

COUNTY GOVERNMENT OF KIRINYAGA



DEPARTMENT OF FINANCE & ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP) 2022

SEPTEMBER 2022

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2022

To obtain copies of the document, please contact:

Kirinyaga County Treasury

P. O. Box 260

KUTUS,

KENYA

Tel: 020-2054354

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FOREWORD

This County Budget Review Outlook Paper (CBROP) is prepared in line with section 118 of the

Public Finance Management Act, 2012. It reviews the actual fiscal performance of the financial year 2021/22 and makes comparisons to the budget appropriations of the same year. It further provides forecasts with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper (CFSP).

In reviewing the fiscal performance, this paper analyzes the performance of county own revenue in the FY 2021/22. It has included the total revenue collected and made comparison to projected revenue for the same year.

The fiscal performance of the FY 2021/22 budget was below target on particularly on own source revenue shortfalls.

The County Government's total approved budget for 2021-22 FY amounts to KES.7,705,332,107 Recurrent allocation of KES. 4,531,059,121 and Development allocation of KES 3,174,272,986.

During the period July 2021 to June 2022, recurrent expenditure amounted to KES 4,335,924,518 which represents 96% of recurrent budget. Development expenditure for the period under review amounted to KES 1,700,583,468 which is 53.6% of development Budget.

Own Source Revenue target for Financial Year 2021/22 is KES. 485 Million. Revenue collected during FY 2021/22 amounted to KES 364,653,724. This represents 75% of total revenue target.

Implementation of 2022/23 and Medium Term will anchored on strict expenditure controls and enhanced revenue collection measures. This will be achieved through fiscal discipline to ensure proper management of public resources and delivery of expected output. Emphasis will be given to key strategic interventions aimed and sparking and sustaining economic growth in the county. Enabling interventions in the infrastructure will also be given priority to support growth in 2022-23 and Medium term. In the social sector,

affordable and high quality health services will be improved as we look to operationalize the Kerugoya Hospital Complex.

JACQUELINE NJOGU
CECM FOR FINANCE & ECONOMIC PLANNING

ACKNOWLEDGMENT

This County Budget Review and Outlook Paper is a product of unwavering commitment and efforts. First and foremost I would like to acknowledge H.E the Governor and Deputy Governor and the entire County Executive Committee for continued leadership, guidance and resources support in preparation of this document. Special acknowledgment goes to CEC Member Finance and Economic Planning, for his guidance, direction and support.

Sincere gratitude goes to all the Chief Officers and Directors of County Departments for their input in providing necessary information and submissions, and their participation which forms the core of this paper.

I would also wish to convey my gratitude to the Economic Planning and Budget staff led by, Mr. Lawrence Muchira, Director Budget, Mr. J.N. Mbugua, Director Economic Planning, Mr. Patrick Gichobi, Assistant Director Budget and Economists in the department. The team worked tirelessly in ensuring accurate and timely completion of this paper.

Finally, other officers not mentioned here and have contributed towards preparation of this paper remains highly appreciated.

JOHNSON WAWERU

CHIEF OFFICER- FINANCE AND ECONOMIC PLANNING

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Abbreviations/Acronyms

| | |
|-------|--|
| CA | County Assembly |
| CARA | County Allocation of Revenue Act |
| CBROP | County Budget Review and Outlook Paper |
| CE | County Executive |
| CFSP | County Fiscal Strategy Paper |
| CIDP | County Integrated Development Plan |
| ICT | Information Communication Technology |
| MTEF | Medium Term Expenditure Framework |
| OCoB | Office of Controller of Budget |
| PFMA | Public Finance Management Act |
| PPPs | Public Private Partnerships |
| SBP | Single Business Permit |

1 INTRODUCTION

1.1 Background

Preparation of this CBROP is an indication of Kirinyaga County continued adherence to Section 118 of the Public Finance and Management Act (PFMA), 2012. The CBROP contains a review of budget implementation performance during the financial year 2021/22, updated macroeconomic forecast, and the experiences in the implementation of the budget for the financial year 2021-22.

1.2 Legal Framework for the publication of the CBROP

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

- 1) A 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 the 30th September of that year.
- 2) In preparing its County Budget Review and Outlook Paper, the County Treasury shall specify—
 - a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
 - b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
 - c) Information on—
 - (i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or
 - (ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

- d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- 3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—
 - a) Arrange for the Paper to be laid before the County Assembly; and
 - b) As soon as practicable after having done so, publish and publicize the Paper.

1.3 Fiscal Responsibility Principles in the PFM Law

In line with the constitution, the Public Finance Management Act (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 107) states that:

- 1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- 2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-
 - a) The county government's recurrent expenditure shall not exceed the county government's total revenue;
 - b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
 - c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive

member for finance in regulations and approved by the County Assembly;

- d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- e) The county debt shall be maintained at a sustainable level as approved by county assembly;
- f) The fiscal risks shall be managed prudently; and
- g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

1.4 Objectives of the CBROP

The objective of this County Budget Review and Outlook Paper is to provide—

- (i) A review of the County Fiscal performance in the financial year 2021/22 compared to the appropriation of that year and how this had an effect on the economic performance of the County.
- (ii) An updated economic and financial forecast with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy paper.
- (iii) Information on any changes in the forecasts compared with the County Fiscal Strategy Paper.
- (iv) Reasons for any deviation from the financial objectives in the CFSP together with the proposals to address the deviation and the time estimated for doing so.

Therefore, this CBROP will aim at informing the basis for preparation of the 2023/24 FY budget.

2 REVIEW OF FISCAL PERFORMANCE FOR 2021/22 FINANCIAL YEAR

2.1 Revenue Performance Analysis

The approved resource envelope for Approved FY 2021/22 Kirinyaga County Budget amounts to KES. 7,705,332,107 which will be financed as per the below resource envelope.

Table 2.1: Budgeted Revenue 2021/22

| DESCRIPTION | APPROVED FY2021/22 BUDGET |
|--|---------------------------------|
| Equitable Share | 5,196,177,952 |
| Transforming Healthcare Systems for Universal Care Project (THSUCP) | 47,498,316 |
| Delayed Exchequer May/June 2020 (FY 2021/2022 Estimated) | 364,734,600 |
| Allocation Financed by Grant from Government of Denmark to Supplement Financing of County Health facilities (DANIDA) | 9,396,750 |
| Own Source Revenue | 485,000,000 |
| IDA-(World Bank) Kenya Devolution Support Programme Grant (KDSP) Level 2 Grant | 146,608,512 |
| IDA- (World Bank)Credit National Agricultural and Rural Inclusive Growth Project (NARIGP) | 344,612,512 |
| Sweden- Agriculture Sector Development Support Programme (ASDSP II) | 25,522,510 |
| Rolled over Funds | 1,085,780,955 |
| TOTAL REVENUES | 7,705,332,107 |

Source: County Treasury

Own Source Revenue Performance

The County had a projected revenue target of KES.485 Million in the FY 2021/22 Budget. During the financial year, Own Source Revenue collected amounted to 364,653,724. This indicates a performance of 75% on annual own source revenue targets.

Table 2.2: Own Source Revenue Performance FY 2021/22

| REVENUE SOURCE | ANNUAL TARGET | 1ST QUARTER | 2ND QUARTER | 3RD QUARTER | 4TH QUARTER | TOTAL |
|-----------------------------------|--------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
| Single Business Permit | 70,848,000 | 9,320,661 | 2,020,796 | 48,412,302 | 14,207,076 | 73,960,835 |
| Market Gate Fee | 35,541,660 | 7,310,170 | 8,231,130 | 7,472,864 | 8,198,139 | 31,212,303 |
| Produce Cess | 10,045,009 | 1,322,460 | 1,491,120 | 1,694,920 | 2,600,239 | 7,108,739 |
| Weights & Measures | 1,594,885 | 184,760 | 999,500 | 100 | 322,640 | 1,507,000 |
| Market stalls | 3,500,000 | - | 995,400 | 224,600 | 833,400 | 2,053,400 |
| Bus Park | 10,455,886 | 4,956,760 | 4,605,240 | 4,402,370 | 2,722,670 | 16,687,040 |
| Street Parking | 15,683,830 | 716,760 | 983,770 | 1,340,350 | 311,200 | 3,352,080 |
| Land Administration | 21,500,874 | 1,003,200 | 786,500 | 1,105,200 | 1,774,211 | 4,669,111 |
| Property Rates | 32,981,914 | 144,000 | 37,000 | 418,000 | 2,108,228 | 2,707,228 |
| Building Plan Approvals | 17,000,000 | 4,865,875 | 5,882,407 | 2,957,878 | 3,132,925 | 16,839,085 |
| Advertisement | 9,652,957 | 1,344,000 | 708,000 | 3,351,100 | 1,089,640 | 6,492,740 |
| Sublet Fees | 2,594,354 | 461,000 | - | - | 349,000 | 810,000 |
| House rents | 3,200,000 | - | 297,100 | 32,400 | 1,020,000 | 1,349,500 |
| Conservancy Fee | 10,182,181 | 1,453,928 | 275,820 | 2,174,610 | 2,368,130 | 6,272,488 |
| Quarries | 4,000,000 | 620,200 | 545,100 | 495,000 | 433,000 | 2,093,300 |
| Cemetery | - | 128,150 | 4,500 | 2,500 | - | 135,150 |
| Group Registration | 1,288,466 | 291,800 | 1,300 | 14,500 | 245,800 | 553,400 |
| Liquor License | 40,056,617 | 217,000 | 638,000 | 620,500 | 590,000 | 2,065,500 |
| Veterinary Services | 5,169,506 | 1,110,800 | 1,387,206 | 1,063,354 | 1,321,170 | 4,882,530 |
| Kamweti ATC | 1,512,600 | - | 467,930 | 70,410 | 1,829,104 | 2,367,444 |
| Public Health Services | 26,973,703 | 3,020,100 | 638,092 | 3,707,770 | 4,923,430 | 12,289,392 |
| Kerugoya Referral Hospital | 107,116,635 | 46,514,051 | 20,803,060 | 18,546,360 | 31,837,470 | 117,700,941 |
| Kimbimbi Hospital | 30,217,414 | 13,121,532 | 4,597,930 | 4,262,810 | 4,164,892 | 26,147,164 |
| Kianyaga Hospital | 13,811,742 | 5,997,575 | 2,174,880 | 2,061,990 | 2,511,090 | 12,745,535 |
| Sagana Hospital | 10,071,769 | 4,373,539 | 1,332,500 | 1,139,770 | 1,806,010 | 8,651,819 |
| TOTAL FY 2021/2022) | 485,000,000 | 108,478,321 | 59,904,281 | 105,571,658 | 90,699,464 | 364,653,724 |

Source: County Treasury

Equitable Share Performance

Approved Equitable Share for FY 2021/22 amounted to 5,196,177,952. Total disbursement made by 30th June 2022 amounted to 4,780,483,716 which is 92%.

Performance of Conditional Grants

Total revenues receipts budgeted in 2021/22 from National Government transfers inform of Conditional loans and grants amounted to 573,638,600. By 30th June 2022, the county had accessed 235,552,725 which represents 41%.

2.2 Expenditure Analysis

The County Government total approved FY 2021/22 budget amounts to KES. 7,705,332,107. This includes development allocation of KES. 3,174,272,986 and recurrent allocation of KES 4,531,059,121

FY 2021/22 Approved Budget Estimates

Table 2.3: Approved Budget Estimates FY 2021/22

| | | <i>Approved Budget FY 2021/22 Recurrent</i> | <i>Approved Budget FY 2021/22 Development</i> | TOTAL |
|-------------|--|---|---|----------------------|
| VOTE | DEPARTMENT | KES | KES | KES |
| 3961 | County Assembly | 637,393,333 | 369,568,225 | 1,006,961,558 |
| 3962 | County Executive | 459,738,124 | 143,630,336 | 603,368,460 |
| 3963 | Finance and Economic Planning | 599,770,385 | 2,080,010 | 601,850,395 |
| 3964 | Agriculture, Livestock and Fisheries | 251,714,603 | 795,882,159 | 1,047,596,762 |
| 3965 | Environment, Water and Natural Resources | 102,589,239 | 126,675,566 | 229,264,805 |
| 3966 | Education | 299,814,623 | 22,007,910 | 321,822,533 |
| 3967 | County Health Services | 1,962,276,833 | 958,745,445 | 2,921,022,278 |
| 3968 | Lands, Housing and Urban Development | 28,968,028 | 99,192,631 | 128,160,659 |
| 3969 | Transport and Infrastructure | 77,078,285 | 612,081,564 | 689,159,849 |
| 3970 | Trade, Co-operatives, Tourism Industrialization and Enterprise Development | 42,839,441 | 19,471,788 | 62,311,229 |
| 3971 | Gender and Youth | 46,168,210 | 5,000,000 | 51,168,210 |
| 3972 | Sports, Culture and Social Services | 22,708,017 | 19,937,353 | 42,645,370 |
| | TOTAL | 4,531,059,121 | 3,174,272,986 | 7,705,332,107 |

Source: County Treasury

2.3 Recurrent Expenditure

Total cumulative recurrent expenditure for FY 2021/22 amounted to KES. **4,334,453,653** which represents 96% of the total recurrent budget estimates. The major contributor to the expenditure is the County Health services sector. Total recurrent expenditure for this sector amounts to KES. 1,916,368,984. This indicates a 44% of the total recurrent expenditure in the county. This also represents a 97% expenditure against total approved recurrent expenditure for this sector.

Recurrent expenditure for FY 2021/22 has recorded 266,445,132.11 (7%) increase in recurrent expenditure compared to 2020/21FY.

Recurrent Expenditure per Department 2021/22 FY

Table 2.4: Recurrent Expenditure FY2021/22

| | | Budget FY 2021/22 Recurrent | Annual Expenditure FY2021/22 |
|-------------|--|--|---|
| VOTE | DEPARTMENT | AMOUNT (KES) | AMOUNT (KES) |
| 3961 | County Assembly | 637,393,333 | 637,393,331 |
| 3962 | County Executive | 459,738,124 | 450,822,966 |
| 3963 | Finance and Economic Planning | 599,770,385 | 485,725,739 |
| 3964 | Agriculture, Livestock and Fisheries | 251,714,603 | 241,201,300 |
| 3965 | Environment, Water and Natural Resources | 102,589,239 | 101,846,205 |
| 3966 | Education | 299,814,623 | 297,252,518 |
| 3967 | County Health Services | 1,962,276,833 | 1,916,368,984 |
| 3968 | Lands, Housing and Urban Development | 28,968,028 | 28,097,438 |
| 3969 | Transport and Infrastructure | 77,078,285 | 76,493,708 |
| 3970 | Trade, Co-operatives, Tourism Industrialization and Enterprise Development | 42,839,441 | 40,219,338 |
| 3971 | Gender and Youth | 46,168,210 | 37,436,829 |
| 3972 | Sports, Culture and Social Services | 22,708,017 | 21,595,291 |
| | TOTAL | 4,531,059,121 | 4,334,453,653 |

Source: County Treasury

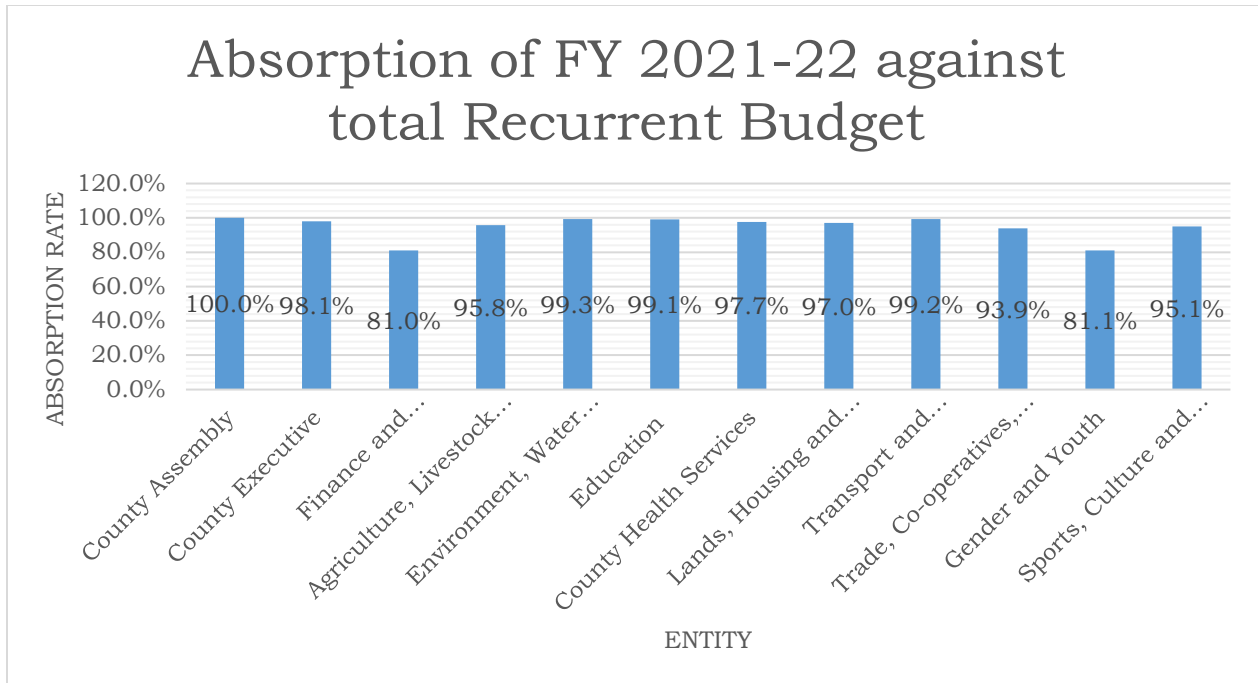


Figure 2.1: Absorption Rates Recurrent FY 2021/22

Comparison between Recurrent expenditures for FY 2021/22 and 2020/21 FY

Table 2.5 Comparison between Recurrent expenditures for FY 2021/22 and 2020/21 FY

| DEPARTMENT | Annual Recurrent Expenditure FY 2020-21 | Annual Recurrent Expenditure FY 2021-22 |
|---|---|---|
| County Assembly | 662,451,112 | 637,393,331 |
| County Executive | 456,591,005 | 450,822,966 |
| Finance and Economic Planning | 473,331,086 | 485,725,739 |
| Agriculture, Livestock and Fisheries | 188,701,445 | 241,201,300 |
| Environment, Water and Natural Resources | 101,747,655 | 101,846,205 |
| Education | 244,964,375 | 297,252,518 |
| County Health Services | 1,727,749,123 | 1,916,368,984 |
| Lands, Housing and Urban Development | 28,585,928 | 28,097,438 |
| Transport and Infrastructure | 77,933,952 | 76,493,708 |
| Trade, Co-operatives, Tourism Industrialization and Enterprise Development | 42,062,897 | 40,219,338 |
| Gender and Youth | 45,506,659 | 37,436,829 |
| Sports, Culture and Social Services | 18,383,284 | 21,595,291 |
| TOTAL | 4,068,008,521 | 4,334,453,653 |

Source: County Treasury

2.4 Development Expenditure

Development expenditure for the period under review amounted to KES. **1,623,487,753**. This is an increase in expenditure compared to a similar period in 2020/21FY which recorded development expenditure amounting to KES **1,444,983,610**.

Development Expenditure by Department

Table 2.6 Development Expenditure by Department

| | | <i>Approved Budget</i> | <i>Annual Expenditure</i> |
|-------------|--|------------------------|---------------------------|
| | | <i>FY 2021/22</i> | <i>FY 2021/22</i> |
| | | <i>Development</i> | |
| | ENTITY | AMOUNT (KES) | AMOUNT (KES) |
| 3961 | County Assembly | 369,568,225 | 274,891,923 |
| 3962 | County Executive | 143,630,336 | 73,109,322 |
| 3963 | Finance and Economic Planning | 2,080,010 | - |
| 3964 | Agriculture, Livestock and Fisheries | 795,882,159 | 269,924,298 |
| 3965 | Environment, Water and Natural Resources | 126,675,566 | 18,025,591 |
| 3966 | Education | 22,007,910 | 8,688,034 |
| 3967 | County Health Services | 958,745,445 | 535,143,597 |
| 3968 | Lands, Housing and Urban Development | 99,192,631 | 4,500,000 |
| 3969 | Transport and Infrastructure | 612,081,564 | 428,966,187 |
| 3970 | Trade, Co-operatives, Tourism Industrialization and Enterprise Development | 19,471,788 | 5,020,958 |
| 3971 | Gender and Youth | 5,000,000 | 1,494,000 |
| 3972 | Sports, Culture and Social Services | 19,937,353 | 3,723,844 |
| | TOTAL | 3,174,272,986 | 1,623,487,753 |

Source: County Treasury

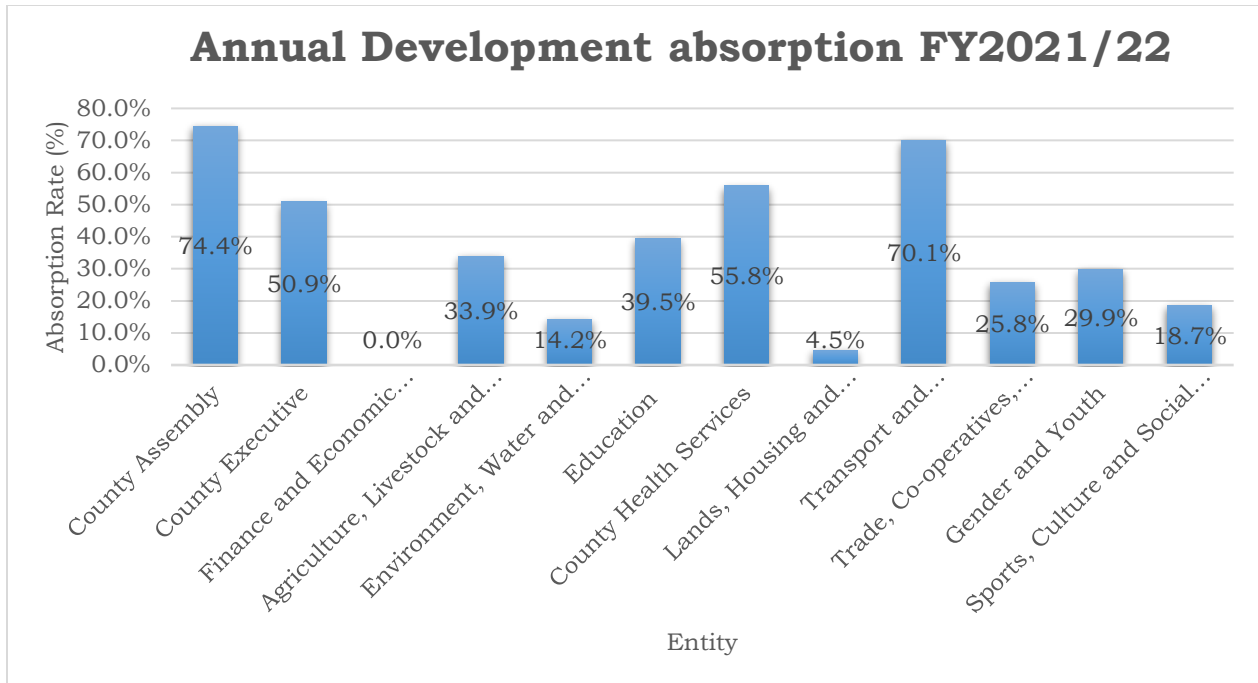


Figure 2.2 Development Absorption Rates FY 2021/22

Comparison on Development Expenditure for FY2020-21 and FY2021-22

Table 2.7 Comparison on Development Expenditure for FY2020-21 and FY2021-22

| VOTE | DEPARTMENT | Annual Development Expenditure FY2020-21 | Annual Development Expenditure FY2021-22 |
|-------------|--|--|--|
| 3961 | County Assembly | 169,292,492 | 274,891,923 |
| 3962 | County Executive | 106,467,302 | 73,109,322 |
| 3963 | Finance and Economic Planning | 17,853,506 | - |
| 3964 | Agriculture, Livestock and Fisheries | 169,446,425 | 269,924,298 |
| 3965 | Environment, Water and Natural Resources | 83,902,956 | 18,025,591 |
| 3966 | Education | 30,936,429 | 8,688,034 |
| 3967 | County Health Services | 462,861,490 | 535,143,597 |
| 3968 | Lands, Housing and Urban Development | 42,716,526 | 4,500,000 |
| 3969 | Transport and Infrastructure | 326,443,068 | 428,966,187 |
| 3970 | Trade, Co-operatives, Tourism Industrialization and Enterprise Development | 11,011,599 | 5,020,958 |
| 3971 | Gender and Youth | 8,642,450 | 1,494,000 |
| 3972 | Sports, Culture and Social Services | 15,409,367 | 3,723,844 |

| | | |
|--------------|----------------------|----------------------|
| TOTAL | 1,444,983,610 | 1,623,487,753 |
|--------------|----------------------|----------------------|

Source: County Treasury

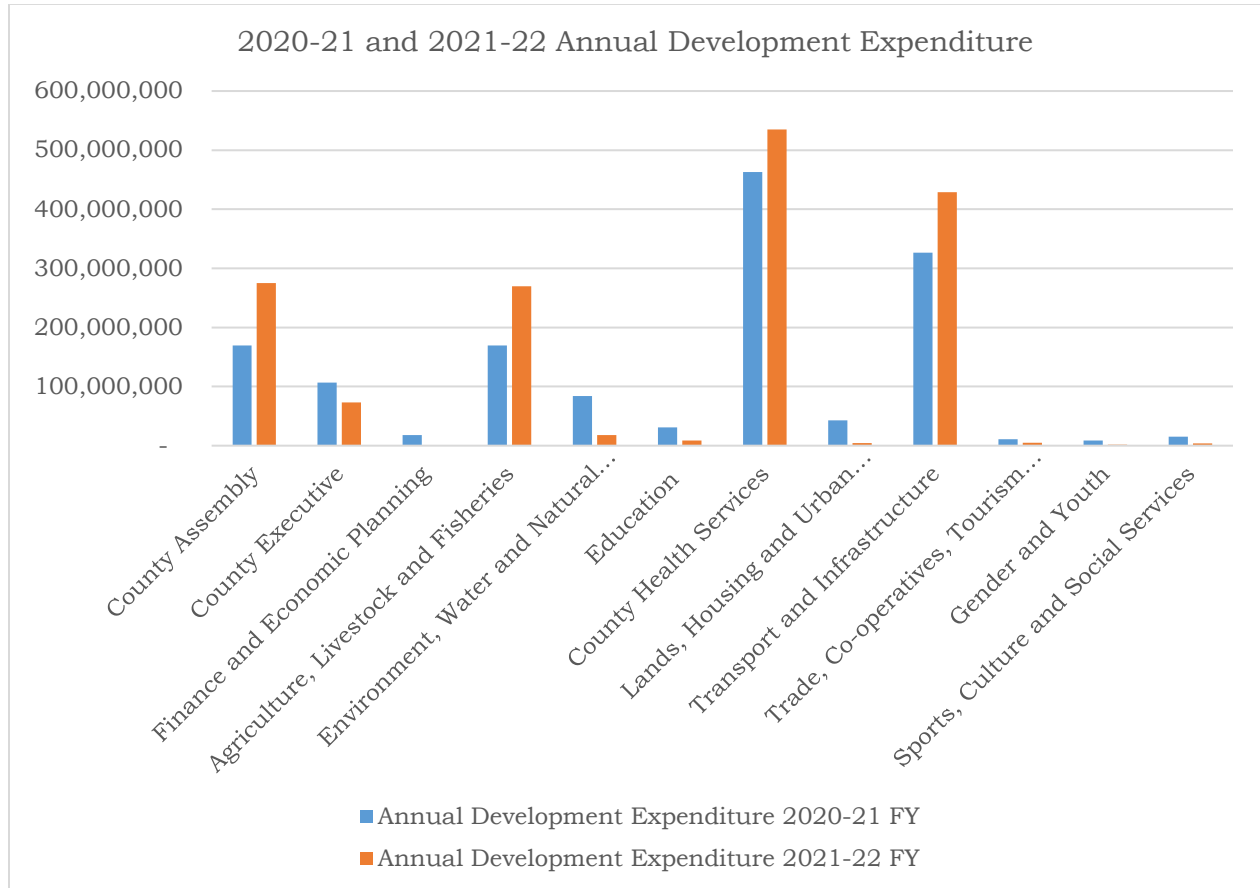


Figure 2.3 2020-21 and 2021-22 Annual Development Expenditure

3 RECENT ECONOMIC DEVELOPMENT AND OUTLOOK

3.1 Recent Economic Development

The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020. This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector. In the first quarter of 2022, the economy expanded further by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021. The strong performance was supported by continued recovery in manufacturing, transport and storage, accommodation and food services, wholesale and retail trade, Professional, administration and support services and financial and insurance.

Agricultural Sector

Activities in agriculture, forestry and fishing sector remained subdued in the first quarter of 2022 mainly attributed to depressed rainfall during the fourth quarter of 2021 as well as delayed onset of rains during the first quarter of 2022, thereby leading to reduced agricultural production. The sector is estimated to have contracted by 0.7 percent in the first quarter of 2022 compared to 0.4 percent growth in the first quarter of 2021. The poor performance of the sector was mainly due to the significant decline in horticultural exports and tea production. The sector's performance was however cushioned from a steeper slump by the increase in production of cane, milk, and coffee. The sector's contribution to GDP growth was -0.1 percentage points in the first quarter of 2022 compared to 0.1 percentage points contribution in the same quarter in 2021

Service and Industry Sectors

The performance of the industry sector improved to a growth of 4.4 percent in first quarter of 2022 compared to a growth of 3.9 percent in the same quarter in 2021. This was mainly on account of improved performance of the manufacturing

activities despite a slowdown in the electricity and water supply and construction sub-sectors. The industry sector accounted for 0.7 percentage points of growth in the first quarter of 2022 compared to 0.6 percentage point contribution to GDP in the first quarter of 2021.

The recovery of activities in the services sector continued in the first quarter of 2022. The sector grew by 9.1 percent in the first quarter of 2022 compared to a growth of 3.2 percent in the same quarter in 2021. The strong growth was largely characterized by significant recovery in transportation and Storage (8.1 percent), accommodation and food services (56.2 percent) and Professional, Administrative and Support Services

Inflation

The year-on-year inflation rate increased to 8.5 percent in August 2022 (above the 7.5 percent upper bound) from 6.6 percent in August 2021 mainly due to higher food and fuel prices. This increase was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices. Additionally, the waiver of import duties and levies on white maize and the reduction in VAT on LPG will further moderate domestic prices.

Overall annual average inflation remained within Government target range at 6.6 percent in August 2022 compared to the 5.7 percent recorded in August 2021

3.2 County Economic Development and Outlook

3.3 Medium Term Economic Outlook

National Outlook

Nationally, leading indicators of economic activity show continued strong performance in the second quarter of 2022, supported by strong activity in transport and storage, wholesale and retail trade, construction, information and communication, and accommodation and food services. As such, the economy is expected to remain robust at 5.5 percent in 2022, with continued strong performance of the services sector despite the downside risks to global growth. Growth is expected to remain resilient growing by 5.8 percent in FY 2022/23 and averaging 6.2 percent over the medium term. This will be supported by a broad-

based private sector growth, including recoveries in agriculture while the public sector consolidates. This outlook will be reinforced by the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda and the Economic Recovery Strategy. Additionally, the Government is implementing the third phase of the Economic Stimulus Programs that target strategic interventions in agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation.

County Outlook

The County's economic growth will largely be shaped by performance in the national outlook. Recovery in national and global economies will ensure favorable local and International markets for locally produced goods especially the coffee, tea, rice and horticultural sectors holds key to the county's economic growth prospects.

The local economy will further be strengthened from investments by the County Government under Wezesha Program in agriculture value chain development in the Prioritized Value Chains namely; dairy, poultry, avocado and Tomato, rice,. The county government through Kirinyaga Investment Development Authority is playing key roles to consolidate investment and marketing opportunities in the agribusiness sector to guarantee good prices for farmers.

These efforts will also be supported by continued implementation of the National Governments Big Four plan of sustained investment in infrastructure, strong agricultural production due to improved weather conditions, buoyant services sector.

Risk to the Economic Outlook

Risks facing the country's economy will also affect the county's economic performance. These factors includes;

Emergence of new Omicron COVID-19 variants may occasion restrictive measures. Reliance on rain fed agriculture also poses a risk to this outlook. Potential risk of prolonged drought can result to decrease in own revenue collections as well as curtailing the purchasing power of the residents. However, the government continues to allocate more resources to sustainable farming methods by providing more connections for irrigation water.

Expenditure pressures especially high recurrent expenditures pose fiscal risks. The county is going to maintain a sustainable recurrent expenditure by strictly adherence to austerity measures and free more resources to development expenditure over the medium term.

4 RESOURCE ALLOCATION FRAMEWORK

4.1 Overview

This section establishes the resource envelope the county expects and how it will be allocated across all the sectors for FY 2023/24 and MTEF.

4.2 Implementation of 2022/23FY Budget

Implementation of FY2022/23 budget is underway but slow in implementation due to delays in releasing of disbursement of revenues from national government transfers.

The budget has allocated resources to key areas to unlock economic growth by investing in key infrastructural development, supporting growth in agriculture sector through value chain development, huge investments towards improvement of health services infrastructure.

Total Budget for FY2022-23 amounts to KES. 6,551,484,771. This includes recurrent allocation of KES. 4,650,262,727 (70%) and development allocation of KES. 1,901,222,044 (30%). This is Financed by Equitable Share; Own Source Revenue, Additional Allocations.

The County Governments Additional Allocation of Revenue Bill 2022/23 which is still under consideration by parliament contains allocations which are not in approved budget. Once the bill is assented to, necessary amendments shall be done in consequent supplementary budget during implementation of 2022/23 budget.

It is projected that revenue from Equitable Share will remain as targeted and as contained in County Allocation of Revenue Act (Acts. No. 19) 2022.

Additional Allocations from County Governments Additional Allocation of Revenue Bill

Table 4.1 Additional Allocations from County Governments Additional Allocation of Revenue Bill

| DETAILS | Allocation by County Governments Additional Allocation of Revenue Bill |
|--|--|
| NARIGP | 344,612,512 |
| DANIDA | 8,937,800 |
| ASDSP II | 9,324,972 |
| Financing Locally-led Climate Action(FLLoCA) Institutional Support Grant | 22,000,000 |
| TOTAL | 362,875,284 |

Source: National Treasury

4.3 FY 2023/24 Budget and Medium Term Expenditure Framework

Resource allocations in various sectors will be anchored in the Third Generation County Integrated Development Plan (2023-2027) which is under preparation and will be presented to county assembly for approval. Resources will continue to be allocated towards sectors with potential for job and employment creation. Towards this end focus will be to build on the progress achieved especially in Agricultural value chain development, transport infrastructure development, health services to spur economic growth in the county.

The plan will also ensure alignment of the priority areas to the national development agenda captured in Fourth Medium Term Plan

The main priority areas for this period will be the following areas;

- Building on gains achieved during implementation of Wezesha Program period by supporting economic growth through agricultural value chain development. The government will support the crop and animal value chains in the implementation of Wezesha Program. The government will increase efforts in gaining market for crop and animal products from the county.
- In order to foster economic growth in the county, the county government realizes that infrastructure is a key enabler. Towards this, resources will

continue to be channeled towards infrastructure development. These will include upgrade of access roads to be implemented across the county, paving of areas and major towns will continue, rehabilitation of access roads will also be continued across the county.

- Increasing access to affordable health services. A lot of health infrastructure has been put in place adding to the services available in county health facilities. In addition, more progress is expected towards the ongoing development of Kerugoya Referral Hospital medical complex towards equipping. Further, a lot of focus will also be given on efficiency in service delivery in other health facilities through provision of health equipment and systems to avail a wide range of services offered.
- Improvement of water distribution infrastructure by funding various water projects, ensuring clean and habitable environment. More effort will be put in building on the progress achieved on waste management and water connectivity and distribution.

4.4 Revenue Projections

The realization of revenue targets for the medium term will depend on efforts towards increased own source revenue collection as well as county's adherence to fiscal responsibilities principles.

For this to be achieved, it is assumed that;

- i. There will be increased economic activities in the country and therefore contributing to the growth in GDP over the medium term period;
- ii. There will be improved revenue collection due to diversification of revenue sources and enhancement of revenue collection;

iii. There will be favorable weather conditions for agribusiness which is the back bone of Kirinyaga county's economy

Medium Term Fiscal Projections

Table 4.2 Medium Term Fiscal Projections

| DETAILS | Projections | | |
|--|--|----------------------|----------------------|
| | 2022-23 Approved Budget | FY2023-24 | FY2024-25 |
| Revenue (Total) | 6,551,484,771 | 5,696,177,952 | 5,696,177,952 |
| Equitable Share | 5,196,177,952 | 5,196,177,952 | 5,196,177,952 |
| Own Source Revenue | 500,000,000 | 500,000,000 | 500,000,000 |
| Grants | 708,461,236 | | |
| Rolled Over Funds | 146,845,583 | | |
| Expenditure (Total) | 6,551,484,771 | 5,696,177,952 | 5,696,177,952 |
| Recurrent | 4,650,262,727 | 3,987,324,566 | 3,987,324,566 |
| Recurrent as percentage of Total budget | 70.98% | 70% | 70% |
| Development | 1,901,222,044 | 1,708,853,386 | 1,708,853,386 |
| Development as percentage of Total budget | 29.02% | 30.0% | 30.0% |

Source: County Treasury

Revenue projections excludes conditional grants which are appropriated annually by parliament through the County Allocation of Revenue Acts. The Act appropriating grants for 2023/24 will be released later during 2022/23FY.

Indicative Department Ceilings

Table 4.3 Indicative Department Ceilings 2023-24FY

| | | | | | | | Projected Allocations | |
|---|-------------|-----------------------|-------------|-----------------------|---------------------|-------------------------------------|------------------------------|------------|
| Approved Budget 2022/23 FY Budget | | | | | | | 2023-24 FY Budget | |
| | REC | % of Total REC | DEV | % of Total DEV | TOTAL Budget | % allocation of Total Budget | REC | DEV |
| County Assembly | 580,207,279 | 12.5% | 146,845,583 | 7.7% | 727,052,862 | 11.10% | 12.48% | 7.72% |
| County Executive | 517,808,124 | 11.1% | 205,393,333 | 10.8% | 723,201,457 | 11.04% | 11.14% | 10.80% |
| Finance and Economic Planning | 561,745,241 | 12.1% | 15,000,000 | 0.8% | 576,745,241 | 8.80% | 12.08% | 0.79% |
| Agriculture, Livestock and Fisheries | 220,077,656 | 4.7% | 778,461,236 | 40.9% | 998,538,892 | 15.24% | 4.73% | 40.95% |
| Environment, Water and Natural Resources | 108,489,239 | 2.3% | 35,200,000 | 1.9% | 143,689,239 | 2.19% | 2.33% | 1.85% |
| Education | 375,033,405 | 8.1% | 4,000,000 | 0.2% | 379,033,405 | 5.79% | 8.06% | 0.21% |

| | | | | | | | | |
|---|----------------------|-------|----------------------|-------|----------------------|--------|--------|--------|
| County Health Services | 2,064,199,802 | 44.4% | 344,339,473 | 18.1% | 2,408,539,275 | 36.76% | 44.39% | 18.11% |
| Lands, Housing and Urban Development | 33,968,028 | 0.7% | 18,333,333 | 1.0% | 52,301,361 | 0.80% | 0.73% | 0.96% |
| Transport and Infrastructure | 77,018,285 | 1.7% | 308,182,419 | 16.2% | 385,200,704 | 5.88% | 1.66% | 16.21% |
| Trade, Co-operatives, Tourism Industrialization and Enterprise Development | 42,839,441 | 0.9% | 5,666,667 | 0.3% | 48,506,108 | 0.74% | 0.92% | 0.30% |
| Gender and Youth | 46,168,210 | 1.0% | 37,333,333 | 2.0% | 83,501,543 | 1.27% | 0.99% | 1.96% |
| Sports, culture & Social Services | 22,708,017 | 0.5% | 2,466,667 | 0.1% | 25,174,684 | 0.38% | 0.49% | 0.13% |
| TOTAL | 4,650,262,727 | | 1,901,222,044 | | 6,551,484,771 | | | |

Source: County Treasury

5 CONCLUSION AND WAY FORWARD

The FY2023/24 and the medium term budget will be prepared on background of a recovering of domestic economy. The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to its diversified nature and the proactive measures by the National Government to cushion the vulnerable, support businesses and accelerate economic recovery.

Effective and efficient utilization of funds will be crucial in ensuring that the county deliver on its functions. Noting the tight resource envelop, the County Government will continue with a strategy to ensure that the budget is strictly followed and service delivery is prioritized to achieve the set objectives. The resource ceilings projected in this document should guide the departments to prioritize the key productive activities contained in the Annual Development Plan to ensure consistency in the development interventions of the County.

Economic growth in the county will continue to be supported by implementation of strategic interventions as will be contained in Third Generation County Integrated Development Plan 2023-2027.

In order for continued fiscal discipline, the County Government will continue to entrench the fiscal responsibility principles set out in the PFM Act 2012 in making forecasts realistic and reasonable.

The departmental ceilings annexed herewith will guide the departments in preparation of the 2023-24 FY budget and will further be reaffirmed in the next County Fiscal Strategy Paper which shall be the final basis for development of the MTEF period 2023/24-2025/26.