



# COUNTY GOVERNMENT OF ELGEYO MARAKWET

## THE COUNTY TREASURY

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### 2022 COUNTY BUDGET REVIEW AND OUTLOOK PAPER

#### (CBROP)

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**SEPTEMBER 2022**

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## **FOREWORD**

The County Budget Review and Outlook Paper (CBROP) is a policy document that reviews the performance of the previous financial year. This document covers the 2021/2022 financial year. The 2022 CBROP is the ninth after the enactment of devolved governance following the implementation of Constitution of Kenya, 2010. It presents the fiscal framework which provides a strong basis for building a common future regarding Fiscal discipline and accountability.

The CBROP presents the fiscal outcome for 2021/2022 FY. It is one of the budget policies documents that enhances financial discipline and fiscal responsibilities within the county's financial management framework as provided for in the Public Finance Management Act (PFM) Act, 2012. Further, the county is committed to ensuring that there is transparency and accountability by providing feedback on the county's performance indicators as required by the Constitution of Kenya, 2010, the Public Finance Management Act, 2012 and County Public Finance Management Regulations Act, 2015.

Fiscal discipline will seek to ensure that the county's programs, sub-programs and development priorities work harmoniously towards ensuring sustainable economic growth and development. This will further lead to socio-economic wellbeing of county citizens.

The initiatives also work toward improving the residents' livelihoods by instituting mechanisms that enhance financial efficiency and effectiveness. The county is committed to maintaining the trend of economic growth and development as desired by the residents.

The county government is also committed to national and international plans such as the Big Four Agenda, the Kenya Vision 2030 and attainment of Sustainable Development Goals (SDGs). The period under review saw strides and initiatives that guided the county towards realization of its vision and goals.



**PAUL CHEMMUTTUT**

**COUNTY SECRETARY/HEAD OF PUBLIC SERVICE**

## **ACKNOWLEDGEMENTS**

The development of this County Budget Review and Outlook Paper (CBROP) received valuable input from all the departments. It was prepared with the support and dedication of county officers. This is to appreciate their efforts, which culminated in the production of this document.

Special appreciation goes to CECM Finance and Economic Planning and Director Economic Planning and Budgeting for their roles in leading a technical team of officers from the Economic Planning Directorate in preparing this document.

I am confident that the county will find this CBROP document a valuable means to enhancing transparency, accountability, service provision and successful implementation of programs in the Medium Term.



**LORETA KOTUT**

**CHIEF OFFICER, ECONOMIC PLANNING & BUDGETING**

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## **ABBREVIATIONS AND ACRONYMS**

ADP	Annual Development Plan
ASDSP	Agricultural Sector Development Support Programme
CBROP	County Budget Review and Outlook Paper
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
COB	Controller of Budget
COVID-19	CoronaVirus Disease 2019
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish International Development Agency
EDA	Equitable Development Act
FIF	Facility Improvement Fund
FY	Financial Year
KDSP	Kenya Devolution Support Programme
KUSP	Kenya Urban Support Programme
MTEF	Medium-Term Expenditure Framework
OSR	Own Source Revenue
PFMA	Public Financial Management Act
POS	Point of Sale Services
PPP	Public Private Partnership
RLMF	Road Levy Maintenance Fund
SDGs	Sustainable Development Goals
SRC	Salaries and Remunerations Commission

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background**

This is the 9<sup>th</sup> Budget Review and Outlook Paper (BROP) to be prepared by the Elgeyo Marakwet County as provided for under the Public Financial Management Act, 2012 section 118. In line with the law, the CBROP contains a review of the fiscal performance of the financial year 2021/2022, updated macroeconomic forecast and the experiences in the implementation of the budget estimates for financial year 2021/2022.

### **1.2 Legal Framework for the Publication of the Budget Review and Outlook Paper**

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

1. The County Treasury shall;
  - a. Prepare a County Budget Review and Outlook Paper in respect of the County for each of the financial year and
  - b. Submit the paper to the County Executive Committee by 30<sup>th</sup> September of that year.
2. The Budget Review and Outlook Paper shall include:
  - a. 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 any changes in the forecasts compared with the County Fiscal Strategy Paper; and 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;
  - 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 Public Financial Management Law**

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

1. The County government's expenditure shall not exceed its total revenue.
2. Over the medium term a minimum of 30% of the county government's budget shall be allocated to development expenditure.
3. The county government's expenditure on wages and benefits to employees shall not exceed 35 percent of the total revenue by regulations.
4. Over the medium term, the government's borrowings shall only be used only for the purpose of financing development expenditure only; and short-term borrowings shall only be restricted to management of cash flows and shall not exceed five (5%) of most recent audited county government revenue.
5. The County debt shall be maintained at a sustainable level as approved by the County assembly.
6. Fiscal Risks shall be managed prudently.
7. 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 future.

As will be shown in the subsequent chapters of this document, the county government has laid strategies to comply with these principles and legal requirements.

### **1.3 Objectives of CBROP**

The objective of the 2022 CBROP is to provide a review of the previous fiscal performance in the financial year 2021/2022 and how this impacts the financial objectives and fiscal responsibility principles set out in the last Fiscal Strategy Paper (CFSP), 2021. This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of any supplementary estimates and the broad fiscal parameters underpinning the next budget and the medium term. The CBROP will be a key document in linking policy, planning and budgeting. PFMA ,2012 has set high standards for compliance with the MTEF budgeting process.

## CHAPTER TWO

### REVIEW OF FISCAL PERFORMANCE IN FY 2021/22

#### 2.1 Overview

The 2022 CBROP is based on the priorities and emerging challenges in the county. Prioritization of resource allocation was based on the County Integrated Development Plan (CIDP) 2018-2022, broad development policies of the County Government, short term as well as the medium-term priorities identified during the County-wide public consultative forums held across the county, captured in the Annual Development Plan and eventual Programme Based Budget for FY 2021/2022.

#### 2.2 Overview of Fiscal Performance in FY 2021/22

During the period under review, the county government had a total budget of Ksh.6,554,391,861 which comprised Ksh. 3,699,123,040 as recurrent budget and Ksh 2,855,268,821 as development budget.

Table 1 presents the overview of the fiscal performance of the county during the financial year 2021/2022.

*Table 1: Fiscal outturn in FY 2021/22*

Receiver/ Item	Total Funding Approved Estimates 2021/2022	Adjustments	Total Funding Revised Estimates 2021/2022
	KShs.	KShs.	KShs.
<b>4409001101 Equitable Share</b>			
9910301 Transfers from CRF A/C to County Ministries	4,606,532,480	-	4,606,532,480
<b>9910300 Exchequer Provisions</b>	<b>4,606,532,480</b>	<b>-</b>	<b>4,606,532,480</b>
<b>4409001401 World Bank</b>			
1310101 Current Grants from Foreign Governments	37,021,153	-	37,021,153
1310102 Capital Grants from Foreign Governments	534,795,683	97,838,667	632,634,350
<b>1310100 Grants from Foreign Governments - Cash Through Exchequer</b>	<b>571,816,836</b>	<b>97,838,667</b>	<b>669,655,503</b>
<b>4409001402 DANIDA</b>			
1310101 Current Grants from Foreign Governments	8,555,250	-	8,555,250
<b>1310100 Grants from Foreign Governments - Cash Through Exchequer</b>	<b>8,555,250</b>	<b>-</b>	<b>8,555,250</b>

Receiver/ Item	Total Funding Approved Estimates 2021/2022	Adjustments	Total Funding Revised Estimates 2021/2022
	KShs.	KShs.	KShs.
<b>4409001501 Other Grants &amp; Loans</b>			
1310101 Current Grants from Foreign Governments	-	10,000,000	10,000,000
1310102 Capital Grants from Foreign Governments	23,843,630	-	23,843,630
<b>1310100 Grants from Foreign Governments - Cash Through Exchequer</b>	<b>23,843,630</b>	<b>10,000,000</b>	<b>33,843,630</b>
<b>4409001601 Returned CRF Issues</b>			
9910201 Exchequer Releases/ Receipts / Provisioning Account	1,275,368,624	(305,663,626)	969,704,998
<b>9910200 General Provisions</b>	<b>1,275,368,624</b>	<b>(305,663,626)</b>	<b>969,704,998</b>
<b>Total Revenues from Other Sources</b>	<b>6,486,116,820</b>	<b>(197,824,959)</b>	<b>6,288,291,861</b>
<b>County Own Revenue</b>	<b>166,100,00</b>	<b>100,000,000</b>	<b>266,100,000</b>
<b>Total Revenues for County 4409000000 Elgeyo/Marakwet County - County Revenue Fund for All Sources</b>	<b>6,652,216,820</b>	<b>(97,824,959)</b>	<b>6,554,391,861</b>

Source: Departmental reports (Accounting Services Directorate)

## 2.3 Revenue Performance

### 2.3.1 Internal Revenue

Total actual internal revenue realized by the county government amounted to Ksh 162,252,071 against a target of Ksh 266,100,000. The local revenue target was not met in the financial year 2021/22 which is a decrease compared to the previous year. The targets were not achieved due to the outbreak of COVID 19 Pandemic which led to disturbance of the business operating environment i.e. restricted movements, reduced business working hours, business closures amongst others. Table 2 presents the breakdown of internal revenue realized during the financial year 2021/22.

**Table 2: Internal Revenue Break down FY 2021/22**

Revenue Sources	Approved Estimates (Net)	Actual Ksh (Net)	Variance	Percent of Total (%)
Animal Stock auction fees	1,360,350	976,688	383,662	71.80%
Produce and other cess	19,149,304	10,815,416	8,333,888	56.48%
Single Business Permit	13,032,200	9,186,598	3,845,602	70.49%

Revenue Sources	Approved Estimates (Net)	Actual Ksh (Net)	Variance	Percent of Total (%)
Single business permit-Liquor license	2,500,392	1,662,512	837,880	66.49%
Lands Rates/Plot Rent	3,610,318	3,215,340	394,978	89.06%
Bus park/motorcycle fees	1,910,890	1,117,810	793,080	58.50%
Trade applications fees	1,471,000	511,420	959,580	34.77%
Slaughter fees	1,730,500	239,534	1,490,966	13.84%
House rent/stall/ground	1,436,927	678,600	758,327	47.23%
Conservancy fees	150,550	215,800	65,250	143.34%
Plan approval fees	-	55,100	55,100	0.00%
Clearance fees	50,000	7,665	42,335	15.33%
Hide and skins	1,103,580	2,021,380	917,800	183.17%
Promotion/advert	50,000	-	50,000	0.00%
Hire of road field	218,230	-	218,230	0.00%
Trade	185,000	9,500	175,500	5.14%
Fines	810,000	83,428	726,572	10.30%
FI Funds	200,000,000	118,102,290	81,897,710	59.05%
VSD Funds	-	864,595	864,595	0.00%
Water Department	1,519,688	68,100	1,451,588	4.48%
Health Services-Public Health	3,013,975	2,187,200	826,775	72.57%
Youth Affairs and sports	-	-	-	0.00%
Agriculture	-	-	-	0.00%
Tourism	1,056,923	188,850	868,073	17.87%
Market fees and others	4,322,923	3,443,391	879,532	79.65%
Recoveries	-	574,170	574,170	0.00%
Others	7,417,250	6,026,684	1,390,566	81.25%
<b>TOTALS</b>	<b>266,100,000</b>	<b>162,252,071</b>	<b>103,847,929</b>	<b>60.97%</b>

Source: Departmental reports (Revenue Directorate)

### 2.3.2 External Revenue

For the period under review, the county was allocated an equitable share amounting to Kshs 4,606,532,480 from the national government. Table 3 shows external revenue breakdown from the national government and donors.

**Table 3: External Revenue Performance Report FY 2021/22**

REVENUE SOURCE	Approved 1ST SUPP FY 21/22	Actual Disbursement (KSH)	Variance	Percentage
CRA Equitable Share	4,606,532,480	4,238,009,884	368,522,596	92.00%
Local Revenue	266,100,000	162,252,071	103,847,929	60.97%
Balance B/F (Roll over funds)	969,704,998	969,704,998	-	100.00%
Nutrition International	10,000,000	5,000,000	5,000,000	50.00%
DANIDA Universal Health Care	8,555,250	4,277,625	4,277,625	50.00%
World Bank-Transforming Health Systems	37,021,153	36,633,382	387,771	98.95%
World Bank-Kenya Informal Settlement Improvement Project (KISIP II)	50,000,000	-	50,000,000	0.00%
World Bank- Emergency Locust Response Project (ELRP)	47,838,667	17,626,781	30,211,886	36.85%
World Bank-Kenya Climate Smart Agriculture Project (KCSAP)	350,000,000	158,523,596	191,476,404	45.29%
Sweden-Agriculture Sector Development Support Programme (ADSP)	23,843,630	11,920,195	11,923,435	49.99%
World Bank-Kenya Development Support Programme (KDSP) Level 2	184,795,683	184,795,683	-	100.00%
<b>TOTAL REVENUE</b>	<b>6,554,391,861</b>	<b>5,788,744,216</b>	<b>765,647,645</b>	<b>88.32%</b>

Source: Departmental reports (Accounting Services Directorate)

### 2.4 Expenditure Performance

The total expenditure for the period under review amounted to Ksh 5,104,429,477 against approved supplementary budget of Ksh 6,554,391,861 representing an under spending of Kshs 1,449,962,384 which translates under absorption of 22.1%

**Table 4: Aggregate Expenditure**

<b>DEPARTMENT</b>	<b>Recurrent</b>	<b>Development</b>	<b>Budget Total</b>	<b>Actual Expenditure Total</b>	<b>Balance</b>	<b>% On Total Expenditure</b>
County Assembly	593,254,972	-	593,254,972	591,874,955	1,380,017	99.8%
Governor's Office	166,850,666	-	166,850,666	162,514,484	4,336,182	97.4%
Finance and Economic Planning	260,334,663	-	260,334,663	226,147,051	34,187,612	86.9%
Agriculture and Irrigation	93,458,495	693,222,007	786,680,502	375,023,520	411,656,982	47.7%
Education & Technical Training	293,659,070	201,779,459	495,438,529	370,668,219	124,770,310	74.8%
Health and Sanitation Services	1,685,867,002	494,350,971	2,180,217,973	1,770,714,622	409,503,351	81.2%
Water, Lands and Physical Planning	95,158,451	515,548,353	610,706,804	427,547,948	183,158,856	70.0%
Roads, Transport & Public Works	136,697,140	633,906,757	770,603,897	591,778,616	178,825,281	76.8%
Trade, Tourism & Industrialization	37,977,361	20,350,729	58,328,090	50,337,296	7,990,794	86.3%
Youth, Sports, ICT and Gender	44,914,178	117,100,011	162,014,189	130,415,186	31,599,003	80.5%
Public Service Management	130,707,019	24,702,755	155,409,774	135,167,495	20,242,279	87.0%
County Public Service Board	56,644,075	2,500,000	59,144,075	50,089,320	9,054,755	84.7%
Livestock, Fisheries and Cooperatives	100,309,765	155,097,962	255,407,727	222,150,765	33,256,962	87.0%
<b>TOTAL</b>	<b>3,695,832,857</b>	<b>2,858,559,004</b>	<b>6,554,391,861</b>	<b>5,104,429,477</b>	<b>1,449,962,384</b>	<b>77.9%</b>

Source: Departmental reports (Accounting Services Directorate)

### 2.4.1 Recurrent Expenditure

Total Recurrent Expenditure amounted to Kshs 3,507,189,338 against an approved budget of Kshs 3,695,832,857. This represents an absorption rate of 94.9 percent. The table below shows the analysis of the recurrent expenditure

**Table 5: Analysis of the Recurrent Expenditure**

<b>CODE</b>	<b>DEPARTMENT</b>	<b>Approved Supp. Budget Recurrent</b>	<b>Recurrent Expenditure</b>	<b>Balance</b>	<b>% on Total Expenditure</b>
4361	County Assembly	593,254,972	591,874,955	1,380,017	99.77%
4362	Governor's Office	166,850,666	162,514,484	4,336,182	97.40%
4363	Finance and Economic Planning	260,334,663	226,147,051	34,187,612	86.87%
4364	Agriculture and Irrigation	93,458,495	90,373,719	3,084,776	96.70%
4366	Education & Technical Training	293,659,070	272,882,283	20,776,787	92.92%
4367	Health and Sanitation Services	1,685,867,002	1,603,814,298	82,052,704	95.13%
4368	Water, Lands and Physical Planning	95,158,451	92,805,247	2,353,204	97.53%
4369	Roads, Transport & Public Works	136,697,140	123,679,262	13,017,878	90.48%
4371	Trade, Tourism & Industrialization	37,977,361	37,090,422	886,939	97.66%
4372	Youth, Sports, ICT and Gender	44,914,178	42,493,100	2,421,078	94.61%
4373	Public Service Management	130,707,019	116,273,396	14,433,623	88.96%
4374	County Public Service Board	56,644,075	50,089,320	6,554,755	88.43%
4377	Livestock, Fisheries and Co-operatives	100,309,765	97,151,801	3,157,964	96.85%
	<b>TOTAL</b>	<b>3,695,832,857</b>	<b>3,507,189,338</b>	<b>188,643,519</b>	<b>94.90%</b>

Source: Departmental reports (Accounting Services Directorate)

## 2.4.2 Development Expenditure

Total cumulative development expenditure for the period under review amounts to Ksh 1,597,342,229 against an approved supplementary budget of Ksh 2,858,559,004. This reflects an absorption rate of 55.88%. Table 6 shows the breakdown of Development expenditure by departments.

**Table 6: Development Expenditures**

<b>CODE</b>	<b>DEPARTMENT</b>	<b>Approved Supp. Budget Development</b>	<b>Development Expenditure</b>	<b>Balance</b>	<b>% on Total Expenditure</b>
4361	County Assembly	-		-	0.00%
4362	Governor's Office	-	-	-	0.00%
4363	Finance and Economic Planning	-	-	-	0.00%
4364	Agriculture and Irrigation	693,222,007	284,649,801	408,572,206	41.06%
4366	Education & Technical Training	201,779,459	97,785,936	103,993,523	48.46%
4367	Health and Sanitation Services	494,350,971	166,900,324	327,450,647	33.76%
4368	Water, Lands and Physical Planning	515,548,353	334,742,701	180,805,652	64.93%
4369	Roads, Transport & Public Works	633,906,757	468,099,354	165,807,403	73.84%
4371	Trade, Tourism & Industrialization	20,350,729	13,246,874	7,103,855	65.09%
4372	Youth, Sports, ICT and Gender	117,100,011	87,922,086	29,177,925	75.08%
4373	Public Service Management	24,702,755	18,894,099	5,808,656	76.49%
4374	County Public Service Board	2,500,000	-	2,500,000	0.00%
4377	Livestock, Fisheries and Co-operatives	155,097,962	125,101,054	29,996,908	80.66%
	<b>TOTAL</b>	<b>2,858,559,004</b>	<b>1,597,342,229</b>	<b>1,261,216,775</b>	<b>55.88%</b>

Source: Departmental reports (Accounting Services Directorate)

## **2.5 2021/2022 Financing and Balance**

The analysis in Table 6, shows that Ksh. 1,261,216,775 for development was not absorbed in the financial year 2021/2022. This translates to 44.12 % of the total capital allocation.



## **2.6 Implication of FY 2020/21 Fiscal Performance on Fiscal Responsibility Principles and Financial Objectives Contained in the 2021 County Fiscal Strategy Paper**

### **2.6.1 Implications on the financial objectives**

The performance in the FY 2020/21 affected the financial objectives set out in the 2021 County Fiscal Strategy Paper and the Budget for FY 2021/22. Revenue projections and expenditure needed some slight adjustments to reduce chances of generating pending bills at the end of the period.

The main reasons for under-performance were delayed disbursements of funds from the national treasury, electioneering period, COVID-19 pandemic and insecurity along the Kerio Valley.

To curb these, the County Government will focus on:

- Strengthening Intergovernmental Relations to fast track and ensure timely disbursement of funds by the national treasury,
- Capitalizing in County infrastructure and social welfare services in order to unlock the county's potential and improve competitiveness.
- Building the capacity of contractors and suppliers to ensure that they adhere to project/ programme implementation timelines so as to reduce the amounts of pending bills being rolled over to the subsequent financial year
- Strengthening capacity in public financial management to ensure good governance and effective service delivery that will in turn lead to increased absorption of funds.
- Establishing a functional emergency and disaster preparedness unit to mitigate emerging issues such as COVID-19 among others.
- Creating inter-county synergies in order to foster security along the Kerio Valley.

### **2.6.2 Implication on the Fiscal Responsibility Principles**

The implication of the FY 2021/2022 Fiscal Performance on the Fiscal Responsibility Principles was as follows: -

- The County Government will continue to put in place measures to ensure increased revenue collections
- The county will continue to strive to ensure that 30% of the County's allocation expenditure should be development-oriented. The county will continue to work and ensure that this minimum threshold is met.

## CHAPTER THREE

### RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

#### 3.1 Macroeconomic Outlook

The global outlook has deteriorated markedly throughout 2022 amid high inflation, aggressive monetary tightening, and uncertainties from both the war in Ukraine and the lingering pandemic. Soaring food and energy prices are eroding real incomes triggering a global cost-of-living crisis, particularly, for the most vulnerable groups. Growth in the world's three largest economies—the United States, China, and the European Union is weakening with significant spillovers to other countries. At the same time, rising government borrowing costs and large capital outflows are exacerbating fiscal and balance of payments pressures in many developing countries. Against this backdrop, the global economy is now projected to grow between 2.5 and 2.8 per cent in 2022, a substantial downward revision from our previous forecasts released in January and May 2022. While the baseline forecast for 2023 is highly uncertain, most forward-looking indicators suggest a further slowdown in global growth.

The world's largest economies are facing sharp growth slowdowns. In the United States, reduced household purchasing power and tighter monetary policy will drive growth down to 2.3 percent in 2022 and 1 percent in 2023. In China, further lockdowns, and the deepening real estate crisis pushed growth down to 3.3 percent this year. This is the slowest growth margin in more than four decades, excluding the pandemic. And in the Euro area, growth is revised down to 2.6 percent this year and 1.2 percent in 2023, reflecting spillovers from the war in Ukraine and tighter monetary policy.

Many developing countries are fighting an uphill battle to fully recover from the pandemic, with high inflation, rising borrowing costs and the slowdown in the major economies further hurting their growth prospects. Despite the windfall of high commodity prices for the commodity-exporters in Africa and Latin America and the Caribbean, growth remains largely insufficient to mitigate the slack in labor markets.

In Africa, the slowing external demand from the European Union – its main trading partner, representing about 33 percent of African exports – and waning monetary and fiscal support are constraining the recovery. Surging energy prices are benefiting oil-exporting countries, but net energy importers face rising pressures on current and fiscal accounts. Amid elevated levels of debt and rising borrowing costs, several governments are seeking bilateral and multilateral support to finance public investments. In many countries, there is increasing pressure to cut spending or raise taxes. Risks to regional security and domestic stability are rising as frustration mounts over inflation, lack of employment, and economic mismanagement.

East Africa's economic growth is expected to recover to an average of 4.9% in 2022, up from 4.1% posted in 2021 as the region recovers and builds post-Covid-19 resilience through digitalization,

industrialization, economic diversification and consolidation of peace, security, and stability. However, economic growth is constrained by poor infrastructure, unreliable power, low agricultural productivity, poor governance, and lack of market competitiveness.

## **3.2 Medium Term Fiscal Framework**

### **3.2.1 Global Growth Outlook**

The war in Ukraine has triggered a costly humanitarian crisis that demands a peaceful resolution. At the same time, economic damage from the conflict will contribute to a significant slowdown in global growth in 2022 and add to inflation. Fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest.

Global growth is projected to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023. Beyond 2023, global growth is forecast to decline to about 3.3 percent over the medium term. War-induced commodity price increases and broadening price pressures have led to 2022 inflation projections of 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies. This reflects stalling growth in the world's three largest economies—the United States, China and the euro area—with important consequences for the global outlook.

In the United States, reduced household purchasing power and tighter monetary policy will drive growth down to 2.3 percent in 2022 and 1 percent in 2023. In China, further lockdowns, and the deepening real estate crisis pushed growth down to 3.3 percent this year—the slowest in more than four decades, excluding the pandemic. And in the euro area, growth is revised down to 2.6 percent this year and 1.2 percent in 2023, reflecting spillovers from the war in Ukraine and tighter monetary policy.

The economic recovery in sub-Saharan Africa surprised on the upside in the second half of 2021, prompting a significant upward revision in last year's estimated growth, from 3.7 to 4.5 percent. This year, however, that progress has been jeopardized by the Russian invasion of Ukraine which has triggered a global economic shock that is hitting the region at a time when countries' policy space to respond to it is minimal.

The shock compounds some of the region's most pressing policy challenges, including the COVID-19 pandemic's social and economic legacy, climate change, surging oil and food prices and the ongoing tightening of monetary policy in the United States. Hence, the growth momentum for the region has weakened this year with economic activity expected to expand by 3.8 percent. While the economic recovery is projected to accelerate in 2023 to about 4 percent.

### **3.2.2 Domestic Growth Outlook**

The Kenyan economy grew by 6.7% in 2021 after 0.3% contraction in 2020. Growth was driven by services on the supply side and by private consumption on the demand side, both benefiting from supportive policies and eased COVID-19 restrictions. Inflation climbed to 6.1% in 2021 from 5.3% in 2020, reflecting increased input costs.

Growth is projected to decelerate to 5.9% in 2022 and 5.7% in 2023, driven on the demand side by a decline in domestic and external demand caused by lower income and by an increase in food and fuel import costs and on the supply side by tepid economic activity across sectors due to cost-push factors. As the impact of the war in Ukraine is weighing on the global economic recovery from the pandemic. Domestically, a key risk to the outlook is a further worsening of the current drought, which is having a devastating effect on food security and livelihoods in affected parts of the country and is necessitating increased social spending on food assistance. The baseline economic projections assume that below average rains will hamper agricultural performance and account for the downside effects of the ongoing war in Ukraine through increased global commodity prices.

Inflation has recently moved higher to 7.1 percent year-on-year in 2022 as domestic food prices, and fuel prices increased following the surge in global commodity prices due to the war in Ukraine. The full impact of the global oil price and other commodity prices shock on domestic prices has been cushioned by government subsidies which have, however, come at a fiscal cost. In response to the ongoing surge in global commodity prices and supply disruptions that have added to inflationary risks, the base for all monetary policy operations have been increased from 7 to 7.5 percent to anchor inflationary expectations.

In terms of fiscal years, the economy is projected to grow by 5.5 percent in 2022 and 5.2 percent on average in 2023–24. This growth rate will be a moderation following a remarkable recovery in 2021 from the worst economic effects of the pandemic when the country's economy grew by 7.5 per cent, much higher than the estimated average growth in Sub-Saharan Africa of 4 per cent.

### **3.3 Fiscal Risks to the Outlook**

Global and national economic stability highly determine the performance of the county's economy. The global monetary and fiscal impacts are felt by the Kenyan economy and are consequently translated to the counties. The surging drought would hamper agricultural performance. This may greatly affect streams of the county government's own source revenue and thus pose a fiscal risk to the 2022/23 county budget.

The inflation of commodity prices led to drained household financial resources. The declining national revenue performance led to delay in release of funds by National Treasury to county governments in

FY 2021/22; this meant that implementation to county development programmes delayed and thus slowed down the development agenda of the county as manifested by huge amounts of rollover funds and pending bills which have necessitated a supplementary budget to accommodate them in FY 2022/23.

Wage bill is a major risk to the fiscal outlook in the medium-term. The burden that wage-bill weighs on the budget is heavy and it is expected to continue posing fiscal risk to the County Government.

The county is home to Kerio Valley and the frequent attacks from bandits continued to pose great security risks along the Kerio Valley and its environs. The county is prone to natural disasters including landslides, flooding and drought, these disasters pose a huge risk to life and property. The disasters also threaten food security, utilities, road network and public health. Occurrence of such disasters will require huge financial resources and thus pose fiscal risk to the county government.

# **CHAPTER FOUR**

## **RESOURCE ALLOCATION FRAMEWORK**

### **4.1 Adjustment to 2021/22 Budget**

A supplementary budget was prepared to adjust 2021/22 FY budget to take into account adjustments which include: the shortfall in the projected OSR revenue largely attributed increased commodity prices, potential fiscal slippage ahead of general elections and political interference that constrained the various revenue streams in the last half of 2020/21 FY, unrealized funds from performance based conditional grants, re adjustment of the development rollover provisional figures and pending bills.

### **4.2 Medium-Term Expenditure Framework**

Medium-Term Fiscal Framework for the County is geared towards supporting socio-economic empowerment, improvement of health services and expansion of infrastructure as a development enabler. It will also be geared towards recovery from the effects of covid 19 pandemic as well as increased fuel and commodity prices

The 2018-2022 County Integrated development plan (CIDP), third Medium Term Plan together with the Governments' strategic priorities contained in the 'Big Four' Agenda will also guide the 2022/23 budget. Additionally, the Equitable Development Act, 2015 at the county level will continue guiding resource allocation to wards. This can be affirmed by the relevant policies, strategies, and projects that have been incorporated into the Annual Development Plan for 2022/23 as identified by the public during the project/ programme identification and prioritization process taking into account the technical inputs from departments.

The medium-term budget framework for 2021/22- 2024/25 will ensure resources are allocated based on prioritized interventions as identified by the public during the project/ programme identification and prioritization process taking into account the technical inputs from departments together with the macroeconomic outlook of the national and global outlook effects of COVID-19 pandemic recovery and war in Ukraine. The Senate of Kenya successfully passed a 3rd basis allocating revenue among county governments. The formula will now be used for the next 5 financial years. it will also take into consideration the recently third revenue allocation formula, that has the following parameters: population (18%), health (17%), agriculture (10%) urban services (5%) roads (8%) poverty 14%) Basic share (20%) and land areas (8%).

## **4.3 2021/22 Budget Framework**

### **4.3.1 Revenue projections**

The cumulative revenue forecasts for FY 2021/22 including Appropriation in Aid reduced marginally owing to constant equitable share by CRA, reduced conditional grant allocation and constrained OSR performance as a result of shaky fiscal position, extreme weather events and political tensions in the run-up to and following the August elections. The unconditioning of some grants including RLMF and User Fees Foregone means that the programmes initially funded by the same grants reduced significantly.

The County Government was expected to generate revenue amounting to Ksh 266 million from its own local sources which is an increase of Kshs 122 million from the projected local revenue for FY 2020/21. The increase is as a result of increased FIF collections from health facilities; this is attributed to the operationalization of specialized services after installation of machines including renal, radiology and imaging. Also, rebates from NHIF for maternity services have increased health revenues. Administratively, revenue leakages have been sealed after automation at Iten County Referral Hospital. Apart from FIF, the projections from other streams of OSR were maintained due to the negative effects of high cost of living.

### **4.3.2 Expenditure Forecasts**

In pursuing a balanced budget requirement, the County Government has projected that overall expenditure will equal the forecasted county receipts for FY 2022/23. In this regard, the county government's total expenditure will reach Ksh 4.852 billion in the FY 2022/23 (excluding balances carried forward).

Compensation to employees will account for 49.73 percent of the total County budget. Although, this proportion of the County wage bill is still way above the envisaged level of 35 percent of total revenues as recommended in section 25 of the PFM (County Government Regulations) 2015. In trying to adhere to this provision, the County Government has initiated austerity measures including rationalization of staff across the public service for common cadres, recruitment of only key technical competency to replace retiring staff at entry levels.

The marginal growth in County allocation for salaries and wages is mainly on account of the rise in annual increments and harmonization of wages across the public service by the Salaries and Remuneration Commission (SRC). Further, allocation for other recurrent expenditures shall decrease despite the marginal increase in County revenues because of the wage increase and adherence to 30% allocations to development expenditures.

# **CHAPTER FIVE**

## **CONCLUSION AND WAY FORWARD**

### **5.1 Conclusion**

The set of policies outlined in this County Budget Review and Outlook Paper reflects the changing fiscal circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM Act. They are also consistent with the 2018-2022 County Integrated Development Plan (CIDP) and national strategic objectives pursued by the county government as the basis of allocating public resources.

The fiscal outcome for FY 2021/22 had implications of the financial objectives elaborated in the last county fiscal strategy paper approved by the County Assembly in March 2021. The county government continued to struggle with high wage bills, low local revenue collection and increased service delivery demands. This occurrence subdued the county government fiscal policy initiatives and responsibilities.

### **5.2 Way Forward**

The cumulative revenue forecast for FY 2022/23 will increase slightly as the county government plans to engage more development partners and donors. The county's own source revenues are also expected to grow having taken into account the implementation of the new government manifesto which aims at widening the resource base and sealing loopholes on revenue collection. The legislative reviews of the current revenue related laws through the Finance bill, 2021 are also expected to strengthen local revenue base and performance.

The policies and provisional departmental ceilings annexed herewith will guide the county sectors and sub sectors in preparation of the FY 2023/24 budget. These ceilings will form inputs of the next CFSP which will be finalized by the end of February, 2023.



# ANNEXES

## Annex 1: County Government Operations FY 2021/22-2023/24

Sub Sector / Department	2021/22 APPROVED BUDGET			2022/23 APPROVED BUDGET			2023/24 PROJECTIONS		
	Recurrent	Development	Total	Recurrent	Development	Totals	Recurrent	Development	Totals
COUNTY ASSEMBLY	593,254,972	-	593,254,972	662,408,337	-	662,408,337	695,528,754	-	695,528,754
OFFICE OF GOVERNOR	166,850,666	-	166,850,666	187,634,484	600,000	188,234,484	197,646,208	630,000	198,276,208
FINANCE AND ECONOMIC PLANNING	260,334,663	-	260,334,663	226,510,456	-	226,510,456	237,835,979	-	237,835,979
AGRICULTURE AND IRRIGATION	93,458,495	693,222,007	786,680,502	99,199,387	86,639,119	185,838,506	195,130,431	90,971,075	286,101,506
EDUCATION AND TECHNICAL TRAINING	293,659,070	201,779,459	495,438,529	225,275,804	163,939,610	389,215,414	408,676,185	172,136,591	580,812,775
HEALTH AND SANITATION	1,685,867,002	494,350,971	2,180,217,973	1,661,827,955	164,598,801	1,826,426,756	1,917,748,094	172,828,741	2,090,576,835
WATER, LANDS, ENVIRONMENT AND CLIMATE CHANGE	95,158,451	515,548,353	610,706,804	77,059,204	201,254,772	278,313,976	292,229,675	211,317,511	503,547,185
ROADS, PUBLIC WORKS AND TRANSPORT	136,697,140	633,906,757	770,603,897	111,602,092	346,993,362	458,595,454	481,525,227	364,343,030	845,868,257
TOURISM, CULTURE, WILDLIFE, TRADE AND INDUSTRY	37,977,361	20,350,729	58,328,090	37,975,644	8,850,000	46,825,644	49,166,926	9,292,500	58,459,426

Sub Sector / Department	2021/22 APPROVED BUDGET			2022/23 APPROVED BUDGET			2023/24 PROJECTIONS		
	Recurrent	Development	Total	Recurrent	Development	Totals	Recurrent	Development	Totals
YOUTH AFFAIRS, SPORTS, ICT AND SOCIAL SERVICES	44,914,178	117,100,011	162,014,189	43,936,817	70,500,000	114,436,817	120,158,658	74,025,000	194,183,658
PUBLIC SERVICE MANAGEMENT AND COUNTY ADMINISTRATION	130,707,019	24,702,755	155,409,774	239,130,205	26,155,120	265,285,325	278,549,591	27,462,876	306,012,467
COUNTY PUBLIC SERVICE BOARD	56,644,075	2,500,000	59,144,075	44,534,538		44,534,538	46,761,265	-	46,761,265
LIVESTOCK PRODUCTION, FISHERIES AND CO-OPERATIVE DEVELOPMENT	100,309,765	155,097,962	255,407,727	94,216,098	71,929,887	166,145,985	174,453,284	75,526,381	249,979,666
<b>TOTAL</b>	<b>3,695,832,857</b>	<b>2,858,559,004</b>	<b>6,554,391,861</b>	<b>3,711,311,021</b>	<b>1,141,460,671</b>	<b>4,852,771,692</b>	<b>5,095,410,277</b>	<b>1,198,533,705</b>	<b>6,293,943,981</b>

## Annex 2: Total Sector Ceilings for the MTEF Period 2021/22-2023/24

SECTOR	Sub Sector /Department	APPROVED	APPROVED	PROJECTIONS
		2021/2122	2022/23	2023/24
Public Service Administration & Governance	County Assembly	593,254,972	662,408,337	695,528,754
	Office of the Governor & Executive Administration	166,850,666	188,234,484	197,646,208
	Finance & Economic Planning	260,334,663	226,510,456	237,835,979
	Public Service Management and County Administration	155,409,774	265,285,325	278,549,591
	County Public Service Board	59,144,075	44,534,538	46,761,265
Infrastructure	Roads, Transport, Public Works and Energy	770,603,897	458,595,454	481,525,227
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	162,014,189	114,436,817	120,158,658
	Education and Technical Training	495,438,529	389,215,414	408,676,185
Health, Water and Sanitation	Health and Sanitation	2,180,217,973	1,826,426,756	1,917,748,094
	Water, Lands, Environment and Climate Change Management	610,706,804	278,313,976	292,229,675
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	58,328,090	46,825,644	49,166,926
	Agriculture and irrigation	786,680,502	185,838,506	195,130,431
	Livestock Production, Fisheries and Cooperatives Development	255,407,727	166,145,985	174,453,284
<b>TOTALS</b>		<b>6,554,391,861</b>	<b>4,852,771,692</b>	<b>5,095,410,277</b>

### Annex 3: Recurrent Sector Ceilings for the MTEF Period 2021/22 – 2023/24

Sector	Sub Sector / Department	RECURRENT APPROVED		PROJECTIONS
		2021/22	2022/23	2023/24
Public Service Administration & Governance	County Assembly	593,254,972.00	662,408,337.00	695,528,753.85
	Office of the Governor & Executive Administration	166,850,666.00	187,634,484.00	197,016,208.20
	Finance & Economic Planning	260,334,663.00	226,510,456.00	237,835,978.80
	Public Service Management and County Administration	130,707,019.00	239,130,205.00	251,086,715.25
	County Public Service Board	56,644,075.00	44,534,538.00	46,761,264.90
Infrastructure	Roads, Transport, Public Works and Energy	136,697,140.00	111,602,092.00	117,182,196.60
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	44,914,178.00	43,936,817.00	46,133,657.85
	Education and Technical Training	293,659,070.00	225,275,804.00	236,539,594.20
Health, Water and Sanitation	Health and Sanitation	1,685,867,002.00	1,661,827,955.00	1,744,919,352.75
	Water, Lands, Environment and Climate Change Management	95,158,451.00	77,059,204.00	80,912,164.20
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	37,977,361.00	37,975,644.00	39,874,426.20
	Agriculture and irrigation	93,458,495.00	99,199,387.00	104,159,356.35
	Livestock Production, Fisheries and Cooperatives Development	100,309,765.00	94,216,098.00	98,926,902.90
<b>TOTALS</b>		<b>3,695,832,857.00</b>	<b>3,711,311,021.00</b>	<b>3,896,876,572.05</b>

#### Annex 4: Development Sector Ceilings for the MTEF Period 2021/22 – 2023/24

SECTOR	DEPARTMENT/ SUB SECTOR	APPROVED	ESTIMATES	PROJECTIONS
		2021/22	2022/23	2023/24
Public Service Administration & Governance	County Assembly	-		-
	Office of the Governor & Executive Administration	-	600,000	630,000
	Finance & Economic Planning	-		-
	Public Service Management and County Administration	24,702,755	26,155,120	27,462,876
	County Public Service Board	2,500,000	-	-
Infrastructure	Roads, Transport, Public Works and Energy	633,906,757	346,993,362	364,343,030
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	117,100,011	70,500,000	74,025,000
	Education and Technical Training	201,779,459	163,939,610	172,136,591
Health, Water and Sanitation	Health and Sanitation	494,350,971	164,598,801	172,828,741
	Water, Lands, Environment and Climate Change Management	515,548,353	201,254,772	211,317,511
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	20,350,729	8,850,000	9,292,500
	Agriculture and irrigation	693,222,007	86,639,119	90,971,075
	Livestock Production, Fisheries and Cooperatives Development	155,097,962	71,929,887	75,526,381
<b>TOTALS</b>		<b>2,858,559,004</b>	<b>1,141,460,671</b>	<b>1,198,533,705</b>