



COUNTY TREASURY

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COUNTY BUDGET REVIEW  
AND OUTLOOK PAPER

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SEPTEMBER 2021

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## FOREWORD

This paper has been prepared in accordance with section 118 of the Public Finance Management Act, 2012 and its regulations. It provides actual fiscal performance for the FY 2020/2021 given the budget appropriations for the same year as well as a review of the recent economic developments. It further provides an overview of how the actual performance of the FY 2020/2021 affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act as well as information showing changes from the projections outlined in the 2020 County Fiscal Strategy Paper. It presents the recent economic developments and provides updated forecasts with sufficient information to show changes from the projections outlined in the recent County Fiscal Strategy Paper (2020 CFSP).

The 2021 County Budget Review and Outlook Paper (CBROP) is set against the backdrop of expected global recovery after a slump in 2020 occasioned by the negative effects of the COVID-19 pandemic. The Pandemic and the attendant containment measures has led to contraction of the global economy disrupting businesses leading to loss of livelihoods for millions of people globally.

The fiscal performance in the FY 2020/21 was satisfactory despite the underperformance in revenue and elevated expenditures associated with the adverse impact of COVID-19 pandemic. The shortfall in revenue reflects the weak business environment as a result of the adverse effects of the COVID-19 pandemic and resultant containment measures adopted in March 2020 and levies incentives/tax relief measures that were implemented in 2020 to cushion people and businesses. In light of this, the fiscal policy supporting the FY 2021/22 budget is designed to support resilient and sustainable economic recovery as well as inclusive growth, mobilize resources and reduce the fiscal deficit.

The County Government will continue with its policy on expenditure prioritization, implement the cost-cutting measures including reforms to boost revenues and align resources to programmes under the National plan on “Big Four” Agenda, CIDP 2018-2022 and those supporting the Economic Recovery Strategy.

The budget for the FY 2022/23 is being prepared under a revised budget calendar that takes into account the preparations for the 2022 General Elections. Therefore,

Departments are expected to adhere to the strict deadlines in the revised budget calendar to enable finalization and appropriation of the FY 2022/23 budget by March 2022. Considering the tight resource envelope that is available for FY 2022/23 budget, all departments are required to scrutinize their budgets proposals and ensure strict adherence to sector ceilings provided. It is worth noting that the ceilings provided in this CBROP are indicative and will be affirmed by the 2022 County Fiscal Strategy Paper (CFSP). Additionally, the ceilings provided in this CBROP will assist the department to develop sector reports for their respective departments. I am also calling upon all Sector Working Groups to ensure engagement of the public and stakeholders' participation during their sector consultations as we embark on the budget preparation of FY 2022-2023 and the medium term.

**WILSON MBURU KANG'ETHE**  
**COUNTY EXECUTIVE COMMITTEE MEMBER**  
**FINANCE, ICT AND ECONOMIC PLANNING**

## **ACKNOWLEDGEMENT**

The 2021 CBROP has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides the fiscal outturn for the FY 2020/21, the macro-economic projections and sets indicative sector ceilings for the FY 2022/23 and the Medium-Term Budget. The document also provides an overview of how the actual performance of FY 2020/21 affected compliance with the fiscal responsibility principles and the financial objectives outlined in the PFM Act as well as information showing adjustments made in the projections outlined in the 2021 County Fiscal Strategy Paper (CFSP).

The county is operating under tight resource constraints amidst significant revenue shortfalls occasioned by declining economic activities as a result of the adverse effects of the COVID-19 Pandemic and resultant containment measures. Thus, all departments are expected to ensure that their budgets are aligned to the overall County Government priorities while taking into account the resource constraints. So far, budget implementation for FY 2021/22 has picked up smoothly and we expect this to continue during the remainder of the financial year.

The preparation of the 2021 CBROP was a collaborative effort of various County departments and was spearheaded by the County Executive Committee Member, Finance, ICT and Economic Planning. The County is indebted to H.E the Governor Dr. James Nyoro for his leadership and support in the preparation of this report. We thank all the County Government Departments for the timely provision of useful data and information on their budget execution for the FY 2020/21. We are grateful to the Directorate of Economic Planning that reviewed this document to ensure it satisfies the PFM Act, 2012 and set out the sector ceilings contained therein to guide the rest of the sectors in the preparation of their 2022/2023 budgets. This document also benefited from key inputs from various Directorates and units within the County Treasury. I wish to thank the core team from the Directorate of Economic planning that coordinated the finalization of this document.

Finally, I take this opportunity to thank all our partners who directly or indirectly supported the preparation of this paper.

**WILLIAM KIMANI**  
**CHIEF OFFICER, FINANCE & ECONOMIC PLANNING**

**Legal Basis for the Publication of the County Budget Review and Outlook Paper**

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

A County Treasury shall-

prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and Submit the paper to the County Executive Committee by the 30th of September of that year.

In preparing its County Budget Review and Outlook Paper, the County Treasury shall specify—

the details of the actual fiscal performance in the previous year compared to the budget appropriation for that year. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper.

information on any changes in the forecasts compared with the County Fiscal Strategy Paper; or how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

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.

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.

Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—

arrange for the Paper to be laid before the County Assembly; and as soon as practicable after having done so, publish and publicize the paper

**Fiscal Responsibility Principles to be enforced by the County Treasury**

In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles that the County Treasury need to enforce. The PFM law (Section 107) states that:

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.

In managing the County Government's public finances, the County Treasury shall enforce the following fiscal responsibility principles

The County Government's recurrent expenditure shall not exceed the County Government's total revenue.

Over the medium term a minimum of thirty percent of the County Government's budget shall be allocated to the development expenditure.

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.

Over the medium term, the County Governments' borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.

The county debt shall be maintained at a sustainable level as approved by County Assembly.

The fiscal risks shall be managed prudently; and 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.

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.

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).

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## **ABBREVIATIONS AND ACRONYMS**

|       |  |
|-------|--|
| CADP  | County Annual Development Plan                     |
| CARA  | County Allocation of Revenue Act                   |
| 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                 |
| COVID | CoronaVirus Disease                                |
| FY    | Financial Year                                     |
| GDP   | Gross Domestic Product                             |
| IFMIS | Integrated Financial Management Information System |
| KDSP  | Kenya Devolution Support Program                   |
| KUSP  | Kenya Urban Support Program                        |
| MTEF  | Medium Term Expenditure Framework                  |
| MTP   | Medium-Term Plan                                   |
| NG    | National Government                                |
| OSR   | Own Source of Revenue                              |
| PFM   | Public Financial Management                        |
| UDG   | Urban Development Grant                            |
| USSD  | Unstructured Supplementary Service Data            |

## I. INTRODUCTION

### **Objective of the 2021 County Budget Review and Outlook Paper (CBROP)**

1. The objective of the 2021 Budget Review and Outlook Paper (CBROP) is to provide a review of fiscal performance for the financial year 2020/2021 and how it impacts on the financial objectives and fiscal responsibility principles set out in the PFM Act and outlined in the 2020 County Fiscal Strategy Paper (CFSP). It provides a basis for the revision of the current budget in the context of a Supplementary Estimate and the financial policies underpinning the FY 2021/22 and the medium-term budget. The 2021 CBROP will guide development of the 2022 CFSP that will summarize the various projects and initiatives undertaken during the planned period as per the County Integrated Development Plan (CIDP 2018-2022), the “Big Four Agenda”, National Plan and Third Medium Term Plan (MTP III 2018-2022).
2. During the FY 2020/21, the underperformance in revenue collection and expenditure pressures largely due to adverse effects of the COVID-19 Pandemic had significant implications in the financial objectives outlined in the 2020 CFSP and the fiscal projections of the 2021/2022 budget. The County Government expenditure was negatively affected by missed targets on own source of revenue (OSR), delays of exchequer releases and partial disbursement of some conditional grants. The underperformance of OSR collection and lower absorption of funds in the FY 2020/21 affected the financial objectives outlined in the 2020 CFSP.
3. The 2021 CBROP therefore, presents a revised fiscal outlook considering the revenue performance by end of June 2021 and uncertainty occasioned by Covid-19 Pandemic and its impact on economic activities. In particular, the baseline for projecting both the revenue and expenditures for the FY 2021/22 and the medium term has changed given the outcome of FY 2020/21 and the first two months in FY 2021/22. To remedy these deviations, the 2021 CBROP details appropriate revisions of the FY 2021/22 revenue and expenditure estimates.
4. As required by the PFM Act, 2012, the annual budget process aims to improve the efficiency and effectiveness of revenue mobilization and government spending to actualize the county government's strategic objectives. To meet the resource requirements of the FY 2021/22 budget and the medium term, the County

Government will continue to implement prudent measures aimed at enhancing the revenue and rationalizing expenditures. In this regard, this CBROP provides indicative sector ceilings which will set in motion the budget preparation for the FY 2022/23 and the medium term. The sector ceilings are guided by the overall resource envelope that is informed by the macroeconomic and fiscal outlook as presented in this document. Budgetary allocations in this CBROP are in line with 2021 CFSP.

5. In addition, this CBROP presents a fiscal outlook underpinned by revenue administration measures to promote compliance and facilitate economic growth. To complement the revenue reforms, the County Government has cut down on non-priority expenditures, thereby availing resources for high priority projects that have the highest impact on Kiambu Residents.
6. With this background, This paper is organized as follows: Section I provides the introduction, Section II provides review of the fiscal performance in the FY 2020/2021 and its implications on the financial objectives set out in the County Fiscal Strategy Paper, Section III gives brief highlights of the recent economic developments and updated macroeconomic outlook; Section IV looks at Implementation of FY 2021-2022 Budget; Section V provides the resources allocation framework, and Section VI concludes the paper.

## **II. REVIEW OF FISCAL PERFORMANCE ON THE FY 2020/2021 BUDGET**

### **A. Overview**

7. Budget execution in FY 2020/21 was satisfactory, though hampered by the impact of the COVID-19 pandemic on the business environment, the resulting containment measures and the growing expenditure pressures resulting from broad policy measures. In particular, own source revenue was severely affected by declining incomes and hence reduced ability to pay fees and charges. Generally, the underperformance of revenues was mostly due to missed targets on Own Source Revenues (OSR), delayed release of equitable share and conditional grants by the national government. Some of conditional grants by the national government were not fully funded.

## **B. Revenue Performance**

8. The fiscal measures implemented by the county government in order to cushion the people of Kiambu County against the adverse impact of the Covid 19 pandemic are estimated to cost the county government Kshs. 361 million in revenue forgone during the financial year. These measures include 100 percent waiver of daily market charges; reduced daily parking fees by half; and a 60 percent reduction for PSV monthly stickers.
9. In the financial year 2020/2021, the revenue out-turn generated by the county government was Kshs.15.61 billion. This represented 87.3 percent of the annual target of Kshs.17.87 billion. There was an increase of Kshs 0.4 billion compared to Kshs.15.21 billion generated in FY 2019/20, which was 85.2 percent of the annual target.
10. In the FY 2020/21, the total funds available to Kiambu County Government amounted to Kshs.15.61 billion. This amount consisted of Kshs. 9.43 billion as the equitable share of revenue raised nationally, Kshs.1.76 billion as conditional grants disbursed by the National Treasury, Kshs.32.07 million from MSF Belgium, Kshs. 1.98 billion cash balance from FY 2019/20, and Kshs.2.39 billion raised from own sources. Disbursements by the National Treasury excluded releases towards Leasing of Medical Equipment which were administered directly by the respective National Government Ministries, Departments and Agencies (MDAs).
11. The cash balances brought forward from 2019/20 include: Kshs 491 million opening balance in the County Revenue Fund account; Kshs. 60 million in THS Special Purpose Account; Kshs. 90 million released from winding up of Jijenge fund; Kshs. 811 million equitable share for FY 2019/20 remitted in FY 2020/21; kshs. 537 million KUSP UDG conditional grant for FY 2019/20 remitted in FY 2020/21.
12. The actual revenue of KShs 15.61 billion (87.3 percent of the revised revenue target) represents a revenue shortfall of Kshs. 2.26 billion against a target revenue of 17.87 billion. The county government received 99 percent of the national government transfers as per the CARA, 2020. The unmet own source revenue of 1.40 billion represents 36 percent of the revised own source of revenue target.

13. The unmet OSR can be attributed to a number of factors, including waivers of fees and charges granted by the county government to cushion the people against impact of Covid -19; overambitious projections, shut down of the economy due to COVID-19 pandemic and its resultant containment measures; slowdown of economic activities due to closure of businesses among others.
14. The FY 2020/2021 budget was not fully funded, and this occasioned a budgetary fiscal deficit of 2.26 billion.

**Table 1: Total Revenues for the County Government**

|  | ACTUAL REVENUE<br>2020/21 | TARGET 2020/2021      | DEVIATION              | ANNUAL<br>CARA,2020<br>ALLOCATION | Actual Receipt as<br>% of Annual<br>Allocation (%) |
|--|---------------------------|-----------------------|------------------------|-----------------------------------|--|
| <b>Total Revenue from National Government</b>              | <b>11,201,464,665</b>     | <b>12,066,770,376</b> | <b>(865,305,711)</b>   | <b>11,339,954,657</b>             | <b>99%</b>   |
| <b>A</b> <b>EQUITABLE SHARE</b>                            | 9,431,700,000             | 9,431,700,000         | -                      | 9,431,700,000                     | 100%   |
| <b>B</b> <b>Conditional grant from NG share of Revenue</b> | <b>928,747,759</b>        | <b>928,747,760</b>    | <b>(1)</b>             | <b>1,060,769,037</b>              | <b>88%</b>   |
| 1 Users Fees Foregone                                      | 34,671,542                | 34,671,542            | -                      | 34,671,542                        | 100%   |
| 2 Road Maintenance Fuel Levy Fund                          | 293,374,560               | 293,374,561           | (1)                    | 293,374,561                       | 100%   |
| 3 Level 5 Hospitals  | 538,716,763               | 538,716,763           | -                      | 538,716,763                       | 100%   |
| 4 Development of Youth Polytechnic                         | 61,984,894                | 61,984,894            | -                      | 61,984,894                        | 100%   |
| 5 Leasing of medical equipment                             | -                         | -                     | -                      | 132,021,277                       | 0%   |
| <b>C</b> <b>Conditional grant-loans and grants</b>         | <b>841,016,905</b>        | <b>1,706,322,616</b>  | <b>(865,305,711)</b>   | <b>847,485,620</b>                | <b>99%</b>   |
| 1 Transforming Health System for Universal Health Care     | 46,398,807                | 49,790,789            | (3,391,982)            | 49,790,789                        | 93%  |
| 2 World Bank-NatioAgriculture & Rural GrowthProject        | 221,762,739               | 222,340,320           | (577,581)              | 222,340,320                       | 100%   |
| 3 KDSP level 1   | 45,000,000                | 45,000,000            | -                      | 45,000,000                        | 100%   |
| 5 DANIDA   | 26,820,000                | 26,820,000            | -                      | 26,820,000                        | 100%   |
| 6 KUSP-UDG GRANT   | 490,098,365               | 1,348,935,361         | (858,836,997)          | 490,098,365                       | 100%   |
| 7 Agriculture sector Development support programme         | 10,936,995                | 13,436,146            | (2,499,151)            | 13,436,146                        | 81%  |
| <b>D</b> <b>Other Sources of Revenue</b>                   | <b>4,414,932,616</b>      | <b>5,811,630,762</b>  | <b>(1,396,698,145)</b> | <b>-</b>                          | <b>-</b>   |
| OSR  | 2,392,873,847             | 3,795,881,193         | (1,403,007,345)        | -                                 | (1,403,007,345)                                    |
| Balance b/f 2019/2020                                      | 1,989,985,029             | 1,989,985,029         | -                      | -                                 | -  |
| MSF BELGIUM  | 32,073,740                | 25,764,540            | 6,309,200              | -                                 | -  |
| <b>TOTAL</b>   | <b>15,616,397,281</b>     | <b>17,878,401,138</b> | <b>(2,262,003,856)</b> | <b>11,339,954,657</b>             | <b>-</b>   |

*Source: County Treasury*

15. During FY 2020/21, the County generated a total of Kshs.2.39 billion as own-source revenue. This amount represented a decrease of 2.8 per cent compared to Kshs.2.46 billion realised in FY 2019/20, and represented 69 per cent of the annual target. The decrease was attributed to the economic effects of the COVID -19 pandemic including waivers of fees and charges granted during the year. In particular, the county implemented the following measures to cushion the people of Kiambu against the impact of covid 19 pandemic: 100 percent waiver of daily market charges; reduced daily parking fees by half; and a 60 percent reduction for PSV monthly stickers.
16. The following revenue streams recorded the highest amount of revenue collection; physical planning, business permits, cess management, health services, land rates and

vehicle parking, which collected Kshs. 0.61 billion (73 percent of annual target), 0.24 billion (66 percent of annual target), 0.12 billion (48 percent of annual target), 0.67 billion (63 percent of annual target), 0.29 billion (50 percent of annual target) and 0.16 billion (52 percent of annual target) respectively. This was attributed to enhanced enforcement and better administration of the revenue streams. In addition, proper coordination of revenue collection at the sub county level by a dedicated team positively impacted on revenue collection in respective streams.

**Table 2: Own Source Revenue FY 2020/2021**

| Revenue Stream  | Actual Revenue 2019/2021 | 2020/2021            |                      | Deviation              | Revenue Growth |
|---|--------------------------|----------------------|----------------------|------------------------|----------------|
|   |                          | Actual Revenue       | Target               |                        |                |
| Agriculture, Livestock and Fisheries Management unit  | 7,630,549                | 2,435,532            | 3,967,050            | (1,531,518)            | -68%           |
| Physical Planning unit                                | 497,407,107              | 618,545,946          | 849,836,291          | (231,290,345)          | 24%            |
| Business Permit Management Unit                       | 185,192,395              | 244,995,000          | 373,828,680          | (128,833,680)          | 32%            |
| Cess Management Unit                                  | 95,050,081               | 127,316,008          | 262,521,840          | (135,205,832)          | 34%            |
| Education, Culture, ICT & Social Services Unit        | 18,000                   | 344,500              | 50,500               | 294,000                | 1814%          |
| Health Services Management unit                       | 916,247,060              | 670,847,454          | 1,060,077,790        | (389,230,336)          | -27%           |
| Housing Management unit                               | 17,090,205               | 27,201,382           | 1,415,870            | 25,785,512             | 59%            |
| Land rates Management unit                            | 241,976,369              | 292,531,794          | 580,565,917          | (288,034,123)          | 21%            |
| Market Management unit                                | 33,359,712               | 11,038,680           | 40,873,200           | (29,834,520)           | -67%           |
| others  | 6,561,703                | 8,682,656            | -                    | 8,682,656              | 32%            |
| Roads, Transport, Public Works Management unit        | 49,307,164               | 64,406,580           | 76,848,677           | (12,442,097)           | 31%            |
| Slaughterhouse Management unit                        | 36,865,578               | 42,376,068           | 54,259,700           | (11,883,632)           | 15%            |
| Trade, Tourism Industry and Cooperative units         | 11,374,507               | 4,541,662            | 22,392,500           | (17,850,838)           | -60%           |
| Vehicle Parking Management unit                       | 230,746,433              | 164,055,999          | 317,195,978          | (153,139,979)          | -29%           |
| Water Environment & Natural Resources Management unit | 48,308,462               | 82,913,868           | 84,047,200           | (1,133,332)            | 72%            |
| Liquor Licenses Management unit                       | 89,120,787               | 30,640,719           | 68,000,000           | (37,359,281)           | -66%           |
| <b>Total</b>  | <b>2,466,256,111</b>     | <b>2,392,873,847</b> | <b>3,795,881,193</b> | <b>(1,403,007,346)</b> | <b>63%</b>     |

*Source: County Treasury*

17. For the National government transfers, the County Government received a total of Kshs. 11.201 billion as equitable share and conditional grants against an allocation of Kshs. 11.207 billion as per the County Allocation of Revenue Act, 2020 (CARA,2020). The receipt from the national government was 99.94 percent of the allocation as per CARA, 2020.
18. The county did not receive all conditional grants from the national government as per the CARA 2020. The shortfall was for the following grants: Transforming Health Systems for Universal Care Project (THSUCP) by Kshs. 3.39 million, National Agricultural and Rural Inclusive Growth Project (NARIGP) by Kshs. 577,581 and Agricultural Sector Development Support Programme (ASDSP II) by Kshs. 2.49 million.
19. The County also received other loans and grants of Kshs. 32.07 million from MSF Belgium. This conditional grant is received on a reimbursement basis for payment of health workers staff at Karuri hospital.

**Table 3: Total equitable share and conditional grants for FY 2020/2021**

|   | ACTUAL REVENUE        | ANNUAL CARA,2020 ALLOCATION | DEVIATION          | Actual receipt as percent of annual allocation |
|---|-----------------------|-----------------------------|--------------------|--|
| EQUITABLE SHARE   | 9,431,700,000         | 9,431,700,000               | -                  | 100.0%   |
| Users Fees Foregone                                     | 34,671,542            | 34,671,542                  | -                  | 100.0%   |
| Road Maintenance Fuel Levy Fund                         | 293,374,560           | 293,374,561                 | (1)                | 100.0%   |
| Level 5 Hospitals                                       | 538,716,763           | 538,716,763                 | -                  | 100.0%   |
| Development of Youth Polytechnic                        | 61,984,894            | 61,984,894                  | -                  | 100.0%   |
| Transforming Health System for Universal Health Care    | 46,398,807            | 49,790,789                  | (3,391,982)        | 93.2%  |
| World Bank-NatioAgriculture & Rural Growth Project      | 221,762,739           | 222,340,320                 | (577,581)          | 99.7%  |
| KDSP level 1  | 45,000,000            | 45,000,000                  | -                  | 100.0%   |
| DANIDA  | 26,820,000            | 26,820,000                  | -                  | 100.0%   |
| KUSP-UDG GRANT  | 490,098,365           | 490,098,365                 | (1)                | 100.0%   |
| Agriculture sector Development support programme -ASDSP | 10,936,995            | 13,436,146                  | (2,499,151)        | 81.4%  |
| <b>SUB TOTAL</b>  | <b>11,201,464,665</b> | <b>11,207,933,380</b>       | <b>(6,468,715)</b> | <b>99.9%</b>                                   |
| other grant-MSF-Belgium                                 | 32,073,740            | 25,764,540                  | (12,937,430)       | 124.5%   |
| <b>TOTAL</b>  | <b>11,201,464,665</b> | <b>11,207,933,380</b>       | <b>(6,468,715)</b> | <b>99.9%</b>                                   |

*Source: County Treasury*



## COUNTY EXPENDITURE PERFORMANCE

### Overall Expenditure Review

20. The approved aggregate budget estimates for Kiambu County Government amounted to Kshs.17.87 billion and comprised Kshs. 6.05 billion (34 per cent) allocated to Development Expenditure and Kshs. 11.82 billion (66 per cent) for Recurrent Expenditure. The aggregate development expenditure allocation conforms to Section 107 (2(b)) of the PFM Act, 2012, which requires that at least 30 percent of the budget must be allocated for development programs. To finance the budget, the county government expected to receive Kshs.9.43 billion as the equitable share of revenue raised nationally, Kshs. 928 million as total conditional grants from the National Government, Ksh.1.73 billion as total loans and grants from Development Partners, generate Kshs.3.79 billion from own revenue sources, and utilize Kshs.1.98 billion cash balance from FY 2019/20.
21. During the financial year 2020/21, a total of Kshs. 15.61 billion was availed for absorption in the County Revenue Fund (CRF). The County Treasury requisitioned funds amounting to Kshs. 14.72 billion from the County Revenue Funds (CRF) representing 94 percent of the total funds available for use. This amount consisted of Kshs. 10.20 billion for recurrent expenditure (69.3 percent) and Kshs. 4.52 billion for development expenditure (30.7 percent).
22. A total of Kshs.14.72 billion was spent on both development and recurrent expenditures. The expenditure excluded cumulative pending bills of Kshs. 4.09 billion as at 30<sup>th</sup> June 2021, of which Kshs. 2.57 billion was for development expenditure and Kshs.1.52 billion for recurrent expenditure.

### Recurrent expenditure

23. The County Government's recurrent expenditure was Kshs. 10.20 billion (86.3 percent of the revised recurrent budget) against a revised budget allocation of Kshs.11.82 billion. This represents an under-spending of Kshs 1.62 billion (13.7 percent deviation from the revised recurrent expenditure). This underspending resulted from the delayed release of the exchequer, shortfall on conditional grant remittance and missed targets on its own source of revenue.

24. Under recurrent expenditure, Administration and Public Service and Health Services departments recorded the highest absorption rate of 92.7 percent each, followed by the Water, Environment, Energy and Natural Resources department with an absorption rate of 89.6 percent. The department of Lands, Physical Planning & Housing on the other hand, recorded the lowest absorption of 63.9 percent.
25. The total recurrent expenditure for FY 2020/21 was Kshs. 10.2 billion, comprising Kshs. 7.50 billion (73.5 percent) incurred on personnel emoluments and Kshs. 2.70 billion (26.5 percent) on operations and maintenance. Expenditure on personnel emoluments represented an increase of 9.3 percent compared with 2019/20 FY where the County spent Kshs. 6.86 billion.

### **Development Expenditure**

26. The total development expenditure for FY 2020/21 was Kshs. 4.52 billion (equivalent to 74.8 percent of the revised development budget) compared to a revised budgetary allocation of Kshs. 6.05 billion. This represents an under-spending of Kshs. 1.53 billion (25.2 percent deviation from the revised development expenditure). Increased expenditure pressures in recurrent expenditure especially in the health sector to fight covid 19 pandemic and underperformance in OSR negatively affected absorption in development expenditures.
27. Under development expenditure, Administration and Public Service, Agriculture Livestock & Irrigation and Education, Culture and Social Services departments recorded the highest absorption rates of 99.4 percent, 98.2 percent and 94.8 percent respectively, while the County Assembly recorded the lowest absorption of 10.1 percent.
28. The County could not finance some of the planned projects due to inadequate funds hence underperformance. All departments will therefore be required to rationalize, and re-prioritize planned activities to provide for the pending bills/carryovers, which will be accommodated in the first supplementary budget of FY 2021/2022. Priority will be given to pending bills and ongoing projects before embarking on new ones, which will affect the implementation of some of the programs and projects planned for the current FY 2021/2022.

**Table 4: 2020/2021 Budget Absorption per Department**

|             | Department                               | Approved Budget (AB)  | Actual Expenditure (AE) | Deviation (AE-AB)    | Absorption % AE/AB |
|-------------|--|-----------------------|-------------------------|----------------------|--------------------|
| <b>Vote</b> | <b>Recurrent</b>                         |                       |                         |                      |                    |
| 4061        | County Assembly                          | 1,232,678,544         | 1,023,250,704           | 209,427,840          | 83.0%              |
| 4062        | Executive                                | 430,000,660           | 296,757,631             | 133,243,029          | 69.0%              |
| 4063        | County Public Service                    | 68,662,096            | 49,385,106              | 19,276,990           | 71.9%              |
| 4064        | Finance & Econ. Planning                 | 1,532,234,554         | 1,215,233,786           | 317,000,768          | 79.3%              |
| 4065        | Admin.& Public Service                   | 676,867,818           | 627,458,352             | 49,409,466           | 92.7%              |
| 4066        | Agric., Livestock & Fisheries            | 500,799,803           | 440,108,974             | 60,690,829           | 87.9%              |
| 4067        | Water, Environment & Natural Resources   | 324,089,674           | 290,390,686             | 33,698,988           | 89.6%              |
| 4068        | Health Services                          | 5,201,748,649         | 4,820,346,793           | 381,401,856          | 92.7%              |
| 4069        | Education, Culture, & Social Services    | 950,696,202           | 710,428,188             | 240,268,014          | 74.7%              |
| 4070        | Youth Affairs Sports and Communication   | 124,315,300           | 102,881,631             | 21,433,669           | 82.8%              |
| 4071        | Lands, Physical Planning & Housing       | 195,323,258           | 124,857,596             | 70,465,662           | 63.9%              |
| 4072        | Trade, Industry, Tourism & Cooperatives  | 133,885,025           | 97,558,228              | 36,326,797           | 72.9%              |
| 4073        | Roads, Transport & Public Works          | 453,275,910           | 402,727,153             | 50,548,757           | 88.8%              |
|             | <b>Total Recurrent</b>                   | <b>11,824,577,493</b> | <b>10,201,384,828</b>   | <b>1,623,192,665</b> | <b>86.3%</b>       |
|             | <b>Development</b>                       |                       |                         |                      |                    |
| 4061        | County Assembly                          | 67,200,000            | 6,779,219               | 60,420,781           | 10.1%              |
| 4064        | Finance & Econ Planning                  | 300,736,510           | 272,556,377             | 28,180,133           | 90.6%              |
| 4065        | Admin & Public Services                  | 34,000,000            | 33,797,745              | 202,255              | 99.4%              |
| 4066        | Agric, Livestock & Fisheries             | 498,776,466           | 489,792,816             | 8,983,650            | 98.2%              |
| 4067        | Water, Environment & Natural Resources   | 172,404,735           | 146,115,387             | 26,289,348           | 84.8%              |
| 4068        | Health Services                          | 866,053,479           | 722,156,769             | 143,896,710          | 83.4%              |
| 4069        | Education, Culture, & Social Services    | 140,584,894           | 133,300,045             | 7,284,849            | 94.8%              |
| 4070        | Youth Affairs Sports & Communication     | 167,500,000           | 118,500,000             | 49,000,000           | 70.7%              |
| 4071        | Lands, Physical Planning & Housing       | 1,949,993,000         | 1,095,909,330           | 854,083,670          | 56.2%              |
| 4072        | Trade, Industry, Tourism & Co-operatives | 267,200,000           | 247,955,931             | 19,244,069           | 92.8%              |
| 4073        | Roads, Transport & Public Works          | 1,589,374,561         | 1,260,585,586           | 328,788,975          | 79.3%              |
|             | <b>Total Development</b>                 | <b>6,053,823,645</b>  | <b>4,527,449,205</b>    | <b>1,526,374,440</b> | <b>74.8%</b>       |
|             | <b>Totals</b>                            | <b>17,878,401,138</b> | <b>14,728,834,033</b>   | <b>3,149,567,105</b> | <b>82.4%</b>       |

*Source: County Treasury*

## FISCAL DEFICIT

29. The revised Budget for the FY 2020/2021 was Kshs. 17.87 billion financed from both external and internal revenues as well as unspent balances for the FY 2019/2020. The total cumulative revenue receipt was Kshs.15.61 Billion, therefore, recording a fiscal deficit of Kshs. 2.26 billion due to shortfalls in both external and local revenues. The County is paying attention to the factors that affected revenue collection with a view to reverse this trend in the FY 2021/2022 while pursuing additional strategies to grow revenues in the medium term.

## PENDING BILLS

30. As at 30<sup>th</sup> June 2021, the County Government of Kiambu had provisional pending bills amounting to KShs. 4.09 billion, comprising KShs 1.52 billion as recurrent pending bills and KShs. 2.57 billion as development pending bills, as shown in table 5 below. The department of Finance ICT & Economic Planning had the largest recurrent pending bills at KShs. 750 million, while the Roads department had the largest development pending bills at KShs. 1.96 billion.

31. In the FY 2021/22 the county government has made an allocation of Kshs 1.33 billion in the approved budget estimates to pay pending bills for both recurrent and development. To ensure that fiscal risk is managed prudently, the county government should ensure that both the level and rate of growth in pending bills is managed at a sustainable level since a huge pending bill will continue to negatively affect service delivery to the people of Kiambu County as the large part of funds meant for development is diverted to pay these pending bills. This can be done by cutting down county expenditure while coming up with ways and means of increasing resource envelope to avoid budgetary deficits. In addition, the National Government should consider increasing the sharable revenues to the counties.

**Table 5: Pending Bills as at 30<sup>th</sup> June, 2021**

| Vote | Department                        | Recurrent      | Development   | Total                 |
|------|-----------------------------------|----------------|---------------|-----------------------|
| 4062 | County Executive                  | 195,561,075.97 | -             | <b>195,561,075.97</b> |
| 4063 | County Public service Board       | 11,065,574.89  | -             | <b>11,065,574.89</b>  |
| 4064 | Finance, ICT & Economic Planning  | 750,502,812.92 | 8,762,592.00  | <b>759,265,404.92</b> |
| 4065 | Administration and Public Service | 49,992,928.31  | 29,571,609.00 | <b>79,564,537.31</b>  |

| Vote | Department                            | Recurrent               | Development             | Total                   |
|------|---------------------------------------|-------------------------|-------------------------|-------------------------|
| 4066 | Agriculture                           | 17,080,899.00           | 78,984,082.00           | <b>96,064,981.00</b>    |
| 4067 | Water Environment & Natural Resources | 70,312,390.81           | 156,845,033.42          | <b>227,157,424.23</b>   |
| 4069 | Education, Culture & Social Services  | 40,241,239.00           | 44,461,524.56           | <b>84,702,763.56</b>    |
| 4068 | Health services                       | 200,301,192.00          | 142,329,502.40          | <b>342,630,694.40</b>   |
| 4070 | Youth & Sports                        | 43,112,717.00           | 17,450,922.55           | <b>60,563,639.55</b>    |
| 4071 | Lands Housing & Physical Planning     | 5,093,870.00            | 10,685,597.00           | <b>15,779,467.00</b>    |
| 4072 | Trade, Cooperatives & Tourism         | 17,234,934.80           | 72,223,831.90           | <b>89,458,766.70</b>    |
| 4073 | Roads, Public Works& Utilities        | 118,601,636.92          | 1,975,929,053.71        | <b>2,094,530,690.63</b> |
| 4074 | Livestock & Fisheries                 | 1,669,773.00            | 41,888,219.00           | <b>43,557,992.00</b>    |
|      | <b>Total</b>                          | <b>1,520,771,044.62</b> | <b>2,579,131,967.54</b> | <b>4,099,903,012.16</b> |

*Source: County Treasury*

## FISCAL PERFORMANCE FOR THE FINANCIAL YEAR 2020/21 WITH REGARD TO FINANCIAL OBJECTIVES

32. In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM regulations, and in keeping with prudent and transparent management of public resources, the County Government has largely adhered to the fiscal responsibility principles as set out as follows:

### *Allocation on Compensation of Employees*

- Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015, requires that the county government's expenditure on wages and benefits for its public officers should not exceed thirty-five (35) percent of the county government's total revenue. The County's total expenditure on employees' wages and benefits was Kshs. 7.50 billion translating to 42 percent of the revised budget estimates FY 2020/21. This is higher than the legal provision threshold of 35 percent. Going forward, the County Government is committed to bringing the proportion of the expenditure on wages down so as to comply with the legal requirement.

### *Allocation on Development Expenditure*

- In managing the County Government's finances, the Public Finance Management Act, 2012 Section 107(b) requires that over the medium term, a minimum of 30 percent of each County Government's budget shall be allocated to

development expenditure In the FY 2020/21 outturn, budgetary allocation to development expenditures amounted to KShs. 6.05 billion of the revised estimates accounting for 34 percent. The County Government therefore complied with the fiscal responsibility principle and will work towards shifting more resources to development by reducing recurrent expenditure and improving revenue collection.

#### ***Recurrent Expenditure to total county revenue***

- On the principle of total recurrent not exceeding total revenue, the County Government's actual recurrent expenditure of Kshs. 10.20 billion did not exceed the County Government's total revenue of Kshs. 17.87 billion hence the County has complied with the fiscal responsibility principle.

#### ***Borrowing of funds***

- The County Government did not borrow any funds during the year to supplement budget financing.

#### ***Degree of predictability on tax rates and tax bases***

- On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the County Government continues to carry out revenue reforms and amendments by revising its fees and charges through the proposed 2021 Finance bill.

33. The fiscal performance was generally satisfactory in both recurrent and development in the approved revised budget estimates.

#### **Fiscal Performance for the FY 2020/2021 in Relation to Financial Objectives**

34. The fiscal performance in the FY 2020/21 affected the financial objectives set out in the 2020 County Fiscal Strategy Paper and the Budget for the FY 2020/21 in the following ways.

- Revenue projections and expenditure were adjusted downward to reflect realistic revenue targets and to reduce the chances of generating pending bills at the end of the period.

- Pending bills/carryovers from 2020/21 FY have been provided for hence affecting programmes and projects marked for implementation in FY 2021/22.
- The base used to project expenditures in the FY 2021/22 and the medium term is affected because of unmet revenue targets.
- Taking into account the budget outturn for the FY 2020/21, appropriate revisions should be taken in the context of this CBROP.
- Consequently, the baseline ceilings for the formulation of 2022 CFSP will be lower than set out in the previous year.

35. As explained above, the main reasons for the deviations include delayed release of exchequer, unmet own source of revenue and under-spending mostly in development.

36. The County government will focus on the following to remedy these variances:-

- Enhancing Own Source of Revenue collection capacity.
- Exploring legal options to capping County OSR growth estimates, based on previous performance
- Reforms to improve public resources utilization and budget execution.
- Capitalizing on County infrastructure and social welfare services in order to unlock the county's potential and improve competitiveness.
- Strengthening capacity-building on public financial management to ensure good governance and effective service delivery.
- Implementing development budget as approved.

### III. RECENT ECONOMIC DEVELOPMENTS IN KENYA'S ECONOMY AND OUTLOOK

37. This County Budget Review and Outlook paper is prepared against the background of projected global recovery amidst the adverse effects of Covid 19 pandemic. The consequent containment measures and significant decline in oil prices as a result of dwindling demand had negatively impacted on the growth of global economies. The global growth in 2021 is projected at 6 percent from a contraction of 3.2 percent in 2020 while the growth of Sub-Saharan Africa in 2021 is projected at 3.4 percent from a contraction of 1.8 percent in 2020 due to improved exports and commodities prices and rollout of the vaccination programmes.
38. The performance of Kenya's economy in 2021, like most economies all over the world in recent times will largely be determined by the length of time the economic activities will be disrupted by the Coronavirus disease (Covid-19). The County performance on the other hand, has been depending largely on the Country's economic performance and formulation and implementation of sound and prudent policies. In 2020, Kenya's economy was affected by the outbreak of Covid 19 pandemic and resultant containment measures. The economy further faced two other shocks namely invasion of desert locusts that damaged crops and floods resulting in slowed economic growth. Kenya's economic growth rate was estimated to have contracted by 0.3 per cent in 2020 compared to a revised growth of 5.0 per cent in 2019.
39. The economy contracted by an average growth of 0.4 percent in the first three quarters of 2020 compared to an average growth of 5.3 in a similar period in 2019. This decline resulted due to contractions in the service sector especially accommodation and restaurant, education, wholesale and retail trade, transport and storage sub sectors.
40. The overall performance of the economy in the first three quarters of 2020 was cushioned from further decline by improving growth in mining and quarrying activities; construction; health services; agriculture, forestry and fishing activities. The other sectors that supported growth included Information and Communication, financial and insurance activities, real estate activities, electricity, and water supply.



41. The agriculture sector recorded an improved growth at an average of 6.4 percent in the first three quarters of 2020 compared to an average growth of 3.6 percent in the first three quarters of 2019. This growth was supported by notable increase in tea production, export of fruits and sugarcane production. The service and industry sector were adversely affected by Covid 19 pandemic and contracted by 4 percent from 6.1 percent in 2019 to 2.1 percent in 2020.
42. The annual inflation rate has remained low, stable and within the Government target range of 5+/-2.5 percent since the end of 2017 as a result of prudent monetary and fiscal policies. The overall annual inflation rate increased to 6.4 percent in July 2021 from 4.4 percent in July 2020 but remained within the target range. This was mainly due to higher food and fuel prices.
43. The overall Balance of Payments position improved from a surplus of USD 210.5 million (0.2 percent of the GDP) in the year to May 2020 to a surplus of USD 1,970 million (2 percent of the GDP) in the year to May 2021. This was mainly due to reduced payments on imports and improved export earnings despite lower receipts from services. The current account balance deficit was USD 5,361.8 Million (5.4 percent of the GDP) in the year to May 2021 from USD 5,137.5 Million (5.2 percent of the GDP) in the year to May 2020. This was supported by an improvement in merchandise account balance, net primary, and net secondary income balances.
44. The foreign exchange market has largely remained stable but partly affected by tight global financial conditions attributed to unprecedented Covid 19 uncertainties. The Kenya shilling to the US dollar exchanged at Ksh. 108.1 in July 2021 compared to Ksh. 107.3 in July 2020. In comparison with most Sub-Saharan African currencies, the Kenyan Shilling remained relatively stable, weakening by 1.3 percent against the US dollar. This depreciation of Kenya shilling was lower than that of Rwanda Franc, Nigerian Naira, Mauritius Rupee and Burundi Franc. The stability in Kenya shilling was supported by increased remittances, adequate foreign exchange reserves and favourable horticultural exports mainly fruits, vegetables and cut flowers.
45. Short-term interest rates have remained fairly low and stable. The Central Bank rate was retained at 7.0 percent in 2021. The decision was aimed at boosting growth and

stimulating higher private-sector lending, especially the Small and Medium Enterprises distressed by Covid-19 pandemic. The interbank rate remained low but increased slightly to 3.3 percent in July 2021 from 2.12 percent in July 2020. The prevailing stable macroeconomic environment and the ongoing economic recovery strategy will accelerate growth during this year thus improving household incomes, completion of key infrastructure projects, and a focus on investment in sectors prioritized by the government's "Big Four" agenda. Weather conditions are also expected to be favorable in order to support recovery in the agricultural sector.

46. The average yield rate for the 91-day Treasury bills, which is a benchmark for the general trend of interest rates increased from 6.24 percent in July 2020 to 6.6 percent in July 2021. Equally, the 182-day Treasury bills rate rose to 7.1 percent from 6.7percent over the same period of time. As shown by the NSE 20 Share Index, the activity in the capital market increased in July 2021 with equity share prices standing at 1,974 points by end July 2021 compared to 1,804 points by end July 2020. The market capitalization also increased from KSh 2,034 billion in July 2020 to KSh 2,766 billion in July 2021.
47. On the expenditure side, the County Government of Kiambu will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with implementation of all modules of the Integrated Financial Management Information System (IFMIS) across Departments. The County will further continue reorienting expenditure towards priority programmes.
48. With respect to revenue growth, the County Government will maintain a strong revenue effort over the medium term. Measures to achieve this effort include development of Integrated Revenue Management system to curb revenue leakages, conduct training to revenue officers to equip them with supervisory skills, mapping revenue sources, enforcement and targeting the community through short messages to encourage compliance.
49. The County Government of Kiambu made an effort to achieve a broad-based expansion touching in all sectors of the economy. Emphasis was given to key sectors

of agricultural development, health, water, trade and supportive services such as infrastructural investment in roads and information communication and technology.

50. Going forward, the County Government will continue to invest in sectors implementing the Big Four Agenda. Food nutrition and security, upgrading and expansion of health services, housing, roads and water infrastructure will be prioritized. The County Government will further continue to invest in socio-economic sectors of education and social protection with an aim of controlling and eventually eliminating Covid-19 pandemic thus cushioning residents from adverse effects resulting from the pandemic.

#### IV. IMPLEMENTATION OF THE FY 2021/2022 BUDGET

51. The County's Approved Budget for the FY 2021/22 is Kshs. 16.21 billion consisting of Kshs. 11.42 billion (70 percent) and Kshs. 4.79 billion (30 percent) allocation for recurrent and development expenditure respectively. To finance the budget, the County expects to receive Kshs. 11.71 billion (72.23 percent) as an equitable share of revenue raised nationally, Kshs. 0.615 billion (3.79 percent) as conditional grants from development partners and generate Kshs. 3.88 billion (23.93 percent) from own source of revenue.
52. The revenue collection for the FY 2021/2022 has started on a slow pace owing to the adverse effects of the Covid 19 pandemic on the economy. However, we are optimistic that revenue performance will improve with the easing of containment measures imposed earlier on. Total revenue available to the County as at 31<sup>st</sup> August 2021 was Kshs. 2.14 billion which comprised Own Source of Revenue of Kshs. 0.37 billion, unspent balances carried forward from FY 2020/2021 amounted to Kshs. 0.84 billion and exchequer issue from National government of Kshs. 0.93 billion.
53. Total expenditure as of 31<sup>st</sup> August 2021 was Kshs. 1.69 billion as compared to Kshs. 1.47 billion absorbed during the same period in the previous financial year. This comprised Kshs. 1.61 billion and Kshs. 70 million being recurrent and development expenditure respectively. The low absorption of budget has been occasioned by delayed disbursement of revenues from the National Government (NG) and delay in uploading of the budget and procurement plan. The absorption rate is expected to rise in the coming months as revenue flows from both the National Government and own sources pick up.
54. Spending on non-discretionary expenditures like personnel emoluments will be given priority. Development expenditures will therefore be considered after settling these non-discretionary expenditures thus any delay in the release of funds or revenue flows will have negative impact on them.

55. The County will continue to enhance public finance management systems at all levels to increase efficiency; increase service delivery; seal leakages and increase productivity.

#### **Adjustments to the FY 2021/2022 Budget**

56. The underperformance in revenue collection in the FY 2020/2021 and delay of release of equitable share as provided in 2020 CARA has implications on the financial objectives outlined in the 2021 CFSP and the 2021/2022 Budget. In particular, the baseline for projecting revenue and expenditures for the FY 2021/2022 and the medium term has changed given the outcome of FY 2020/2021 and the first two months of FY 2021/2022.

57. In light of these new developments, revenue for FY 2021/2022 will be revised to take into account the unspent balances as at 30<sup>th</sup> June 2021. Similarly, Own Source of Revenue will be adjusted downward given the underperformance of OSR in the 2020/2021 financial year.

58. In light of the above adjustments in revenue projections for the 2021/2022 Financial Year, expenditure projections for FY 2021/2022 will also be revised to accommodate unspent balance brought forward from FY 2020/2021, and the expenditure adjustment through reprioritization of existing budgetary provisions supported by austerity measures instituted on less productive areas of spending across the County Government.

#### **RISKS TO THE 2021/2022 BUDGET IMPLEMENTATION**

59. Given the fiscal performance in the FY 2020/2021 and the updated macroeconomic outlook for the FY 2021/2022, some of the inherent risks to the FY 2021/2022 budget framework includes.

##### **i. Covid 19-Pandemic**

60. Following the emergence of COVID-19 as a global pandemic and a near collapse of most economies, the global economy will be experiencing an exceptionally strong but uneven recovery. While a rebound is expected in most economies, full recovery is not

assured due to possible future COVID-19 waves, delays in vaccination programmes, increasing debt levels and rising inflationary pressures at the national level. This is a risk to the County budget implementation since the bulk of revenue that fund the county budget is received from the national government which may experience reduced revenues out of covid 19 pandemic economic shocks.

#### **ii. Projected Own Source Revenue Shortfalls**

61. Missed targets on OSR is another fiscal risk that is likely to be faced by the county government. Missed revenue targets from internal sources must be progressively mitigated to achieve county development goals. For instance, revenues from land rates have continued to be below expectation due to non-compliance by landowners. The implementation of the new valuation roll has experienced several challenges, and therefore the county has continued to use outdated valuation rolls to collect land rate revenues. Additionally, handling of cash by officers has led to a loss of revenue in some instances. Further, economic growth and political environment are correlated. The FY 2021/22 falls within the electioneering period, and as such, the uncertainties associated with this political environment may reduce the pace of economic development and investment, leading to a drop in own source of revenue.
62. The County has continued to undertake revenue enhancement measures aimed at improving its own source revenue. For instance, the County is installing a new integrated revenue management system to curb leakages. The County is also planning to equip revenue officers with supervisory skills relevant for revenue collection, as well as enhance capacity of officers involved in monitoring of revenue collection. In addition, Sub County offices are being equipped with office equipment to facilitate collection of revenue. Further, the County is targeting the community through short messages to encourage compliance.

#### **iii. Pending Bills**

63. The issue of Pending debts/bills continues to be a major fiscal challenge faced by the County government. The huge pending bills will continue to negatively affect the service delivery by the county government. To mitigate this, the county should come

up with a payment plan of the pending bill, curtail commitment of expenditures outside the budget and set realistic revenue targets.

**iv. Wage Bill**

64. The county has a huge wage bill which is way above the recommended 35 percent. This has constrained budgetary allocations towards development.

**V. RESOURCE ALLOCATION FRAMEWORK**

65. The Medium-Term Fiscal Framework (MTFF) for the FY 2022/2023 emphasizes on efficiency and effectiveness of public spending and improving revenue collection to ensure provision of core services, stimulate and sustain economic activities, mitigate the adverse impact of COVID-19 pandemic on the economy and achieve economic recovery for the people of Kiambu County. Resource allocation and priority expenditure in the 2022/2023 financial year and the medium term will be guided by the following policy documents;

- i. County Integrated Development Plan (2018-2022)
- ii. County Annual Development Plan (2022-2023)
- iii. Ongoing projects
- iv. Emerging priorities
- v. Public Finance Management Act, 2012
- vi. Medium Term Plan III (2018-2022).

**VI. FY 2022/2023 BUDGET FRAMEWORK**

66. The medium-term budget for 2022/23- 2024/25 will be prepared against the background of strong but uneven economic recovery. The emergence of new COVID-19 variants could lead to reinstatement of containment measures thereby disrupting economic activities. Further, we expect 2022 being an election year with heightened political activities especially in the fourth quarter of 2021 will likely erode investor confidence and affect projected growth. The Government however will continue to monitor these developments and take appropriate measures to safeguard the economy and livelihoods.

67. As outlined in the Public Finance Management Act, 2012 and its attendant regulations, the budget process involves preparation of key policy documents for approval by the County Executive Committee and the County Assembly. Given that 2022 will be a General Election year, preparation of the 2022/23-2024/25 Medium-Term Budget will require to be fast-tracked to ensure that the budget estimates are approved by the County Assembly before it proceeds on recess in preparation for the General Elections slated for August 2022. In this regard, the following policy documents require to be prepared and approved within stipulated time frames:

- i. County Budget and Outlook Paper
- ii. County Fiscal Strategy Paper
- iii. Programme Based Budget and the itemized budget
- iv. The Annual Appropriation Bill
- v. The Finance Bill

68. To facilitate finalization and approval of the above policy documents and Bills within the stipulated timelines, Accounting Officers are required to strictly undertake the outlined activities in the budget calendar within the set timeframes. The timeframes for delivery of the policy documents, reports and relevant bills; and the budget calendar for the FY 2022/23 is provided in Annex III of this paper

### **Revenue Projections**

69. The FY 2022/23 resource envelope is projected at Kshs. 16.21 billion constituting: Kshs. 3.88 billion Own Source Revenue and Kshs. 12.33 billion total grants from National Treasury & Development Partners. The County will periodically review the revenue administration policies to enhance performance on the county's own-source revenue. These figures are indicative and will be firmed up in the 2022 CFSP.

### **Expenditure Projections**

60. The overall projected budgetary expenditure for FY 2022/2023 is Kshs. 16.21 billion. This is projected to increase to Kshs. 17.18 billion in the FY 2023/2024 and further to Kshs. 18.22 billion in the FY 2024/25.



61. The recurrent expenditure is expected to increase from Kshs. 11.43 billion in the FY 2022/23 to Kshs. 12.11 billion in the FY 2023/2024 and Kshs. 12.84 in FY 2024/2025. Similarly, the development expenditure is also expected to increase from Kshs. 4.78 billion in the FY 2022/23 to Kshs. 5.07 billion in the FY 2023/2024 and Kshs. 5.37 in FY 2024/2025. More resources will be shifted to development to support critical infrastructure as the County realigns to meet the fiscal responsibility requirements.

## **VII. CONCLUSION AND NEXT STEPS**

62. Roads, Health, Agriculture, Trade, Water, Physical Planning, and Housing will be prioritized in allocating resources over the medium-term given the tight resource constraints amidst significant revenue shortfalls occasioned by the adverse effects of the Covid-19 Pandemic and its resulting containment measures. Mobilization of Own Source of Revenue through enhancement of revenue collection backed by an effective enforcement strategy will be implemented to finance the identified key priority areas.

63. The indicative departmental ceilings annexed herewith will guide the County Departments in preparation of the FY 2022/2023 budget. These ceilings will be firmed up in the 2022 CFSP. (see Annex II)

## Annex 1: Revenue Projections FY 2022-2023

|   | Actual Revenue<br>2020/2021 FY | Approved<br>Revenue Estimates<br>2021/22 | Projection<br>Revenue<br>2022/23 |
|---|--------------------------------|--|----------------------------------|
| <b>Total grants from National Treasury &amp; Dev Partners</b> | <b>13,223,523,434</b>          | <b>12,333,164,974</b>                    | <b>2,333,164,974</b>             |
| EQUITABLE SHARE   | 9,431,700,000                  | 11,717,525,720                           | 11,717,525,720                   |
| <b>Conditional Grant from NG share of Revenue</b>             | <b>928,747,759</b>             | -  | -                                |
| Users Fees Foregone   | 34,671,542                     | -  | -                                |
| Road Maintenance Fuel Levy Fund                               | 293,374,560                    | -  | -                                |
| Level 5 Hospitals   | 538,716,763                    | -  | -                                |
| Development of Youth Polytechnic                              | 61,984,894                     | -  | -                                |
| <b>Conditional Grant from Loans and Grants</b>                | <b>873,090,645</b>             | <b>615,639,254</b>                       | <b>615,639,254</b>               |
| Transforming Health System for Universal Health Care          |                                | 11,433,390                               | 11,433,390                       |
|   | 46,398,807                     |  |                                  |
| World Bank-Natio Agriculture & Rural Growth Project           | 221,762,739                    | 402,836,649                              | 402,836,649                      |
| KDSP level 1  | 45,000,000                     | -  | -                                |
| KDSP Level 2  | -                              | 73,731,600                               | 73,731,600                       |
| MSF BELGIUM   | 32,073,740                     | 26,400,000                               | 26,400,000                       |
| DANIDA  | 26,820,000                     | 20,897,250                               | 20,897,250                       |
| KUSP-UDG GRANT  | 490,098,365                    | -  | -                                |
| Agriculture sector Development support programme - ASDSP      | 10,936,995                     | 30,340,365                               | 30,340,365                       |
| KISIP II  |                                | 50,000,000                               | 50,000,000                       |
| <b>balance b/f 2019.20</b>                                    | <b>1,989,985,029</b>           |  |                                  |
| <b>OSR STREAMS</b>  |                                |  |                                  |
| Agriculture Livestock & Fisheries Management Unit             | 2,435,532                      | 8,000,000                                | 8,000,000                        |
| Physical Planning Management Unit                             | 618,545,946                    | 925,976,557                              | 925,976,557                      |
| Business Permit Management Unit                               | 244,995,000                    | 277,788,593                              | 277,788,593                      |
| Cess Management Unit  | 127,316,008                    | 134,575,122                              | 134,575,122                      |
| Education Culture ICT & Social Services Unit                  | 344,500                        | 27,000                                   | 27,000                           |
| Health Services Management Unit                               | 670,847,454                    | 1,374,370,589                            | 1,374,370,589                    |
| Housing Management Unit                                       | 27,201,382                     | 25,635,308                               | 25,635,308                       |
| Land Rates Management Unit                                    | 292,531,794                    | 362,964,554                              | 362,964,554                      |
| Market Management Unit  | 11,038,680                     | 50,039,568                               | 50,039,568                       |
| Others  | 8,682,656                      | 25,042,193                               | 25,042,193                       |
| Roads Transport Public Works Management Unit                  | 64,406,580                     | 74,260,746                               | 74,260,746                       |
| Slaughterhouse Management Unit                                | 42,376,068                     | 55,298,367                               | 55,298,367                       |
| Trade Tourism Industry & Cooperatives Unit                    | 4,541,662                      | 17,061,761                               | 17,061,761                       |
| Vehicle Parking Management Unit                               | 164,055,999                    | 346,119,650                              | 346,119,650                      |
| Water Environment & Natural Resources Mgt Unit                | 82,913,868                     | 72,462,693                               | 72,462,693                       |
| Liquor management unit  | 30,640,719                     | 133,681,181                              | 133,681,181                      |
| <b>Total</b>  | <b>2,392,873,847</b>           | <b>3,883,303,882</b>                     | <b>3,883,303,882</b>             |
| <b>Other revenues-fund wind up</b>                            | <b>90,000,000.00</b>           | -  | -                                |
| <b>TOTAL REVENUE</b>  | <b>15,706,397,281</b>          | <b>16,216,468,856</b>                    | <b>16,216,468,856</b>            |

## Annex II: Medium Term Expenditure Framework 2022/23-2024/2025

| Departments                              | Revised Estimates 2020/2021 | Printed Estimates 2021/2022 | Projected Estimates   |                       |                       |
|--|-----------------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
|  |                             |                             | 2022/2023             | 2023/2024             | 2024/2025             |
| <b>Recurrent</b>                         |                             |                             |                       |                       |                       |
| County Assembly                          | 1,232,678,544               | 1,256,180,907               | 1,256,180,907         | 1,331,551,761         | 1,411,444,867         |
| Executive                                | 430,000,660                 | 341,580,991                 | 341,580,991           | 362,075,851           | 383,800,402           |
| County Public Service                    | 68,662,096                  | 62,096,211                  | 70,096,211            | 74,301,984            | 78,760,103            |
| Finance , ICT & Econ. Planning           | 1,532,234,554               | 1,412,254,568               | 1,412,254,568         | 1,496,989,842         | 1,586,809,233         |
| Admin.& Public Service                   | 676,867,818                 | 835,988,341                 | 835,988,341           | 886,147,641           | 939,316,500           |
| Agric., Livestock & Fisheries            | 500,799,803                 | 463,162,497                 | 463,162,497           | 490,952,247           | 520,409,382           |
| Water, Environment & Natural Resources   | 324,089,674                 | 341,523,466                 | 341,523,466           | 362,014,874           | 383,735,766           |
| Health Services                          | 5,201,748,649               | 4,874,439,927               | 4,874,439,927         | 5,166,906,323         | 5,476,920,702         |
| Education, Culture, & Social Services    | 950,696,202                 | 971,202,219                 | 971,202,219           | 1,029,474,352         | 1,091,242,813         |
| Youth Affairs & Sports and Communication | 124,315,300                 | 111,245,280                 | 111,245,280           | 117,919,997           | 124,995,197           |
| Lands, Physical Planning & Housing       | 195,323,258                 | 214,659,654                 | 214,659,654           | 227,539,233           | 241,191,587           |
| Trade, Industry, Tourism & Cooperatives  | 133,885,025                 | 145,502,334                 | 145,502,334           | 154,232,474           | 163,486,422           |
| Roads, Transport & Public Works          | 453,275,910                 | 394,755,348                 | 394,755,348           | 418,440,668           | 443,547,108           |
| <b>Total Recurrent</b>                   | <b>11,824,577,493</b>       | <b>11,424,591,743</b>       | <b>11,432,591,743</b> | <b>12,118,547,247</b> | <b>12,845,660,082</b> |
|  |                             |                             |                       |                       |                       |
| <b>Development</b>                       |                             |                             |                       |                       |                       |
| County Assembly                          | 67,200,000                  | 90,000,000                  | -                     | -                     | -                     |
| County Executive                         | -                           | -                           | -                     | -                     | -                     |
| Finance, ICT & Econ Planning             | 300,736,510                 | 203,731,600                 | 203,861,778           | 216,093,485           | 229,059,094           |
| Admin & Public Services                  | 34,000,000                  | 31,000,000                  | 31,000,000            | 32,860,000            | 34,831,600            |
| Agric, Livestock & Fisheries             | 498,776,466                 | 837,527,252                 | 887,778,887           | 941,045,620           | 997,508,358           |
| Water, Environment & Natural Resources   | 172,404,735                 | 293,000,000                 | 310,580,000           | 329,214,800           | 348,967,688           |
| Health Services                          | 866,053,479                 | 821,636,481                 | 821,636,481           | 870,934,670           | 923,190,750           |
| Education, Culture, & Social Services    | 140,584,894                 | 233,969,788                 | 248,007,975           | 262,888,454           | 278,661,761           |
| Youth Affairs & Sports and Communication | 167,500,000                 | 175,538,853                 | 175,538,853           | 186,071,184           | 197,235,455           |
| Lands, Physical Planning & Housing       | 1,949,993,000               | 280,000,000                 | 280,000,000           | 296,800,000           | 314,608,000           |
| Trade, Industry, Tourism & Co-operatives | 267,200,000                 | 386,098,578                 | 386,098,578           | 409,264,493           | 433,820,362           |
| Roads, Transport & Public Works          | 1,589,374,561               | 1,439,374,561               | 1,439,374,561         | 1,525,737,035         | 1,617,281,257         |
| <b>Total Development</b>                 | <b>6,053,823,645</b>        | <b>4,791,877,113</b>        | <b>4,783,877,113</b>  | <b>5,070,909,740</b>  | <b>5,375,164,325</b>  |
| <b>Totals</b>                            | <b>17,878,401,138</b>       | <b>16,216,468,856</b>       | <b>16,216,468,856</b> | <b>17,189,456,988</b> | <b>18,220,824,407</b> |

### Annex III: Kiambu County Budget Calendar FY 2021-2022

| Activity  | Responsibility  | Timeframe/Deadline               |
|---|---|----------------------------------|
| Develop and issue circular on Budget Preparation and MTEF Guidelines                              | C.E.C Finance & Economic Planning                                   | 20 <sup>th</sup> August, 2021    |
| Submission of County Annual Development Plan  | CEC Finance and Economic Planning                                   | 1 <sup>st</sup> September, 2021  |
| Development of County Budget Review and Outlook Paper (CBROP)                                     | County Treasury   | 13 <sup>th</sup> September, 2021 |
| Approval of County Budget Review and Outlook Paper the County Executive Committee                 | C.E.C Finance   | 15 <sup>th</sup> September, 2021 |
| Undertaking of Departmental Expenditure Reviews   | All Departments   | 16 <sup>th</sup> September, 2021 |
| Submission of County Budget Review and Outlook Paper (CBROP) to the County Assembly               | County Treasury   | 29 <sup>th</sup> September, 2021 |
| Start of Sector Consultations   | All Departments- Finance and planning to coordinate                 | 29 <sup>th</sup> September, 2021 |
| Submission of final sector reports to Treasury  | All CECMs for their respective Departments                          | 15 <sup>th</sup> October, 2021   |
| Draft 2022 County Fiscal Strategy Paper (CFSP)  | County Treasury   | 28 <sup>th</sup> October 2021    |
| Presentation of County Fiscal Strategy Paper to County Budget and Economic Forum (CBEF)           | C.E.C Finance & Economic Planning in consultation with the Governor | 28 <sup>th</sup> October 2021    |
| Submission of 2022 County Fiscal Strategy Paper (CFSP) to County Executive Committee for approval | County Treasury   | 15 <sup>th</sup> November, 2021  |
| Submission of County Fiscal Strategy Paper (CFSP) to County Assembly                              | County Treasury   | 30 <sup>th</sup> November, 2021  |
| Issue of circular for finalization of 2022/23-2024/25 MTEF estimates and PBB                      | County Treasury   | 17 <sup>th</sup> December, 2021  |
| Submission of Budget proposals to County Treasury   | All Departments   | 10 <sup>th</sup> January, 2022   |
| Deadline for Consolidation of Final budget  | County Treasury   | 26 <sup>th</sup> January, 2022   |
| Submission of Budget Estimates to County Executive for approval                                   | County Treasury   | 26 <sup>th</sup> January, 2022   |
| Presentation of Budget to County Assembly   | C.E.C Finance & Economic Planning                                   | 31 <sup>st</sup> January, 2022   |