2020. The financial account recorded reduced net inflows from a surplus of Kshs. 610.8 billion in 2019 to a surplus of Kshs. 321.9 billion in 2020. Net FDI inflows reduced from a surplus of Kshs. 90.9 billion in 2019 to a surplus of Kshs. 53.3 billion in 2020. In contrast, net inflows of other investments increased from a surplus of Kshs. 380.9 billion to Kshs. 396.5 billion on account of increased disbursements to government.

Overall, the Balance of Payments deteriorated from a surplus of Kshs. 111.4 billion in 2019 to a deficit of Kshs. 152.5 billion in 2020. During the review period, the Kenyan Shilling depreciated against major currencies exchanging at Kshs. 106.5, Kshs. 121.7 and Kshs. 136.7 against the US dollar, the Euro and Pound Sterling, respectively.

3.2 SECTORAL ANALYSIS

Agriculture Sector

In 2020, Agriculture sector recorded mixed performance with growth decelerating to 5.4 per cent compared to 3.0 per cent in 2019. The dismal performance is attributed to the COVID-19 pandemic coupled with erratic weather patterns characterized by inadequate short rains. Aggregate maize

production declined by 4.3 per cent from 44.0 million bags in 2019 to 42.1 million bags in 2020. Similarly, coffee production declined from 45.0 thousand tonnes in 2018/19 to 36.9 thousand tonnes in 2019/20. The volume of horticultural exports decreased by 4.5 per cent from 328.3 thousand tonnes in 2019 to 313.6 thousand tonnes in 2020. Tea production increased by 24.1 per cent from 458.8 thousand tonnes in the 2019 to 569.5 thousand tonnes in the 2020 on account of adequate rainfall in tea growing areas. Overall value of marketed agricultural production increased by 9.3 per cent from Kshs. 466.3 billion in 2019 to Kshs. 509.7 billion in 2020.

During the period under review Vihiga County realized mixed achievements in the agriculture sector. Crop production increased with maize production improving from 8 bags per acre to 15 bags. Improved production of industrial crops i.e. tea and avocados were also observed. Other achievements include; improved dairy farming through purchase and distribution of 188 and 40 dairy cows and goats respectively to selected farmers groups, local poultry farming through distribution of 9275 local poultry chicks to 150 farmer groups; strengthening veterinary services; improved carcass handling & hygiene through construction of 2 modern slaughter houses at Mukhalakhala and Serem and enhanced aquaculture through establishment and operationalization of Mwitoko fish hatchery and aquaculture training Centre to support fish farmers. Under the ASDSP the County has strengthened value chains by establishing structures for consultation cooperation and coordination in the agriculture sector. NARIGP has funded 540 community based micro projects a total of Kshs.198.3 million in 20 wards.

Environment and Natural Resources

The share to the country's Gross Domestic Product (GDP) by the environment and natural resources sector during the review period was 4.0 per cent up from 3.7 per cent recorded in the previous period. The total Gross Value Added (GVA) from the sector grew by 11.9 per cent from Kshs. 380.5 billion recorded in 2019 to Kshs. 425.8 billion in 2020. The fisheries sub-sector registered a slight improvement in performance in the review period with the total value of fish landed increasing from Kshs. 23.6 billion in 2019 to Kshs. 26.2 billion, largely attributed to an increase of Kshs. 1.9 billion in the value of freshwater fish landed. Total value of mineral production declined by 5.8 per cent from 24.1 billion in 2019 to 22.7 billion in 2020. Total forest area increased marginally from 4,228.8 thousand hectares in 2019 to 4,231.9 thousand hectares in 2020. During the review period, area under government forest plantation stock increased from 147.6 thousand hectares in 2019 to 149.6 thousand hectares.

Total development expenditure on Water Supplies and Related Services is expected to increase from Kshs. 44.5 billion in 2019/20 to Kshs. 55.2 billion in 2020/21. The rainfall distribution, both in time and space, during long rains season March-April-May (MAM) 2020 was generally good over most parts of the country. The October –November- December (OND) Short Rains seasonal rainfall was below normal over most parts of the country.

Vihiga County has endeavored towards enhanced environmental conservation through capacity building forums; development of nature-based curriculum i.e., introduction of bamboos farming and greening programmes in TVETs, afforestation and promotion of bio diversity conservation for improved livelihoods and sustainable development. Efforts have also been made to improve solid waste management in the key urban areas that included construction of 1 No. 1200m³ capacity sub surface waste water wet land at Mbale prisons and DTF facility at Ehedwe for waste water. To improve access to clean and safe water the county has continued to rehabilitate and expanded piped water supply schemes that included the Belgium Funded- Vihiga Cluster water projects (Kaimosi , lunyerere and Maseno water), other county funded projects are Eburnagwe, Gaga, Bumbo, Chepsaga, Mugogo, Ma'ngo'ngo and Majengo-Gisambai water projects and operationalized a number of boreholes, continued protection of community water springs and promotion of innovative based methods and technologies for water harvesting that included installation of water harvesting tanks in public facilities.

Energy Sector

Urban crude oil prices dropped from a mean of USD 64.92 in 2019 to a mean of USD 41.45 in 2020. This was occasioned by to lack of general agreement on oil production levels between two of the largest oil producers (Russia and Saudi Arabia), and the US delay in cutting back on oil production. During the review period, the total import bill of petroleum products decreased to Kshs. 209.1 billion. Similarly, the total value of petroleum products exported, including re-exports, increased by 2.2 per cent to Kshs. 42.6 billion in 2020.

Total installed electricity capacity increased from 2,818.9 MW in 2019 to 2,836.7 MW in 2020. Total electricity demand declined by 0.2 per cent to 11,603.6 GWh in 2020. Similarly, domestic demand for electricity declined from 8,854.0 GWh in 2019 to 8,796.4 GWh in 2020. Thermal electricity generation declined by 42.5 per cent to 754.5 GWh while wind electricity generation dropped by 14.8 per cent to 1,331.4 GWh in the review period. Electricity imports also declined by 35.5 per cent to 136.7 GWh. However, hydro electricity generation increased by 32.1 per cent to 4,232.7 GWh mainly due to favourable rainfall experienced in 2020. Estimated production of biomass wood (firewood, charcoal and wastes/scraps) was 142,673.1 TJ in the review period.

The number of customers connected under the rural electrification programme grew by 6.6 per cent to 1,502,943 in 2019/20 from 1,409,256 in 2018/19. The Early Oil Pilot Scheme (EOPS) project commissioned in June 2018 was closed on 2nd June 2020.

Manufacturing Sector

During the year under review, the manufacturing sector real value added declined by 0.1 per cent, compared to an increase of 2.5 per cent in 2019. The value of output increased by 2.8 per cent from 2.3 trillion in 2019 to 2.4 trillion in 2020.

The volume of output for the sector grew by 1.0 per cent in 2020, mainly attributed to increased production of sugar, other non-metallic mineral products which include cement, food products not elsewhere classified (nec) which comprise tea, chemical and chemical products and pharmaceutical products. Leather and related products, beverages, motor vehicle, trailers and semi-trailers, rubber and dairy products sub sectors recorded declines in the review period.

The total credit advanced to the sector by commercial banks and industrial financial institutions rose from Kshs. 366.9 billion in 2019 to Kshs. 410.3 billion in 2020. Employment in the formal manufacturing sector decreased by 10.3 per cent to 316.9 thousand in 2020. Similarly, the number of local employees in EPZ enterprises dropped by 7.7 per cent to 55,736 in 2020. Total sales by Export Processing Zone (EPZ) enterprises increased by 4.3 per cent to Kshs. 80.5 billion in 2020 while imports contracted by 7.5 per cent to Kshs. 36.8 billion in 2020. The value of export of articles of apparels under African Growth and Opportunity Act (AGOA) decreased by 8.3 per cent to Kshs. 42.3 billion in 2020 mainly due to inadequate supply of raw materials and the market lockdown in the USA. Overall, annual inflation as measured by Producer Price Index (PPI) increased to 101.88 in 2020 from 101.81 in 2019.

Construction Sector

Construction sector registered a growth of 11.8 per cent in 2020 compared to growth of 5.6 per cent in 2019. Cement consumption rose significantly from 6.1 million tonnes in 2019 to 7.4 million tonnes in 2020 representing an increase of 21.3 per cent. Loans and advances from commercial banks to the construction sector grew by 3.4 per cent from Kshs. 115.8 billion in 2019 to Kshs. 119.7 billion in 2020. The number of completed public residential buildings built by the State Department for Housing and National Housing Corporation (NHC) were 2,332 and 338, respectively in the year under review. The value of public buildings completed increased substantially to Kshs. 9,084.3 million in 2020, compared to Kshs. 1,509.1 million in 2019.

The total length of roads under bitumen rose by 1.8 per cent to 22.6 thousand kilometers as at June 2020, from 22.2 thousand kilometers in June 2019. The length of roads categorized as super highway increased to 157 kilometers in the same period. The construction of the Nairobi Expressway, which is a 108-kilometre lane-length, with an estimated construction cost of Kshs. 60.0 billion was 10.0 per cent complete as at 31st December, 2020. In 2020, the construction of a 2.1 kilometers floating bridge across Likoni-Channel was completed at a cost of Kshs. 2.0 billion. Wage employment in the sector grew by 33.0 per cent from 173.3 thousand persons in 2019 to 230.5 thousand persons in 2020.

Tourism Sector

Overall, the tourism sector indicators registered declines with tourism earnings decreasing by 43.9 per cent to Kshs. 91.7 billion in 2020. The declines were attributed to the COVID-19 pandemic which resulted in introduction of containment measures by governments across the world to curb the spread of the virus. The Government suspended international passenger flights between March and July and

introduced a number of restrictions such as curfews, movement, social gatherings among others, to contain the spread of the virus. As a result, international visitor arrivals decreased by 71.5 per cent to stand at 579.6 thousand in 2020.

During the period under review, hotel bed-nights occupancy rate contracted by 58.0 per cent to 3,803.0 thousand. The number of international and local conferences held declined by 87.0 per cent and 75.2 per cent to 28 and 1,176 respectively, in 2020. Visitors to national parks and game reserves declined by 65.1 per cent to 1,037.0 thousand in 2020. Similarly, the number of visitors to museums, snake parks and historical sites declined by 83.8 per cent from 990.2 thousand in 2019 to 160.7 thousand in 2020. Number of trainees pursuing hospitality and tourism courses at the Kenya Utalii College declined by 76.4 per cent from 3,086 in 2019 to 729 in 2020. This was mainly attributed to the closure of learning institutions by the government to curb the spread of COVID-19.

Transport and Storage

The performance of the transportation and storage sector was adversely affected by the COVID-19 pandemic in the review period. This was due to restriction measures put in place to curb the spread of the virus. The value of output from transport and storage sector reduced by 5.2 per cent to Kshs. 1,973.3 billion in 2020, a reversal from the 10.7 per cent growth recorded in 2019. The volume of cargo transported through the MGR dropped by 5.8 per cent to 628 thousand tonnes while revenue earned from MGR cargo stream rose by 15.7 per cent to Kshs. 1,114 million in 2020. The volume of freight transported through Standard Gauge Railway (SGR) grew by 4.8 per cent to 4.4 million tonnes, however, revenue earned declined by 19.2 per cent to Kshs. 10.5 billion in the review period. Total cargo throughput at the Port of Mombasa contracted by 0.9 per cent to 34,116 thousand metric tonnes in 2020. Similarly, container traffic decreased by 4.0 per cent to 1,359.6 thousand Twenty-foot Equivalent Units (TEUs) in the same period.

At the sub-national level, the county government undertook roads infrastructure, cumulatively maintained 486km of road, rehabilitated 79Km of existing roads and opening up 228.6 Km of new access roads across the county. Other achievements during the period include; construction of bridges, box culverts and river crossings to improve intra county connectivity; installed High mast flood lights in various market centers in collaboration with Rural Electrification Authority (REA) and strengthened human resource capacity development through recruitment of additional technical personnel (County Architect, Quantity Surveyor, 16no. staff in Fire Section.)

Information and Communication Technology

The value of output from ICT sector increased by 2.5 per cent to Kshs. 538.3 billion in 2020, a slower growth compared to the 5.8 per cent registered in 2019. Mobile cellular telephone and mobile money subscriptions stood at 126.15 and 66.68 in 2020 compared to 111.10 and 60.92 per 100 persons in 2019, respectively. Total domestic telephone traffic increased from 58.7 billion minutes in 2019 to 60.3 billion

minutes in 2020 whereas the International telephone traffic declined marginally from 1,054.0 million minutes in 2019 to 1,024.4 million minutes in 2020. Total mobile money transfers grew by 20.0 per cent in 2020, one of the largest increments recorded in the last 5 years to stand at Kshs. 5.2 trillion. Furthermore, value of the mobile commerce transactions grew by 35.0 per cent to Kshs. 9.4 trillion in the same period. This increment was driven by preferences to cashless transactions in the wake of COVID-19 and the reduction of mobile money transfer tariffs. Number of domestic SMSs sent increased by 4.4 per cent to 68.1 billion while international SMS sent declined by 8.3 per cent to 36.3 million SMSs in 2020.

Internet subscribers grew by 7.81 percentage points from 83.38 per cent in 2019 to 91.19 per cent in 2020. The number of Internet service providers grew from 302 in 2019 to 366 in 2020 driven by demand of internet services during the period under review. Furthermore, the demand for internet services experienced in the review period led to increased total fixed and wireless internet and broadband subscribers by 12.0 and 16.8 per cent to 44.4 million and 25.8 million, respectively. In the review period, 49.5 per cent of the available bandwidth capacity was utilized compared to 43.5 per cent in 2019. Digital TV subscribers increased by 7.2 per cent to 5.5 million in 2020 compared to a 11.5 per cent decline registered in 2019. Average online newspaper visitors per day increased by 28.0 per cent in 2020 compared to an increase of 1.8 per cent in 2019.

Education and Training

Total expenditure for the Ministry of Education is expected to go up by 8.9 per cent to Kshs. 506.2 billion in 2020/21 financial year. Recurrent expenditure for the Ministry is expected to increase by 7.1 per cent to Kshs. 481.2 billion in 2020/21. Development expenditure is expected to increase by Kshs. 9.7 billion to Kshs. 25.0 billion in 2020/21, mainly attributable to increase in funding for the implementation of COVID-19 prevention measures in educational institutions. Total number of schools increased marginally from 89,337 in 2019 to 90,145 in 2020. Number of registered public pre-primary schools went up by 2.7 per cent from 28,383 in 2019 to 29,148 in 2020. During the review period, the number of private primary schools increased by 1.5 per cent to 9,191, while the number of public primary schools declined to 23,246 from 23,286 in 2019. Number of public teacher training colleges grew from 27 in 2019 to 30 in 2020, while the number of national polytechnics increased by one to 12 in 2020.

Enrolment in Pre-Primary 1 and 2 increased by 3.4 per cent to 2.8 million in 2020 from 2.7 million in 2019. Total enrolment in primary schools stood at 10.2 million in 2020 from 10.1 million in 2019. Total enrolment in secondary schools recorded a growth of 8.0 per cent to 3,520.4 thousand in 2020 of which 1,768.9 thousand were girls. The total number of teacher trainees rose by 10.5 per cent from 11,111 in 2019 to 12,276 in 2020, while enrolment in TVET institutions increased by 4.8 per cent from 430,598 in 2019 to 451,205 in 2020. Total enrolment in public and private universities is expected to increase by 7.3 per cent to 546.7 thousand in 2020/21 from 509.5 thousand reported in 2019/20 academic year.

Total number of teachers in public primary schools slightly declined from 218,760 in 2019 to 218,077 in 2020. Total number of teachers in public secondary schools and teacher training colleges increased by 7.6 per cent to 113.2 thousand in 2020. The number of HELB loan applicants recorded a growth of 30.4 per cent from 298.0 thousand in 2018/19 to 388.7 thousand in 2019/20 academic year. The number of loan beneficiaries increased by 19.1 per cent from 293.2 thousand in 2018/19 to 349.2 thousand in 2019/20. During the same period, the amount of loans awarded to successful loans applicants increased by 29.9 per cent from Kshs. 11.7 billion in 2018/19 to Kshs. 15.2 billion in 2019/20, mainly on account of an increase in the amount of loans awarded to applicants from TVET institutions. Government capitation to HELB rose by 17.1 per cent to Kshs. 8.2 billion in 2019/20. The number of research license applications reduced by 8.2 per cent to 6,077 in 2019/20, while the number of research licenses granted by National Council for Science, Technology and Innovation (NACOSTI) increased by 7.7 per cent to 6,481 in 2019/20.

In Vihiga marked improvement on enrolment in TVET from 4208 in 2020 and to 5,224 in 2021. While in ECDE from 41,278 in 2019 and 44638 in 2020. On staffing ECDE 814 and teachers and 75 TVET instructors were employed in 2020. Other achievement realized include

Increased access improved ECDE access with 852 ECDE centres in 2019 to 930 centers in 2020 and Vocational training centers from 30 to 34 in 2020.and expansion of the bursary and the scholarship programmes where 26,979 students and 221 benefitted respectively.

Health and Vital Statistics

National Government expenditure on health services rose by 34.5 per cent to Kshs. 103.1 billion in 2019/20 while that of County Governments grew by 16.0 per cent to Kshs. 106.7 billion in the same period. The ratio of Government expenditure on health to total expenditure stood at 6.2 per cent in 2019/20.

National Hospital Insurance Fund (NHIF) membership increased by 6.0 per cent to 22.0 million in 2019/20. Consequently, NHIF members' receipts grew by 5.7 per cent to Kshs. 59.5 billion in 2019/20. The amount of benefits payout increased by 1.8 per cent to Kshs. 54.4 billion during the review period. Total cases of diseases reported in health facilities decreased by 31.6 per cent to 60.0 million in 2020. Diseases of the respiratory system and malaria accounted for 27.6 per cent and 19.1 per cent of the total disease caseload, respectively, in the same period. As at 31st December, 2020, the number of confirmed COVID-19 positive cases and related deaths were 96,612 and 1,756, respectively.

The number of health facilities increased from 13,700 in 2019 to 14,600 in 2020. Hospital beds increased by 9.6 per cent to 82,091 while hospital cots increased by 7.7 per cent to 8,946 in the review period. There was a general increase in the number of registered health professionals per 100,000 population for all cadres except medical laboratory technicians, whose number remained constant.

The total number of medical students in universities increased by 13.5 per cent to 22,200 while the total number of medical graduates and post-graduates decreased by 69.9 per cent to 1,396, in 2020. Similarly, the number of Kenya Medical Training College (KMTC) middle level medical graduates decreased by 67.4 per cent to 4,114 in the 2019/20 academic year.

Birth registration coverage rate declined from 76.2 per cent in 2019 to 71.5 per cent in 2020 while death registration coverage rate declined from 39.1 per cent to 36.8 per cent, over the same period. The proportion of registered births and deaths reported to have occurred in a health facility were 97.7 per cent and 53.4 per cent, respectively, during the review period.

In Vihiga County, the department recruited CHVs, there was increased supply of drugs and non-pharmaceuticals to health facilities across the county. The county government also completed the construction of the Oxygen plant as well as the completion and equipping of ICU at the referral facility. There was improved infrastructure of dispensaries across the sub counties. Health staff had the capacity build through a number of sensitization workshops on how to curb the Covid-19 pandemic.

Governance, Peace and Security

The total number of crimes reported to the Police declined by 25.4 per cent to 69,645 cases in 2020. Similarly, the number of offenders reported to the police to have committed offences declined by 21.0 per cent to 65,083 persons in 2020. However, homicide, corruption and offences against morality slightly increased by 4.7, 2.3 and 13.7 per cent, respectively during the review period. The declines were attributed to the COVID-19 pandemic containment measures such as restriction of movement and curfews. The total cases reported against child protection, also declined by 16.1 per cent to 146,881 in 2020. On the contrary, cases reported on child trafficking and victims of violence such as child pregnancy, defilement, Female Genital Mutilation (FGM), and physical abuse went up during the review period.

The number of cases reported by Ethics and Anti-Corruption Commission (EACC) to the Office of Director of Public Prosecutions (ODPP) for investigations, declined by 36.2 per cent to 2,221 cases in year 2019/20. The Commission recovered assets worth Kshs. 12.1 billion during the same period. Cases filed by various courts declined by 30.3 per cent to 337,510 in 2019/20 and those disposed of decreased by 38.2 per cent to 289,728 during the same period.

The prison population, declined by 60.7 per cent to 86,119 in 2020. Similarly, the number of offenders serving probation sentence and aftercare decreased by 58.9 per cent and 83.6 per cent to 4,730 and 92, respectively, in 2020. However, the number of offenders under community service more than doubled from 6,614 in 2019 to 16,641 in 2020.

The number of issued passports and work permits decreased by 51.0 per cent and 34.7 per cent, to 219,090 and 5,851, respectively, in 2020. Similarly, the number of registered foreign nationals decreased by 29.7 per cent to 19,034 persons in 2020 while that of refugees and asylum seekers went up by 3.1 per cent to

504,854 during the same period. The number of registered persons with disabilities decreased by 16.3 per cent from 45,411 in 2018/19 to 38,010 in 2019/20.

Gender, Economic and Social Inclusion

National Government expenditure for social services is expected to decrease by 17.2 per cent from Kshs. 77.7 billion in 2019/20 to Kshs. 64.3 billion in 2020/21. Similarly, total development expenditure on social services is expected to significantly decrease by 55.3 per cent from Kshs. 24.6 billion in 2019/20 to Kshs. 11.0 billion in 2020/21. However, total recurrent expenditure is expected to increase slightly by 0.4 per cent during the period under review.

Loan disbursements by Women Enterprise Fund (WEF), Uwezo Fund and Youth Enterprise Development Fund (YEDF) are expected to amount to Kshs. 2.8 billion, Kshs. 541.1 million and Kshs. 575.0 million, respectively, in 2020/21. The total amount of grants disbursed by the National Government Affirmative Action Fund (NGAAF) in three of their programmes (Social Economic Empowerment, Value Addition Initiatives and Bursaries Scholarships for vulnerable students), is expected to increase from Kshs. 758.9 million in 2019/20 to Kshs. 788.0 million in 2020/21. The reported total value of tenders awarded under Access to Government Procurement Opportunities (AGPO) is expected to rise from Kshs. 22.8 billion in 2019/20 to Kshs. 26.5 billion in 2020/21. Women, Youths and Persons with Disabilities entrepreneurs are expected to be awarded tenders worth Kshs. 13.8 billion, Kshs. 10.7 billion and Kshs. 2.0 billion, respectively, in 2020/21. The number of service women and men recruited to the National Youth Service (NYS) decreased by 30.5 per cent and 35.0 per cent, respectively, in 2020.

In 2020, the proportion of women in the following key selected positions in the public service, remained constant, compared to 2019; Cabinet Secretaries, Principal Secretaries, Heads of Constitutional Commissions and Independent Offices, Regional Commissioners and County Commissioners at, 33.3, 18.6, 53.3, 12.5 and 12.8 per cent, respectively. The National Assembly did not meet the minimum one-third gender rule requirement in 2019 and in 2020 as well, however, this was met at the National level by the County Assemblies. There were two women governors for both 2019 and 2020. However, the number of women deputy governors increased to 8 in 2020 from 7 in 2019. Moreover, the number of CECMs declined from 434 in 2019 to 431 in 2020, with the proportion of women declining marginally from 31.8 per cent to 31.3 per cent.

The amount disbursed through Cash Transfers for Orphans and Vulnerable Children, Older Persons Cash Transfers and Cash Transfers to Persons with Severe Disabilities are expected to reduce from Kshs. 7.1 billion, Kshs.18.4 billion and Kshs. 816.6 million to Kshs. 7.0 billion, Kshs.18.3 billion And Kshs.814.8 million, respectively from 2019/20 to 2020/21. However, the amount disbursed for Hunger and Safety Net Programme is expected to increase from Kshs. 3.4 billion to Kshs. 3.5 billion during the same period. The number of registered employers by National Social Security Fund (NSSF) stood at 82,261 in 2020.

The total number of registered members, annual contributions and annual benefits paid decreased by 23.9, 2.4 and 10.2 per cent, respectively, during the period under review.

3.3 The 2021 Economic Outlook

Globally, most of the developing economies are projected to experience a more challenging recovery from the COVID-19 pandemic compared to their developed economies counterpart. This is largely so because of the uneven access to COVID-19 vaccine which is therefore likely to impact negatively on the full resumption of economic activities in the developing economies. The global economic growth is expected to rebound to 5.6 per cent in 2021. Consequently, the volume of world merchandise trade is projected to expand by 8.0 per cent in 2021 after a contraction of 5.3 per cent in 2020. The growth in the world trade is expected to boost external demand for Kenya's products and thereby likely to augment the country's economic growth. In Vihiga County Agricultural which is the mainstay of the county economy and the SMEs are expected to rebound with full resumption of activities as result of the relaxation of COVID-19 containment measure and increasing number of residents taking the COVID-19 vaccination. Domestically, oil prices have been rising significantly in response to the global price rise. On average, the international oil prices are likely to be higher by over 50 per cent in 2021 compared to 2020. Effectively then, oil prices in Kenya will probably remain high and therefore counterproductive to economic growth. On average, inflation was lower in the first quarter of 2021 compared to a similar quarter of 2020. However, there was a significant rise in the inflation rate during the second quarter and it is likely that this trend will continue in the second half of 2021 partly due to higher energy and transportation prices.

The country has so far experienced below normal rainfall in the first half of 2021. However, the weather forecast points to the possibility of the short rains being better in most parts of the country later in the year. Output of the agriculture sector, which is largely rain fed, is therefore likely to be lower than the 2020 level. It must be emphasized that the agricultural sector is the backbone of the Vihiga County economy. Consequently, improving the performance of this sector is critical in the reduction of inequalities and a source of livelihood to the citizens of Vihiga. In the year 2021 efforts have been made to implement various programmes enhance growth in the sector. These include; promotion of cash crop production and productivity through supply of tea seedlings and grafted avocado seedlings to farmers; enhanced livestock production programme through purchase and distribution of dairy cows and goats; enhanced aquaculture: bolstered production with the Mwitoko fish hatchery and aquaculture training Centre to support fish farmers. Other activities include strengthening veterinary services and revamped cooperative movement.

Full resumption of activities in the education sector and the hotel industry, that were almost halted for the better part of 2020, is likely to significantly boost the growth. To a lesser extent, other key sectors

like manufacturing and transportation are likely to rebound and support the country's economic growth. At county level the County Government of Vihiga has instituted measures to respond to the prevailing economic conditions that has an impact on the livelihood and service delivery to its residents. Among them include;

- Promotion of enterprise -The county government seeks to create enabling environment for enterprise development and to provide trade loans to small medium enterprises. Efforts will also be made to facilitate setting up of cottage and modern industries and promotion of innovations by establishing business incubation centres.
- Social Protection Programmes; Efforts will be made to mainstream gender issues on governance and equity in access to opportunities and resources; The County government will enhance pro-poor programmes such as provision of bursaries and scholarship to needy students, access to subsidized farm inputs to farmers, youth and women empowerment programmes as well as setting up cooperative fund and create conducive environment for shelter improvement programme.
- Improved agricultural services- The county government seeks to promote modern farming methods and value chain development, and improvement of livestock and fisheries production. More emphasis will be placed on extension services, promotion of alternative farming methods and crops, value addition to improve diversification with the ultimate goal being implementing on of the big four agenda of food security and nutrition.
- ICT programmes- The County will continue to invest in technology as it's an enabler across all sectors.
- Infrastructure development- which shall include opening up of rural access roads, routine maintenance, installation of high mast flood lights at various strategic positions; market infrastructure development, improvement of water and sanitation services and development of ECDE and TVET and health infrastructure.

Given that most of the key macroeconomic indicators will most probably remain stable and supportive of growth in 2021, the economy is therefore expected to record a significant rebound in 2021.

3.5 Risks to the Outlook

Various risks impact on the county economic performance. These may include adverse changes in macro- economic factors such as increase in inflation and interest rates, low growth in investments and failure of the National Government to meets its revenue targets.

At the county government level risks arise out of uncertainty both from internal and external factors as shown in table 14 below. Managing such risks by recognizing and preparing for possible eventualities is an integral part of planning. The county government and other agencies will pursue various mitigation measures to avert such risks.

Table 14: Risks to the Outlook

Type of Risk	Inherent Risk	Likelihood	Impact	Mitigation	Responsibility Center
Strategic risks	Change in National Policies	Medium	Inability to adjust to the changes in the short run leading to inefficiencies	Capacity building and institutionalizing reforms	National Treasury
	Noncompliance with PFMA and other government regulations	Low	Increased audit issues and inefficiencies	Capacity building, adherence to regulations and strengthening of institutions	County Treasury
Organizational /Administrative risks	Communication Failure & reporting framework	Medium	Weak coordination and collaboration	Strengthen the county communication strategy	County Public Service & Administration
	Delayed in enactment of the county Allocation Revenue Bill	High	Inability of the county to timely implement its mandate and objectives	Enhanced PPPs to abridge the resource gaps	Senate/National Assembly
	Variation of county allocation formula	High	Inability of the county to receive sufficient funds to implement planned programmes	Improves OSR and enhanced PPPs	CRA
	Mismanagement/ Misappropriation of Public Finances	Medium	Curtail effective provision of services	Adherence to PFMA and other regulation	County Departments, entities and staff
	Expenditure pressure due expanded programs and increasing wage bills	High	Diminishing proportion of development expenditure	Cuts in recurrent expenditure and sustainable planning	County Departments and entities
Financial Risks	Low Own Source Revenue collected	Medium	Low Liquidity levels	Enhanced OSR	County Directorate of Revenue
	Delay in exchequer releases	High			National Treasury
Technological risks	Failure/ Network challenges with IFMIS	Low	Delayed transactions on IFMIS	Upgrading of systems	National Treasury/ County ICT Department
	Technology failure and Cyber attacks	Medium	Possible interference with county operations	Improved security of systems	County ICT
	Changes of technology	Medium	Inability to efficiently perform tasks	Enhanced capacity building and upgrading	County ICT & all Departments

CHAPTER FOUR

4.0 RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustments to the FY 2021/22 Budget

The Medium-Term Fiscal Framework (MTFF) for the FY 2021/22 emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities, mitigate the adverse impact of COVID-19 pandemic and the new emerging variant on the economy and re-position the economy on a steady and sustainable growth trajectory. From the above observation, we anticipate a fall on the Own Source Revenue collection and staggered disbursement from the National Treasury. This will have a deficit effect on the FY 2021/22 Budget. We expect adjustments to be made on increase allocation to health facilities to improve on infrastructure, supplies and capacity building on Covid 19 containment measures.

The FY2021/22 Budget process was challenged in court and due to prolonged court proceedings, we anticipate slow implementation of the Budget which will affect some planned programmes. The departments are advised to relook into their planned programmes and review the time frame and resource allocation for the implementation of programmes.

At the time of FY2021/22 Budget Approval, the balances brought forward have not been realized. County Allocation of Revenue Act and County Government Grants Act had not been passed. The above will necessitate adjustments on the current Appropriations.

4.2 FY 2022/23 Budget Framework

The FY 2022/23 budget framework builds up on the Government's efforts through the Economic Stimulus Programme and the Post Covid-19 Economic Recovery Strategy to stimulate and sustain economic activities, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a steady and sustainable growth trajectory. This is in addition to expenditure rationalization and revenue mobilization programmes that the County has to put in place.

The Government will continue to emphasize on the implementation of policy measures such as the program-based budgeting process, adoption of the "no new projects" policy, and re-alignment with the "Big Four" Plan and reducing spending on programmes, which are not of high priority. As a result, the overall fiscal deficit is expected to decline.

Through the 2021 Budget Policy Statements the National government projects in the FY 2022/23 GDP will increase by 5.1 percent. However, at the County level we shall base our projections on the growth of the GDP as anticipated in the BPS 2021 and subject to CARA 2021.

It is assumed that total conditional grants will remain the same at Kshs. 0.47 billion, though they are shrinking we hope to have other new grants coming specially to cushion counties on post COVID 19 effects.

OSR is projected to increase by 20 percent of actual FY 2020/21.

Table 15: County Government Fiscal Projections in Kshs. in the Medium Term

Sources	FY 2020/2021 Kshs.	FY 2021/22 Budget Kshs.	FY2022/23 Kshs.
County Equitable share as per CARA 2021	4,652,550,000	5,067,356,827	5,325,792,025
Own Source Revenue FY 2020/2021Actuals	165,894,340	192,658,877	199,073,208
Conditional Grants	580,068,148	417,314,928	417,314,928
Total	5,398,512,488	5,677,330,632	5,942,180,161

Source: Vihiga County Treasury

4.3 Medium Term Expenditure Framework

Allocation and utilization of resources in the medium term will be guided by priorities outlined in the County Integrated Development Plan (CIDP) and other County plans; and in accordance with section 107 of the PFM Act 2012. For effective utilization of public finances for enhanced expenditure productivity, the County Government will prioritize expenditures within the overall sector ceilings and strategic sector priorities.

4.4 Expenditure Forecasts

In the proposed 2022/23 budget, overall expenditures are projected to increase by 5.1 percent as indicated in the table below. In this regard, the County Government will over the medium term ensure compliance with the fiscal responsibility principles as outlined in the sections 107 of the

PFM Act 2012. The County Government is expected to enhance expenditure productivity in the proposed year and manage the rising wage bill to be within the required limit.

Table 16: Summary of Expenditure Projections in Kshs. Millions from 2021/22 to 2022/23 MTEF

Department	(3rd Supplementary 2020/21) Kshs. Millions	Budget Estimates 2021/22 Kshs. Millions	Projected Estimates 2022/23 Kshs. Millions
Agriculture, Livestock, Fisheries & co-operatives	471.91	585.1	601.71
Lands, Housing & Physical Planning	416.36	275.14	286.38
Transport & Infrastructure	512.65	419.15	440.53
Industrialization, Trade & Tourism	107.35	147.35	154.86
County Health Services	1,867.10	1,457.13	1528.48
Education, Science & Technology	598.52	568.52	597.51
County Executive	259.8	259.8	273.05
County Assembly	651.96	651.96	685.21
Finance & Economic Planning	849.99	513.27	537.15
County Public Service Board	52.88	48.03	50.48
Public Service & Administration	370.63	306.48	322.11
Gender, Culture, Youth & Sports	148.51	148.51	156.08
Environment, Water, Natural Resources & Forestry	276.88	296.88	312.02
TOTAL	6,584.54	5,677.32	5,945.58

Source: Vihiga County Treasury

CHAPTER FIVE

5.0 CONCLUSION

Despite the effects of the Covid-19 pandemic and its variant, the revenue and the absorption rates have increasing trend. Development absorption budget has also increased. We anticipate that moving forward, the National Treasury shall disburse exchequer releases on time within the financial year. We anticipate the legal dispute over the implementation of the FY 2021/22 budget to be resolved within the shortest period.

APPENDIX 1

RESOURCE ENVELOP 2020/21 SUPPLEMENTARY THREE BUDGET

Revenue Source	Approved Budget Estimates FY 2020/21 Kshs.	CARA, 2020 Kshs.	B/F from FY 2019/20 Kshs.	Budget for 2020/21 as per 3rd Supplementary Kshs.
Equitable Share	4,525,950,000	4,652,550,000	-	4,652,550,000
Compensation for user fees foregone	12,657,201	12,657,201		12,657,201
Road Maintenance Levy	134,895,698	134,895,698	2,032,708	136,928,406
Leasing of Medical Equipment	132,021,277	132,021,277		132,021,277
Loans and Grants (Danida)	-	13,230,000	5,759,396	18,989,396
Own Resources	216,096,587			216,096,587
Conditional Grant for Rehabilitation of Village Polytechnics	69,979,894	69,979,894	21,234	70,001,128
Transforming Health Systems for Universal Care Project-THS-UHC	56,065,640	93,531,471	40,918,853	134,450,324
National Agriculture and Rural Inclusive Growth Project - NARIGP	81,270,590	198,457,709	52,611,740	251,069,449
Agriculture Sector Development Support Programme - ASDSP II	-	12,316,175	24,949,723	37,265,898
Kenya Devolution Support Programme - KDSP I	-	45,000,000	30,000,000	75,000,000
Kenya Urban Support Programme - UDG Grant	250,950,700	-	295,458,460	295,458,460
Kenya Urban Support Programme - UIG Grant	-	-	9,969,151	9,969,151
Covid Grant			50,288,284	50,288,284
Covid Allowances			28,605,000	28,605,000
Nutrition International			2,241,200	7,241,200
Donations towards Covid Pandemic	-	-		26,717,430
Foreign Exchange			1,061,329	1,061,329
Balance Brought Forward	-	-	428,177,728	428,177,728
Total Proposed County Expenditure	5,479,887,587	5,364,639,425	972,094,806	6,584,548,248

APPENDIX 2

Summary of Third Supplementary Budget FY 2020/21

VOTE	VOTE TITLE	Compensation to Employees Kshs.	Other Recurrent Kshs.	Development Kshs.	Totals Kshs.
1	Office of The Governor	125,136,878	129,824,764	4,842,064	259,803,706
2	Finance & Economic Planning	88,832,624	224,112,698	537,045,789	849,991,111
3	Agriculture, Livestock, Fisheries & Cooperatives	95,982,508	53,789,712	322,142,029	471,914,249
4	Health Services	975,335,356	514,364,089	377,402,442	1,867,101,887
5	Education, Science, Technical and Vocational Training	222,394,139	122,583,181	253,543,625	598,520,945
6	Gender, Culture, Youth, Sports and Social Services	28,108,367	87,962,092	32,443,245	148,513,704
7	Trade, Industry, Tourism and Entrepreneurship.	15,470,960	43,292,289	48,583,834	107,347,083
8	County Public Service Board	19,110,021	33,766,478	0	52,876,499
9	Environment, Water, Energy & Natural Resources.	33,546,149	82,889,151	160,448,637	276,883,937
10	Transport, Infrastructure & Communication	27,187,134	86,703,666	398,756,926	512,647,726
11	Physical Planning, Land and Housing	30,919,410	45,817,719	339,626,388	416,363,517
12	County Assembly	349,163,384	269,188,127	33,603,656	651,955,167
13	Administration and Coordination of County Affairs	276,636,184	90,492,533	3,500,000	370,628,717
	TOTAL COUNTY EXPENDITURE	2,287,823,114	1,784,786,499	2,511,938,634	6,584,548,247