COUNTY GOVERNMENT OF KISII

FINANCE AND ECONOMIC PLANNING

MEDIUM TERM

COUNTY FISCAL STRATEGY PAPER

FY 2021/22

"Strategy for resilient and sustainable economic recovery"

February, 2021

LEGAL BASIS

Section 117 of the PFM Act, 2012 provides for the preparation including contents of the County Fiscal Strategy Paper, thus –

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

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

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

(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to County Government revenues, expenditures and borrowing from and within for the subsequent financial year and over the medium term; and

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

(a) The Commission on Revenue Allocation;

(b) The public;

(c) Any interested persons or groups; and

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

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

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

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

FISCAL RESPONSIBILITIES

Section 107 of the PFM Act, and Regulations 26 of the PFM County Regulations provides that the County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out and shall not exceed he limits stated in the regulations.

The following are the fiscal responsibility principles set out in the PFM Act, 2012.

(a) the county government's recurrent expenditure shall not exceed the county government's total revenue;
(b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
(c) the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
(d) over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
(e) the county debt shall be maintained at a sustainable level as approved by the county assembly;
(f) the fiscal risks shall be managed prudently; and
(g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

FOREWORD

The 2021 County Fiscal Strategy Paper (CFSP) is the fourth prepared in the implementation of the County Integrated Development Plan (CIDP) 2018-22 in realization of the County aspiration of "prosperity *for all*". It outlines the current state of the economy with respect to the County, provides macro-fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of Government spending plans, as a basis for the FY 2021/22 budget and medium term.

The Kisii economy has performed well since inception of devolution largely due to massive investment in infrastructure and productive sectors, the contribution of the County to the country's GDP is estimated at 2.1 percent. However, the growth momentum was slowed in 2020 when the COVID-19 strake in Kenya. This Paper is, therefore, prepared against a background of a contracting economy occasioned by the COVID-19 containment measures put in place by both National and County Governments which have disrupted businesses and livelihoods.

As we finalize budget for the FY 2021/22 and the medium term, I wish to emphasize that resources are limited while at the same time, the Government is confronted with significant expenditure demands including financing the Post COVID-19 Recovery strategies and the County priorities, namely: Water reticulation and environmental conservation; Health services, Agriculture and Value addition; and roads and urban infrastructure development. These priorities are aligned to the "Big Four" agenda of the National Government which are targeted towards the realization of the Kenya Vision 2030.

The focus of this policy, therefore, is to continue providing an enabling environment for economic recovery to safeguard livelihoods, jobs, businesses and industrial recovery. In this respect, the Government will focus on critical expenditures with the highest positive impact on the well-being of county residents, strengthen implementation of programmes and measures that ensure a more inclusive growth, and avail liquidity to the private sector through Trade Credit Scheme, avail funds for payment of pending bills and completion of ongoing projects.

Moses Onderi
County Executive Committee Member
FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGMENT

The FY 2021/22 County Fiscal Strategy Paper (CFSP) has been prepared in compliance with the provisions of the Public Finance Management Act, 2012. The preparation of the 2021 CFSP was a collaborative effort among various stakeholders. We are grateful for their inputs. We thank all departments for timely provision of information.

We are also grateful for the comments received from the County Budget and Economic Forum (CBEF), participants during the public hearing across the county conducted between February 15th and 17th ,2021 and the general public who provided invaluable inputs. Finally, we are grateful to the core team from Economic Planning Directorate that coordinated the finalization of this document. The core team under the guidance of the Economic Advisor Dr. Onchari Kenani tirelessly put together this document and ensured it was produced in time while maintaining high quality standards.

Zablon Ongori

Chief Officer

ECONOMIC PLANNING AND DEVELOPMENT

TABLE OF CONTENTS

List of Tables

List of Figures

ABBREVIATIONS AND ACRONYM

BPS	Budget Policy Statement
CA	Communication Authority
CBEF	County Budget and Economic Forum
CBK	Central Bank of Kenya
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CIRT	Computer Incident Response Team
COB	Controller of Budget
COVID-19	Corona Virus Disease
CRA	Commission on Revenue Allocation
ERS	Economic Recovery Strategy
FY	Financial Year
GDP	Gross Domestic Product
ICT	Information Communication Technology
IT	Information Technology
KNBS	Kenya National Burau of Statistics
KShs.	Kenya Shillings
KTRH	Kisii Teaching and Referral Hospital
MCAs	Member of County Assembly
MSMEs	Micro-Small and Medium Enterprises
MTEF	Medium Term Expenditure Framework
PFM	Public Finance Management
PHC	Primary Health Care
PPP	Public Private Partnership
UHC	Universal Health Care
USD	United State Dollar

CHAPTER ONE

RECENT ECONOMIC DEVELOPMENT AND MEDIUM-TERM OUTLOOK

1.1 Overview

This section discusses the performance of macroeconomic parameters namely GDP, inflation rates, exchange rate, interest rate, credit and foreign remittances. These variables are nationally computed but influence operation in all the 47 counties. Further, the section discusses the County fiscal performance in the first half of FY 2020/21 in terms of revenue and expenditure. It proposes the fiscal policy to guide expenditure in the FY 2021/22 and over medium term. Finally, it presents the growth prospects (Economic Outlook) and outlines the risks to the growth prospects.

1.2 Recent Economic Development

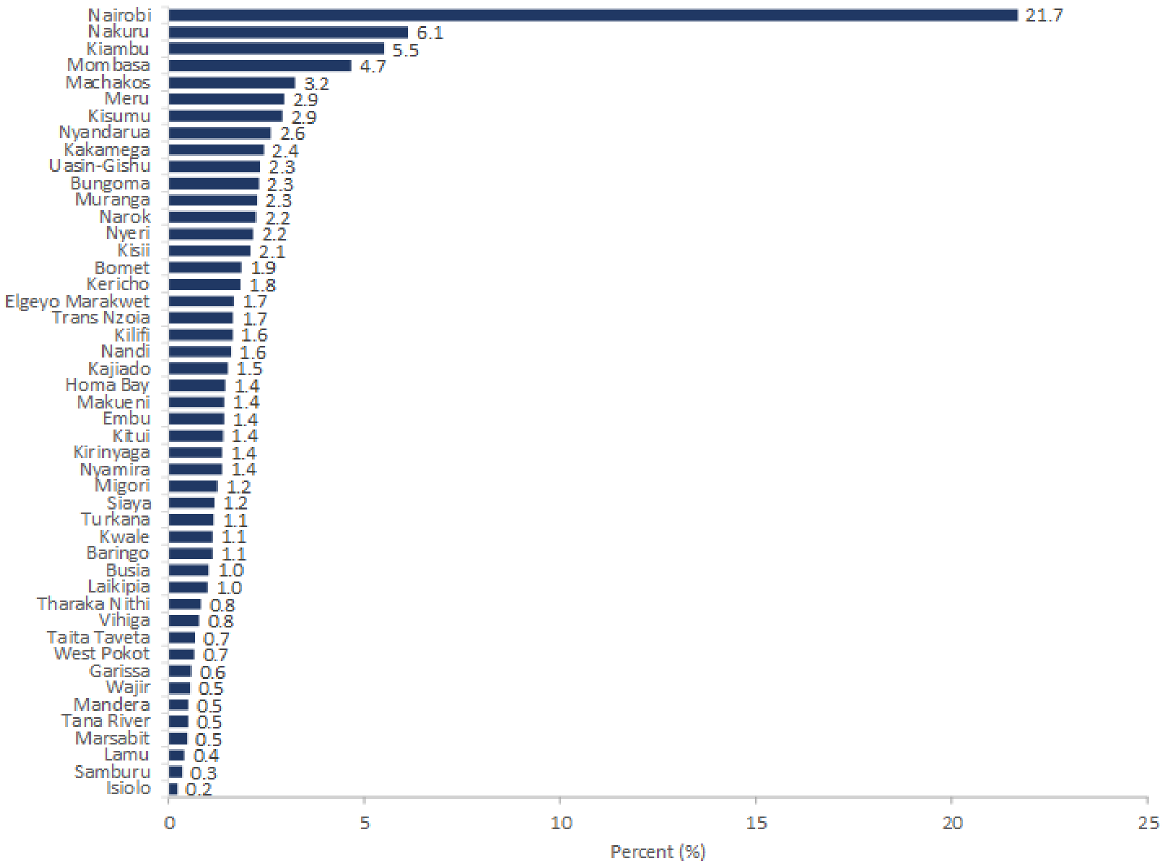
1.2.1 Gross Domestic Product (GDP)

Prior to the outbreak of COVID-19 pandemic, the Country's economy was strong and resilient despite the challenging global environment. The broad-based economic growth for 2018 and 2019 averaged 5.9 percent outperforming the 5.5 percent for the previous 5 years (2013 to 2017) and the average growth rate of 4.7 percent in the period 2008 to 2012. Economic activities in the 47 counties are what contributes to the country's GDP. It is estimated that Kisii County contributes 2.1 percent of the Country's GDP as illustrated in Figure 1.

However, in the year 2020 the Kenyan economy was adversely affected by the outbreak of COVID-19 Pandemic and the swift containment measures, which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities.

The containment measures put in place include; closure of bars and restaurants, suspension of air travel, closure of boarders, closure of markets, curfew and cession of movement in some cities and towns. These measures affected economic activities and as a result, the economy is estimated to have slowed down to around 0.6 percent in 2020 from a growth of 5.4 percent in 2019 as presented in Figure 2. However, looking ahead, the economy is projected to recover and grow by about 6.4 percent in 2021 and above 6.2 percent over the medium term. This is due to easing some of the containment measures and the low base.

Figure 1: Counties' average contribution to Gross Domestic Product in Kenya (2013-2017)

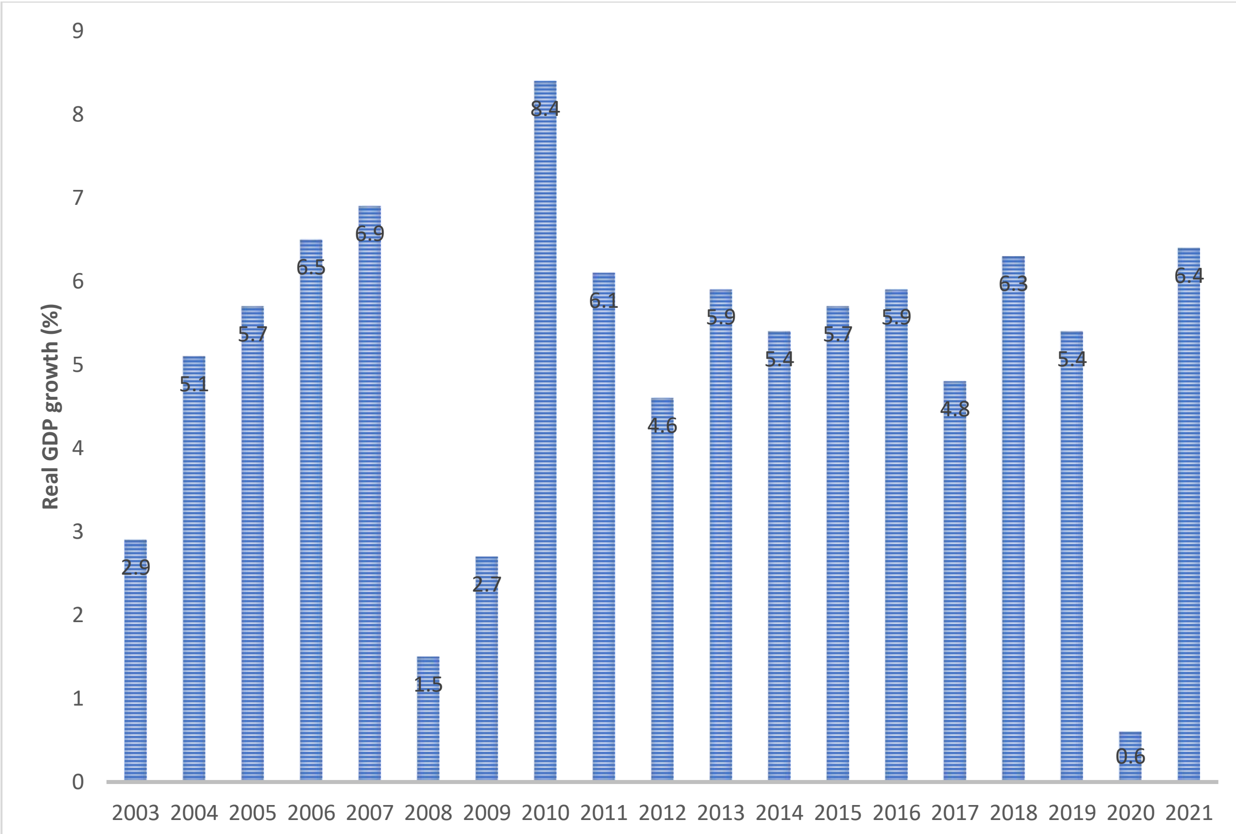


Source: KNBS, 2019

The economy grew by 4.9 percent in the first quarter of 2020 compared to a growth of 5.5 percent in the first quarter of 2019. The slowdown in quarter one was as a result of the decline in economic activities in most of the country's major trading partners due to the uncertainty associated with the COVID-19 pandemic.

The economy further contracted by 5.7 percent in quarter two of 2020 from a growth of 5.3 percent in the same quarter in 2019 as presented in Table 1. The poor performance in the quarter was to a large extent negatively affected by measures aimed at containing the spread of the COVID-19. As a result, the performance of most sectors of the economy contracted in the second quarter of 2020. However, the economy was supported by improved performance of Agriculture, Forestry and Fishing activities), Health Services and Mining and Quarrying activities.

***Figure 2*: Trends in Kenya's Economic Growth Rates, Percent**



Source: National Treasury, 2021

According to KNBS (2021), the agriculture sector recorded an improved growth of 6.4 percent in the second quarter of 2020 compared to a growth of 2.9 percent in the corresponding quarter of 2019. The sector's performance was supported by a notable increase in tea production, cane deliveries, milk intake and fruit exports. The sector's contribution to GDP growth was at 1.5 percentage points in the second quarter of 2020 compared to 0.7 percentage points over the same period in 2019. Kisii County is an agricultural county with the main cash crop being tea which is grown across the County and sugar cane in South Mugirango and parts of Bomachoge Borabu. The two crops contributed enormously to the good performance of the sector.

The non-agriculture (service and industry) sector was adversely affected by the COVID-19 pandemic during the second quarter of 2020. As a result, the sector contracted by 8.5 percent in the second quarter of 2020 down from a growth of 6.4 percent in a similar quarter in 2019. The sector's contribution to real GDP was - 5.6 percentage points in the second quarter of 2020 compared to a contribution of 4.3 percentage points in the same quarter of 2019.

Table 1: Sectoral Real GDP Growth Rate, Percent

Sectors	Sector growth (%)									
	2018				2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Primary Industry	**6.6**	**5.8**	**6.6**	**3.7**	**4.6**	**3.0**	**2.5**	**3.8**	**5.1**	**6.5**
Agriculture, Forestry and Fishing	6.7	5.9	6.8	3.9	4.7	2.9	2.4	4.0	4.9	6.4
Mining and quarrying	3.1	3.5	3.2	1.2	1.4	5.0	3.4	0.3	9.5	10.0
Secondary sector (industry)	**4.6**	**5.1**	**6.2**	**6.7**	**4.9**	**5.4**	**4.7**	**4.0**	**4.1**	**(1.0)**
Manufacturing	3.2	3.9	5.1	5.2	3.5	4.0	3.2	2.3	2.9	(3.9)
Electricity and water supply	6.1	8.3	8.1	9.5	7.8	7.3	6.4	6.4	6.3	(0.6)
Construction	6.7	5.6	7.3	7.7	6.1	7.2	6.6	5.7	5.3	3.9
Tertiary sector (Service)	**6.2**	**6.0**	**6.6**	**8.0**	**6.4**	**6.8**	**6.7**	**6.8**	**5.4**	**(11.0)**
Wholesale and Retail trade	5.6	6.5	7.3	7.9	6.3	7.8	6.1	6.4	6.6	(6.9)
Accommodation and Restaurant	13.3	15.1	15.5	21.5	11.0	12.1	9.9	9.0	(9.3)	(83.3)
Transport and Storage	6.5	6.6	8.5	11.8	6.4	7.6	7.6	9.2	6.1	(11.6)
Information and Communication	13.2	11.7	9.8	10.6	10.2	7.8	8.1	9.4	9.7	4.3
Financial and Insurance	4.0	3.5	5.1	8.5	6.3	5.2	8.1	6.6	6.2	4.2
Public Administration	5.5	6.1	7.1	8.1	8.9	8.7	8.4	6.2	6.7	5.7
Others	5.1	5.0	4.9	4.8	4.8	5.8	5.6	5.2	4.6	(19.2)
Of which Real Estates	5.2	4.5	3.8	3.1	4.8	6.0	5.5	5.1	4.3	2.2
Education	5.3	5.2	5.5	7.0	4.3	6.0	6.0	5.5	5.3	(56.2)
Health	4.1	3.4	5.3	4.5	5.4	6.2	5.5	6.2	5.8	10.3
Taxes less subsidies	6.1	6.0	6.2	4.3	4.7	4.0	4.2	4.5	3.4	(14.2)
Real GDP	**6.2**	**6.0**	**6.6**	**6.5**	**5.5**	**5.3**	**5.2**	**5.5**	**4.9**	**(5.7)**
Of which Non-Agriculture	6.0	6.0	6.6	7.5	5.9	6.4	6.2	6.0	5.2	(8.5)

Source: BPS, 2021

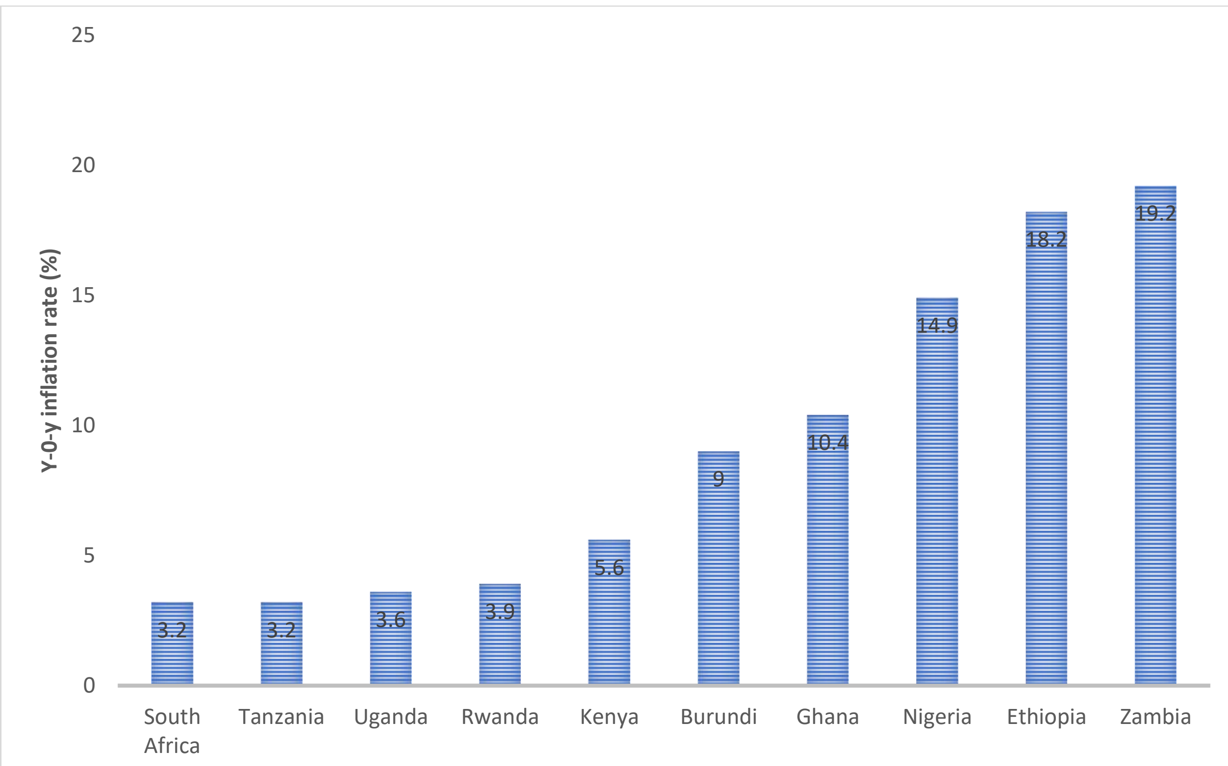
The Services sector contracted by 11.0 percent in the second quarter of 2020 compared to a growth of 6.8 percent in the same quarter in 2019. The decline was largely characterized by substantial contractions in Accommodation and Food Services (83.3 percent), Education (56.2 percent), and Transportation and Storage (11.6 percent). Growth in the service sub-sector was mainly supported by financial and Insurance, Information and communication and Public Administration. The Services sub-sector contributed -5.4 percentage point to real GDP growth in the second quarter of 2020 compared to the 3.3 percentage point contribution in the same quarter of 2019.

The industry sector contracted by 1.0 percent in the second quarter of 2020 compared to a growth of 5.4 percent in the same quarter of 2019. This was mainly due to a decline in activities in the electricity and water supply and manufacturing sub-sectors. The industry sector was however supported by the Construction sector which grew by 3.9 percent in the second quarter of 2020. Kisii County is experiencing a lot of construction especially in the real estate due to high demand of houses. The industry sector accounted for -0.2 percentage points of growth in the second quarter of 2020 compared to 0.7 percentage point contribution to GDP in 2019.

1.2.2 Inflation rates

Kenya's rate of inflation remained high in the recent past when compared to the rest of Sub-Saharan Africa countries. In December 2020, Kenya's inflation was higher when compared to most countries in East Africa Community as illustrated in Figure 2.

Figure 3: Inflation Rates in selected African Countries (December 2020)



Source: Various National Central Banks.

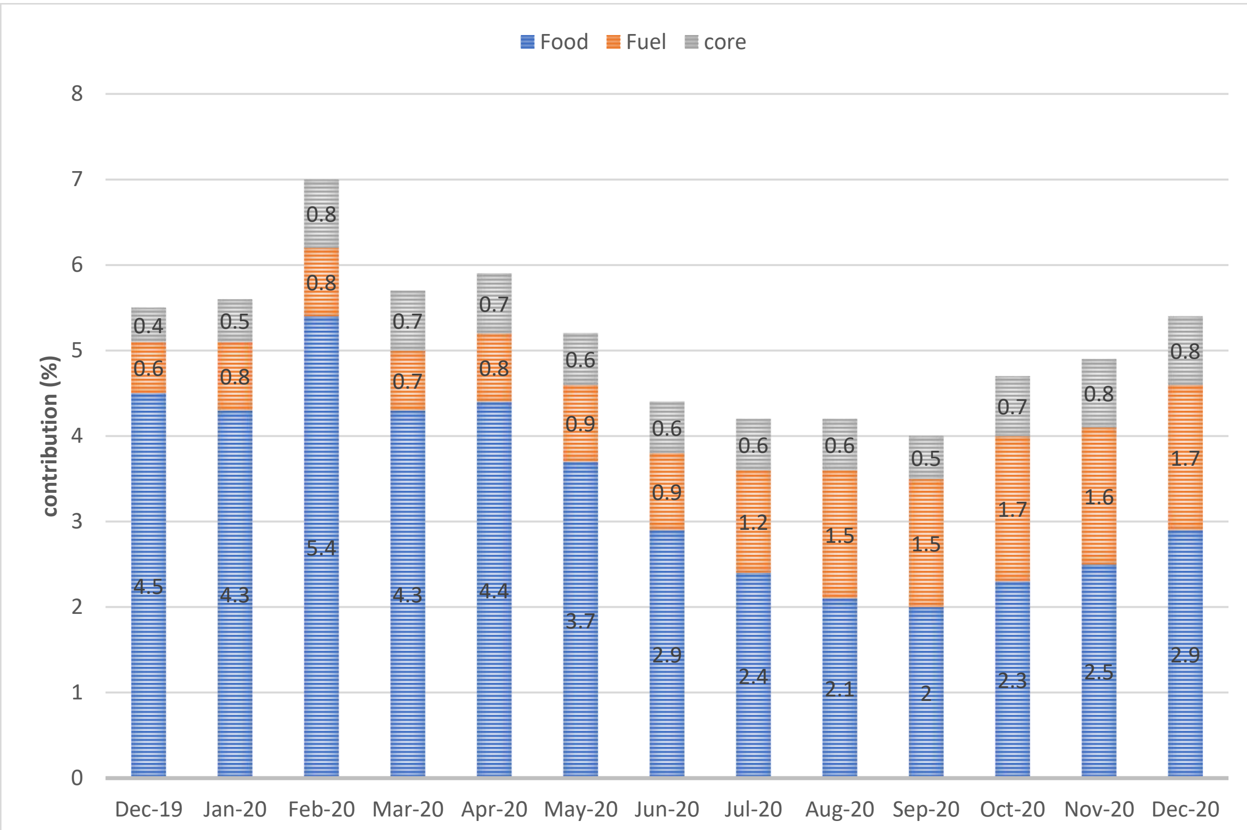
Despite the higher rates when compared to other EAC member countries, year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent demonstrating prudent monetary policies. The inflation rate was at 5.6 percent in December 2020 from 5.8 percent in December 2019. This lower inflation was supported by a reduction in food prices.

Core inflation (Non-Food-Non-Fuel) contribution to inflation remain low at 0.8 percent in December 2020 compared to 0.4 percent in December 2019 reflecting muted demand pressures in the economy on account of prudent monetary policies. However, the contribution of fuel inflation to overall year-on-year inflation rose to 1.7

percent in December 2020 from 0.6 percent in December 2019 on account of increasing international fuel prices.

The major driver of the overall inflation has been food inflation, but its contribution to overall inflation has declined from 4.5 percent in December 2019 to 2.9 percent in December 2020 on account of a reduction in food prices as illustrated in Figure 4.

***Figure 4*: Contribution to overall inflation, percentage point.**

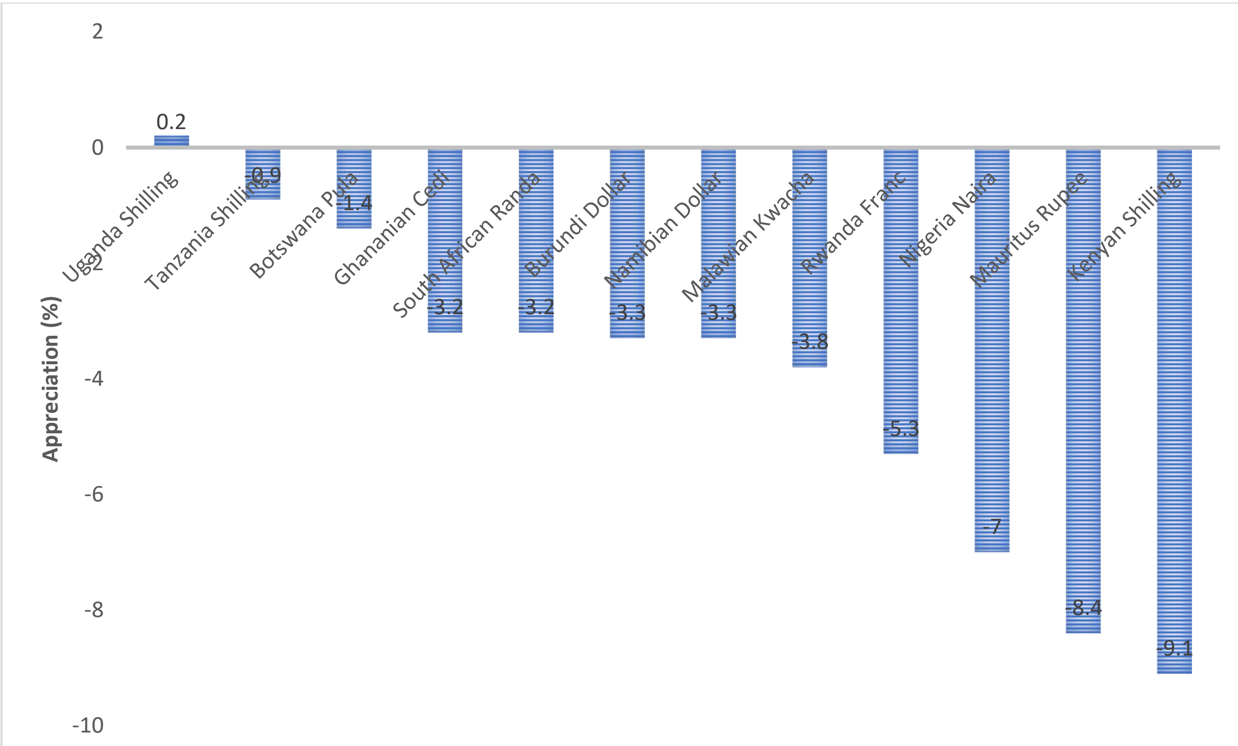


Source: CBK, 2021

1.2.3 Kenya Shilling Exchange rate

The foreign exchange market has largely remained stable but was partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 pandemic. In this regard, the Kenya Shilling to the dollar exchanged at Ksh 110.6 in December 2020 compared to Ksh 101.5 in December 2019. Like most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by only 9.0 percent against the US Dollar as illustrated in Figure 4. This stability in the Kenya Shilling was supported by increased remittances and adequate foreign exchange reserves.

Figure 5: Performance of selected currencies against the US dollar (December 2019 to December 2020)



Source: Various National Central Banks.

1.2.4: Interest rates

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.00 percent on November 26, 2020 same as in April 2020 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises, distressed by COVID-19 pandemic. Trade is one of the major economic activities in Kisii County, hence many traders took advantage of the lower rates and applied for loans to boost their businesses.

The interbank rate declined to 5.1 percent in December 2020 from 6.0 percent in December 2019 in line with the easing of the monetary policy and adequate liquidity in the money market. The 91-day Treasury Bills rate was at 6.9 percent in December 2020 from 7.2 percent in December 2019. Over the same period, the 182-day Treasury Bills rate declined to 7.4 percent from 8.2 percent while the 364-day decreased to 8.3 percent from 9.8 percent.

1.2.5 Credit

Private sector credit grew by 8.1 percent in the 12 months to November 2020 compared to a growth of 7.3 percent in the year to November 2019 as presented in

Table 2. This was supported by recovery in demand with the improved economic activity following the easing of COVID-19 containment measures, and accommodative monetary policy. Strong growth in lending was observed in the following sectors: agriculture (19.3 percent), consumer durables (18.8 percent), transport and communication (17.5 percent), manufacturing (10.0 percent), and real estate (9.1 percent). The sectors in point are vibrant in Kisii County, hence, there is no doubt that the residents are the beneficiaries of the credit. According the Central Bank of Kenya (CBK) records, Kisii County controls over 60 percent of money in circulation in the Nyanza region necessitating the establishment of the CBK currency hub in Kisii.

The operationalization of the Credit Guarantee Scheme for the vulnerable Micro Small and Medium sized Enterprises (MSMEs), will de-risk lending by commercial banks, and is critical to increasing credit to this sector.

Table 2: Growth in Credit over the years in KShs. Billion

	2018 November	2019 November	2020 November
Domestic Credit	3,358.9	3,605.5	4,235.9
Government net	828.6	903.9	1,332.3
Other public sectors	107.0	100.7	90.8
Private sector	2,423.3	2,600.8	2,812.8

Source: CBK, 2021

1.2.6 Diaspora Remittances

In 2020, diaspora remittances registered a growth of 10.63 percent from USD 2,796,607,170 recorded in 2019 to USD 3,093,971,910 in 2020 despite the lock down in the source countries. The diaspora remittances are normally sent to support friends and relatives as well as for investment purposes. In most cases, investment by the diaspora is in construction industry especial in real estate and this sector recorded growth. There are so many sons and daughters of Omogusii in America and Europe who normally send money home for investment and support due to strong ties at home. Therefore, there is no doubt that the bulky of the diaspora remittances get its way to Kisii County. This may partly justify the huge money in circulation in the county given that Kisii is not an industrial county.

1.3 Fiscal Performance

Budget execution in the first half for the FY 2020/21 was hampered by delay in disbursement of funds by the exchequer, own revenue shortfalls and rising expenditure pressures. The delay of disbursement was occasioned by late passage of County Allocation of Revenue bill by the senate. The shortfalls in revenues reflect the weak business environment and the impact of the waivers implemented in April 2020 to support people and businesses from the adverse effect of COVID-19 Pandemic. Revenues are expected to progressively improve in the second half of the fiscal year following the enactment of the County Allocation of Revenue Act, 2020 and the gradual reopening of the economy and emerging markets. Revenue performance is also expected to get a boost from reversal of waivers, introduced in April 2020, effective October 2020.

The Government has embarked on expenditure rationalization and prioritization to ensure that expenditures are on the most impactful programmes that yield the highest welfare benefits to the residents of the county.

1.3.1 Revenue performance

The disbursements from the National Treasury were delayed in the first quarter of FY 2020/21 due absence of the County Allocation of Revenue Act,2020. However, the flow of funds to the County has now normalized.

A total of **KShs.4,441,013,894** out of the expected **KShs.7,623,583,396** had been disbursed to the County by 31st December, 2020 representing **58.25** percent of the expected half year revenue. Table 3 presents the summary of revenue performance in the first half.

Table 3: Summary of Half year revenue received in FY 2020/21.

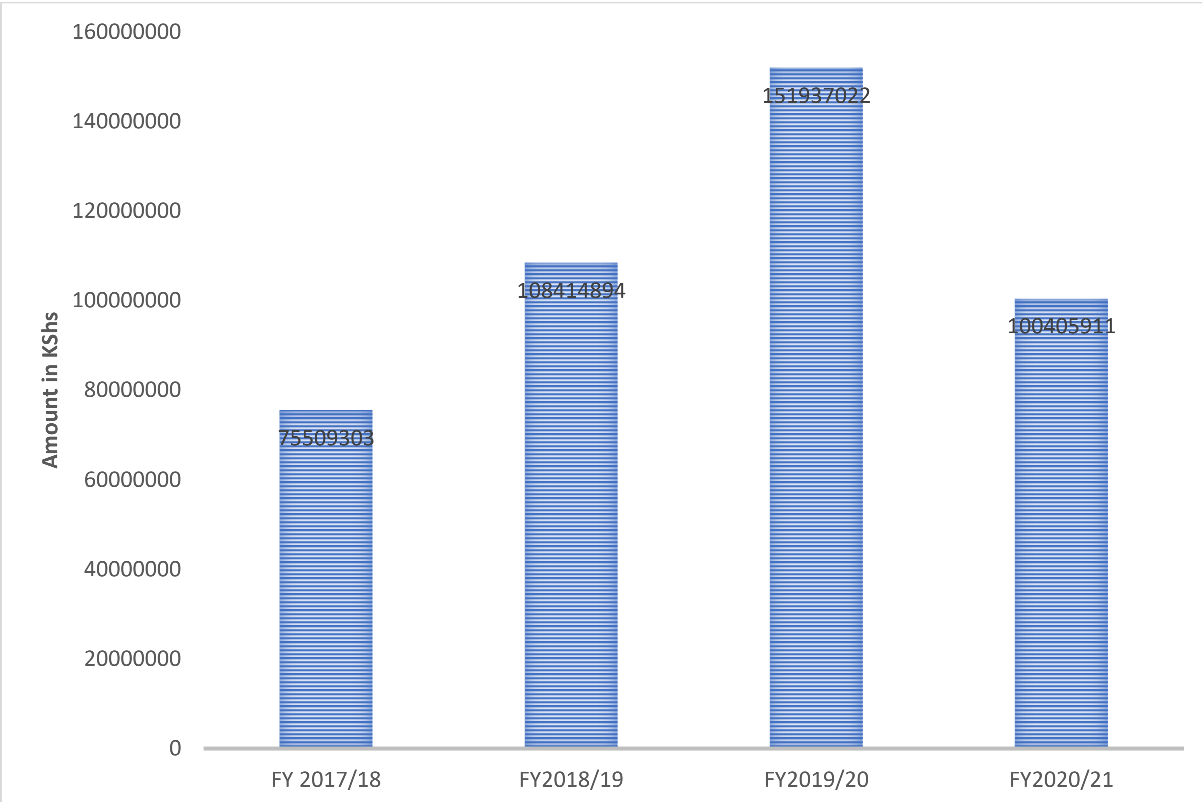
Revenue Stream	Approved Budget (KShs)	Approved Supplementary (KShs)	Expected Half year Revenue (KShs)	Amount Received as at 31st December, 2020 (KShs)	Amount received in first Half year revenue %
Equitable Share	7,817,550,000	7,785,900,000	3,892,950,000	2,569,347,000	66
Conditional Share for Kisii Level Five	417,572,254	417,572,254	208,786,127	0	
Road Maintenance Fuel Levy Fund	233,001,661	233,001,661	116,500,831	58,250,415	50
Leasing of Medical Equipment	132,021,277	132,021,277	66,010,639	0	-
Conditional Allocation for Compensation for User Fee Foregone	26,138,997	26,138,997	13,069,499	0	-

Kenya Devolution Support Program 'Starter Pack' - (Level 1)	45,000,000	45,000,000	22,500,000	0	-
Kenya Devolution Support Program 'Starter Pack' - (Level 11)	128,507,146	128,507,146	64,253,573	0	-
Allocation for Development of Youth Polytechnics	70,549,894	70,549,894	35,274,947	0	-
National Agricultural and Rural Inclusive Project	198,615,016	198,615,016	99,307,508	195,245,299	197
Agriculture Sector Development Support Program – SIDA	14,185,102	14,185,102	7,092,551	0	-
Conditional Allocation-Health Systems for Universal Care	68,638,638	68,638,638	34,319,319	0	-
DANIDA	22,140,000	22,140,000	11,070,000	11,070,000	100
European Union Instruments for Devolution Advice and Support	16,140,145	16,140,145	8,070,073	0	-
Urban Development Grant	117,337,642	164,053,800	58,668,821	0	-
Aquaculture Business Development Programme (IFAD)	23,700,000	23,700,000	11,850,000	0	-
Conditional Grant -Frontline Health workers Top-Up Allowances	84,165,000	84,165,000	42,082,500	84,165,000	200
Unreleased Balances for FY2019/2020	781,434,472	781,434,472	781,434,472	669,587,400	86
Unspent balances FY 2019/2020	1,809,517,538	1,809,517,538	1,809,517,538	753,791,890	42
Local Revenues	650,000,000	650,000,000	325,000,000	99,556,890	31
Total	**12,656,214,782**	**12,671,280,940**	**7,623,583,396**	**4,441,013,894**	**58**

Source of data: County Treasury.

Own Revenue collection to December 2020 contracted when compared to the previous year as illustrated in Figure 6. The cumulative total revenue amounted to **KShs. 100** million against a target of **KShs. 325,000,000**. The revenue grew by **-33.92 percent** compared to KShs.151,937,022 registered in FY 2019/20. The decline is largely attributed to COVID-19 containment measures.

Figure 6: Local revenue first half years performance trend over the years.



Source: Kisii County Treasury

1.3.2 Expenditure performance

Total expenditure for the period ending December 2020 amounted to **KShs.3,289,434,428** which was below the projected amount of **KShs.7,557,572,758**. The expenditure was **43.53 percent** of the half year budget and **74.07 percent** of the available funds. Recurrent spending amounted to **KShs.2,785,583,206** while development expenditures amounted to **KShs 503,851,22** of the total expenditure representing **84.68 percent** and **15.32 percent** respectively.

Recurrent expenditure was **64.18 percent** of the half year budget. The expenditure was below the target mainly on account of lower operation and maintenance activities, attributed to scaled down operations in first quarter of the FY 2020/21 due to COVID-19 Pandemic. Development expenditure was **KShs.503,851,222** out of the budget of **KShs.1,922,034,872**. The expenditure in development represents **26.21 percent** of the development budget.

Table 4: Half Year Expenditure by Departments

Department	Recurrent		Development	
	Half year budget (KShs)	Expenditure KShs.	Half year Budget KShs.	Expenditure KShs.
Executive	232,844,686	101,204,609	10,000,000	0
Administration and Stakeholders Management	337,757,104	201,637,406	18,222,698	103,619
Finance and Economic Planning	562,241,236	350,679,388	35,000,000	5,217,243
Agriculture	202,955,628	125,677,817	307,755,676	202,045,902
Water	98,622,421	39,873,919	104,636,688	7,140,000
Education	309,638,857	155,270,772	71,171,517	3,034,500
Health Services	1,804,308,657	1,350,325,595	459,240,842	157,625,428
Lands, Physical Planning and Urban Development	44,753,620	25,739,120	46,191,958	1,968,900
Roads, Public Works and Housing	104,425,000	49,727,263	538,636,905	105,121,314
Trade, Industry and Tourism	43,794,419	25,153,218	57,073,321	1,784,153
Culture, Youth, Sport and Social Services	38,503,230	19,56,064	66,827,751	6,732,460
Kisii Municipality	63,952,730	29,473,229	117,000,794	13,077,703
County Assembly	496,264,299	311,164,808	90,276,722	0
Total	**4,340,061,887**	**2,785,583,206**	**1,922,034,872**	**503,851,222**

Source: County Treasury

1.4 Fiscal Policy

Going forward into the medium term, the County Government will continue with its expenditure prioritization policy with a view to achieving the transformative development agenda which is anchored on provision of core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies, creation of employment opportunities and improving the general welfare of the people. The volume of pending bills is expected to decline from **KShs.2.5** billion in FY 2019/20 to less than **KShs 500** million in FY 2024/25.

To achieve this target, the County Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization. Revenue performance will be underpinned by the on-going reforms in revenue collection through digital platforms and revenue administration and boosted easing of containment measures which has seen many businesses return to operational.
The domestic revenue is expected to increase from **KShs 333 million** recorded in FY 2019/20 to **KShs.350 million** in the FY 2020/21 and **KShs.700 million** in FY

2021/22. To mobilize revenues, the Government has put in place revenue enhancement measures to boost performance and cushion against further revenue shortfalls by strengthening revenue collection administration and compliance. The measures will include:

i. Reversal of waivers put in place in April 2020 to cushion the economy from the impact of the COVID-19 pandemic. The reversal takes effect from October 2020;
ii. Strengthening Audit function in revenue department;
iii. Enhanced arrears collection programme;
iv. Compliance level reviews with focus on enforcement risk framework to support targeted enforcement;
v. Identification and elimination of revenue administration gaps and stop revenue leakages, including leveraging on information technology to improve collection efficiency, through the use of third-party data;
vi. Broadening the revenue base;
vii. Updating the valuation roll;

1.5 Economic Outlook

Kisii County's economic growth prospects for the FY 2021/22 and over the medium term will largely be influenced by the national growth prospects, the emerging global and national challenges posed by COVID-19 and the County internal risks. In this respect, Kenya's economic growth in 2020 is estimated at 0.6 percent and it is projected to recover to 6.4 percent in 2021 due to in part, the lower base effect in 2020 and easing of some of the containment measures. The easing of the containment measures has led to increased economic activities. Own revenue is estimated to grow to KShs 500 million in FY 2021/22 and over the medium term.

Looking ahead, economic growth is projected to slow down to 5.5 percent in 2022 (due to in part the uncertainty associated with the 2022 general elections) and recover to 6.1 percent by 2024. The anticipated referendum in June and 2022 election activities are likely to have effect in domestic revenue since most markets are likely to be used for political rallies, therefore affecting business and in turn revenue collection. In addition, most people especially boda boda operators are likely to default on stickers as many of them will be engaged in political campaigns.

1.6 Risks to Economic Outlook

Risks from the global economies relate to persistence of the COVID-19 pandemic and required lockdowns, voluntary social distancing and its effect on consumption, the ability of laid off workers securing employment in other sectors, rising operating cost to make work places more hygienic and safer, reconfiguration of disrupted global supply chains, extent of cross-border spill overs occasioned by weaker external demand and funding shortfalls.

On the domestic front, risks will emanate from low economic activities due to COVID-19 containment measures. In addition, the economy will continue to be exposed to risks arising from public expenditure pressures, particularly wage related recurrent expenditures and the erratic weather-related shocks that could have negative impact on agricultural output leading to low production that could reduce income.

The County Government is continually monitoring these risks and taking appropriate measures to strengthen resilience in the economy. To cushion the county against the downsides of the risks, the County Government has prepared the Post COVID-19 Recovery Strategy to protect lives and livelihoods of the residents. Implementation of the County priorities will unlock better growth, and positively impact on the lives of people through jobs creation and poverty reduction.

CHAPTER TWO

STRATEGY FOR RESILIENT AND SUSTAINABLE ECONOMIC RECOVERY

2.1Overview

The COVID-19 Pandemic has had negative impact across the county. Thus, 2021 CFSP is premised on the need to urgently overcome the immediate socio-economic challenges that the county residents face today. At the heart of the policies in this document, is the desire to foster a conducive environment critical to return the economy back to our long-term growth path, while at the same time, providing impetus for building a cohesive and prosperous county as envisioned in the CIDP 2018-2022.

The 2021 CFSP, therefore, articulates priority economic policies and structural reforms as well as departmental expenditure programs to be implemented under the Medium-Term Expenditure Framework for FY 2021/22– 23/24 in order to achieve the Government's development goal of economic transformation for a shared prosperity for all.

To respond to the current challenges and cushion residents and businesses from the adverse effects of the Pandemic, the County Government is currently implementing various programmes - whose objective is to return the economy to the growth trajectory it was on pre-Corona by increasing business opportunities thereby increasing employment and income and increasing food production. Great gains have been realized under the Programme including paying pending bills thereby providing and creating environment conducive for business.

Building on the gains made, the County Government has prepared a Post COVID-19 Economic Recovery Strategy (ERS) which will mitigate the adverse impacts of the Pandemic on the economy and further re-position the economy on a steady and sustainable growth trajectory. Successful implementation of the Post-COVID-19 ERS is predicated on faster implementation of policy, legal and institutional reforms that are necessary for effective implementation of the Strategy.

The County Government will ensure that all the proposed policies and legislation are implemented within the specified time lines. The capacity of institutions, such as County Attorney, to draft legislation in a timely manner will also be enhanced.

Further, the County Government will accelerate implementation of the county priorities. These priorities are aligned to the "Big Four" Agenda which is designed to help achieve the social and economic pillars of our Vision 2030 and the development aspirations espoused in the Kenyan Constitution.

2.2. Implementation of the Kisii County Post COVID-19 Economic Recovery Strategy

The fundamental pillar of Post-COVID-19 Economic Recovery Strategy (ERS) is a sound macroeconomic framework. The other key pillars include accelerated growth in private sector investment; enhanced allocations to strengthen health care systems; supported recovery and growth of MSMEs; full implemented ESP; up-scaled investment in ICT and digital infrastructure; and better disaster preparedness and management. In addition, the Government will pay greater attention to economic governance, inequality, social cohesion, gender and youth.

2.2.1 Enhanced budgetary allocations to strengthen Health Care Systems.

The COVID-19 pandemic has overstretched the county's health care system. To address this, the Government has enhanced allocations to the heath sector through equitable share. The County has also received significant financial assistance from development partners including the World Bank. This support will strengthen health care systems with the requisite equipment, supplies and medical personnel.

2.2.2 Enhanced Role of the Private Sector in the Recovery Strategy

The COVID-19 Pandemic has reduced economic activities in the private sector leading to massive job losses, pay cuts and reduced contribution to government revenue. The private sector is expected to play a significant role in financing the implementation of Post COVID-19 ERS by taking advantage of opportunities arising from investment in ICT, technological innovations, PPP framework, and increased trade in goods and services as a result of open and free movement between counties.

To promote private sector investment and enhance its role in the recovery and growth strategy, the County Government will expedite the passing and implementation of legislation that will facilitate private sector participation in construction and maintenance of infrastructures including market sheds and shops. The County Government will also expedite the payment of pending bills to increase money in circulation. The County Government will further prioritize the attraction of Diaspora funds for investment in projects and operationalize the public procurement regulations and embrace e-procurement platform.

2.2.3 Support Recovery and Growth of MSMEs

The Post-Covid-19 ERS will prioritize renewed growth in MSMEs which have been severely impacted by the measures put in place by the Government to contain the spread of the Pandemic such as restrictions on movement and curfews which has led to significant loss of business by MSMEs. Towards this end, the Post-COVID-19 ERS will prioritize implementation of the following programme: MSME Credit Guarantee Scheme and MSMEs Capacity Building Programme; Finance Plus.

2.2.4 Enhancing ICT capacity for business continuity

The status of ICT access and use in the county is low, especially among households. Approximately 43.8 per cent of the population aged 3 years and above own a mobile phone which is lower than the national average of 47.3 per cent. The perception that individuals do not need to use the internet and the high cost of service and equipment are the leading reasons that the people of in the County don't have internet connection. The county used ICT to facilitate public participation for the budget process during the pandemic.

In the new normal driven COVID-19, the County will fast track the implementation of various projects to ensure business continuity and build resilience of the County against future pandemics and disasters as follows:

i) Support programmes in partnership with the private sector that will enable households acquire ICT assets such as smart phones and laptops and increase mobile phone ownership from the low of 43.8 per cent to 100 per cent in line with the global agenda for Universal Access to Mobile Telephony.

ii) Adopt programmes to ensure ubiquitous access to reliable and affordable internet (internet everywhere) by applying aerial and satellite-based communication technologies.

iii) Focus on the balanced development of information infrastructure and technological innovation capabilities through development of ICT centers in vocational training centers and in resource centres across the County.

iv) The IT personnel in the County can be deployed to support the development of ICT competence and skills among the public.

v) Enhance internet connectivity to public buildings and key trade centres to boost e-commerce especially for MSMEs in trade and business. The NOFBI programme to be expanded to the sub-county administrative units to further enable deployment of e-governance solutions.

vi) Increase ICT budgetary allocation. This is aimed at giving strategic prominence to planning, budgeting and investment in ICT.

vii) Review and implement ICT policies and procedures to manage ICT and mitigate cyber threats. Collaborate with the National Computer Incident Response Team (CIRT) and the Communications Authority (CA) towards managing cyber threats, disasters and pandemics. This is because enhanced use of ICT is known to raise threats and risks related to cyber-crime and misinformation

2.2.5 Strengthening county government's preparedness and response to pandemic and disasters

Kisii County is affected by a number of disasters ranging from fire outbreaks to collapse of buildings. The County has a County Disaster Management Act and a County Emergency Health Services Fund Act. However, the County has also been adversely affected by COVID-19, prompting the need to:

i. Work towards preventive action as a priority initiative, including improved regional capacity on surveillance and detection, infection control, containment and ccommunication strategies as well as reviewing and reinforcing relevant laws.
ii. Take steps to ensure that border control, quarantining, surveillance and screening measures are designed to comprehensively address containment and infection issues while limiting the impact on trade in most goods and services.
iii. Prevent, protect against, control and provide a public health response to the international spread of disease in ways that are restricted to public health risks, and which avoid unnecessary interference with international traffic and trade.
iv. Provide training to community leaders, responders to emergencies and volunteers, improve knowledge and capacity in disaster management.
v. Collaborate with regional health institutions, Organizations and agencies, municipalities and other organizations and persons in the planning and coordination of the provision, in the County, regionally and locally integrated emergency health services, urgent health services and ancillary health services.
vi. Collaborate with experts in the areas of public health and disaster risk management in the training of all health professionals within the County.

2.2.6 Mainstreamed Diaspora Resources to Support the ERS

The Kenyan Diaspora wields significant financial and intellectual resources that can support the Post-COVID-19 economic recovery. For this reason, mainstreaming Diaspora intellectual and financial resources, business networks and economic diplomacy is a key component of the Post-COVID-19 ERS. Towards this end, the Government will provide the requisite incentives for the Diaspora to invest in infrastructure projects including in key sectors of ICT and digital infrastructure, housing, health, education and manufacturing, and in clean energy and green projects. The department of Administration and Stakeholders Management, through liaisons abroad will also engage Diaspora associations and their business networks to facilitate such initiatives.

2.3 Achieving the County Priorities

The County priorities are aligned to the "Big Four" agenda of the national government which is geared towards the attainment of the Kenya Vision 2030. The medium-term expenditure framework for 2022/22 – 2024/25 ensures resource allocation based on prioritized programmes are aligned to the "Big Four" agenda. It also focuses on strategic theme of "kick starting the County transformative agenda" towards an accelerated economic growth, poverty reduction and employment creation.

The four priorities adopted over the medium term in the County Development Plan (2020) are expected to form an integral part in transforming the local development by creating employment and improving standards of living, building on our competitive base and reduce poverty. In the next fiscal year, county programmes, projects and policies will be guided by the strategic priorities namely:

i. Health Care Services;
ii. Roads and Urban Infrastructure Development;
iii. Agriculture and Value addition;
iv. Water Reticulation and Environment Conservation;

Therefore, in allocating resources emphasis is laid on the priorities over the medium-term. Departments will therefore, align their programmes towards the four strategic areas.

2.3.1 Improving Health Care Services

A good health is an important factor in economic growth and development. A healthier population lives longer, is more productive and saves more. Health in Kenya is a devolved function (managed by counties). The rationale for devolving the sector was to allow the county governments to design innovative models and interventions that suites the unique health needs in their contexts, encourage effective citizen participation and make quick decisions on resource mobilization and management.

Maintaining and improving the health of the population means providing equitable access to health services for all individuals and providing quality services for the majority of health issues. Access to services is not a reality for a large number of individuals and the quality of services is often sub-optimal due to: Insufficient numbers of healthcare workers, who are poorly trained, demotivated, poorly paid; Medical products which are sometimes unavailable and of poor quality; Inadequate integration of healthcare, which sometimes means interventions happen in isolation leading to waste of resources and effort.

Achieving a good health requires investment in Primary Health Care (PHC). Primary Health Care is a vital function of a society acting as backbone. The fundaments of PHC include four components: Universal Coverage, people centered care, inclusive leadership and health in all policies.

Universal Health Care (UHC) which is one of the "*Big Four*" agenda of the National Government can be made possible through strengthening PHC system and better integrating them with effective financing mechanism. When primary health care forms the foundation of health systems, it ensures that all people stay healthy and get care where and when they need it. When primary health care works, people and families are connected with trusted health workers and supportive systems throughout their lives, and have access to comprehensive services ranging from family planning and routine immunizations to treatment of illness and management of chronic conditions. UHC can only be realized through strong PHC systems because:

a) Investing in PHC leads to high quality and cost-effective care for people and communities.
b) Widespread access to PHC supports equitable distribution of health.
c) PHC systems serve as an early warning mechanism to detect and stop disease outbreaks before they become epidemics.
d) Targeted investments in PHC amplify efforts to improve health across the course of life, from birth to old age.
e) Good PHC empowers individuals, families and communities to be active decision-makers about their health.

Generally, economies with a greater PHC orientation have lower rates of mortality and better health outcomes. PHC also improves and sustains the health care system at other levels. For instance, when PHC practitioners are the gatekeepers of healthcare delivery, they can reduce unnecessary costs and need for specialty care through improving the quality of prevention, coordination and continuity of care. Currently, the patient suffering from COVID-19, but have mild conditions are encouraged to self-isolate in their homes, there is need therefore to have a robust PHC to help monitor the recovery processes of the patients and control community transmissions. Developed economies have made PHC their central focus for achieving health reform and a result have assisted in the fight against COVID-19.

To further improve the quality and reach of health care services in the county, the Government will continue to improve maternal, new born and child health services; reduce malaria related mortality; enhance early diagnosis and management options for cancer and renal diseases. Going forward, cancer treatment services have now been made available at KTRH.

Mental illness has increasingly caused serious national distress and anguish across the country. To curb further increase, the Government has established unit at KTRH, with the full responsibility of spearheading the national response to the disruption caused by mental illness to our social order and the nation's wellness.

2.3.2 Roads and Urban infrastructure Development.

Good road network is an enabler to economic growth and development in any economy as it makes it possible for goods and materials to move from one corner to another. Over the medium term, the Government will focus on developing urban roads to reduce congestion especially in Kisii Municipality through partnerships with development partners. Already, the Government has commenced construction of pedestrian walkways, urban roads and drainage system within Kisii Municipality through World Bank support.

Completion of backstreet and estate roads will contribute immensely to business operation in the Municipality in the realization of job creation which is a national concern. In ensuring smooth movement of people and goods across the County, the focus over the medium-term period will be maintenance of already build roads and opening up of feeder roads (village roads) in all the 45 wards.

There is a substantial population residing in Kisii Town and other major towns in the County. If managed well, this rapid urbanization can bring significant benefits for business, with concentrations of talent and customers driving innovation and growth, while increasing standards of living for the thousands of individuals who call" the towns" their home. However, such large-scale urbanization also brings with it, significant challenges. Established towns need to upgrade their existing, aging infrastructure to keep them moving today while anticipating the needs of tomorrow. Newer urban centers like Etago, Itumbe have to move fast, not only to catch up with existing demand, but also to plan for future needs.

2.3.3 Agriculture and value addition

The County's economy and livelihood is much driven by agriculture which is depended upon by over 70 percent of county's rural population. Substantial investments in agriculture are the key to economic transformation because it is the main driver of the non-agricultural sectors with a multiplier effect in manufacturing, transportation and other social services. When the sector performs well, the entire economy performs well.

Improving agricultural productivity through programmes such as cash crop promotion, livestock production, and fisheries would thus be an effective way to enhance food security, employment creation, income generation, industrialization and ultimately, economic transformation through stimulating growth of related sectors of the economy.

Therefore, the County Government will continue to implement measures in the agricultural sector in order to ensure food security. The focus will be on intensifying extension services, encouraging non rain fed agriculture through training on greenhouses management, increasing access to agricultural inputs, implementing programmes to support smallholder farmers to sustainably produce and market various commodities, and supporting large-scale production of staples.

To promote the growth of the livestock sub-sector, the County Government will expedite the development of a County Livestock Policy; upscale AI Services; and expand veterinary services to all wards. Further, to improve livestock productivity, the Government plans to produce doses of assorted vaccines for livestock diseases control, procure and install milk coolers across the county.

To increase fish production, the Government will expedite the development of the County Fish Production Policy, develop Regulations on Fisheries Laws to provide regulatory framework for fisheries in the County. The County Government will also train farmers on fish management, equip Fish Multiplication Centres and establish Kisii County Fish Marketing SACCO to enhance fish farmers' earnings.

To mitigate losses among smallholder farmers and boost their productivity, the County Government in partnership with development partners will construct modern markets with cold storage facilities, encourage sales through SACCOs, encourage the use and adoption of crop and livestock insurance policies with the goal of cushioning farmers against climate related risks. This will also contribute to stabilization of farmers' incomes, increased investment in agriculture through leveraged access to finance and enhanced farmers' risk mitigation. In achieving this, the Government will partner with the local financial institutions and insurances firms and development partners

2.3.4 Water Reticulation and Environmental Conservation

Water is an essential component in society. It is vital to maintain health, grow food, manage the environment and create jobs. Lack of water is a barrier to sustainable socio-economic development. Provision of safe water is critical in fighting COVID-19 and other infectious disease through hand washing. Therefore, scarcity of water, lack of collection and distribution systems can be costly. Generally, domestic water supply serves as a basic component of welfare in its role as a direct consumer commodity, it also functions as an element of socioeconomic infrastructure. Water contributes to a wide variety of natural productive process, including directly productive activities such as food production and manufacturing operations and as an element of basic economic infrastructure.

Kisii County receives high precipitation at an average of 1,500mm per year. However, there is still high demand for water for domestic and industrial use only 2.1 percent of households can access piped water. It is estimated that about 80 percent of households in county draw water from springs and rivers (KNBS, 2020). Due to high population and many agricultural activities, the water is mostly contaminated hence putting the health of the residents at risk.

Water and sewer infrastructure in Kisii Town is old and dilapidated and cannot meet the current demand. This has constantly led to frequent blockages and bursts of lines culminating to water wastages due to leakages, water contamination and overflow of sewer. The water supply problem is further aggravated by the poor state of the distribution system, which results to 50 per cent losses due to leakage and illegal connections.

Therefore, to access to clean and safe water will be achieved through investment on clean water infrastructure and management. For this reason, the County government will continue to invest substantial resources in clean water supply, as well as to protect and conserve the environment. Provision of clean water can only be achieved through consolidated effort.

So far, the County Government has partnered with various development partners among them Germany bank (kfw) which has completed rehabilitation of Kisii Water Supply treatment works, storage tanks and sewerage treatment plant in Bonchari. The focus now is to re rehabilitate the distribution lines and expand the coverage. Completion of this project will not only ensure steady supply of water to Kisii CBD but to other emerging towns like Suneka, Mosocho, Ogembo, Itumbe and Tabaka.

Additionally, over the medium-term period, the County Government will focus in rehabilitating depilated water schemes in the rural areas and construct new ones. The targeted schemes for rehabilitation and expansion include Riokindo, Omogenda and Birongo water supplies. The government will fast tract the signing of contract with a development partner to facilitate the construction of Mokubo Water Scheme and also look for development partners to assist in constructing new schemes among them Kiareni water supplies.

To ensure equity in reticulation, additional bore holes will be drilled across the county in areas that cannot be served by pipes due to topographical nature. Roof harvesting will be scaled up as a way of controlling run off water. In this regard, plastic water tanks will be supplied to hospitals and schools across the County. The roof catchment will not only provide institutions with clean water for domestic use, but provide water for irrigation as a way of ensuring steady supply of horticultural crops in realization of food and nutrition security in the County. It is expected that once these projects are complete, water shortage in major towns and accessibility in rural areas will be addressed and youth and women will be engaged in other productive areas of the economy.

In the recent past, Kisii County has experienced decline in water levels and change of rain patterns due to climate change. More than half of the boreholes sunk over the last six year are either dry or have a low discharge making reticulation impossible. Many springs are now dry and volume of water in rivers has greatly reduced hindering execution of economic activities like farming and even making water for domestic use expensive.

The decline of water in rivers and drying of springs is largely attributed to planting of eucalyptus tree (blue gum) which is known for high consumption of water on wet lands. River degradation has led to an extensive loss of habitats and additional pressures on the aquatic and terrestrial species that use them. It also affects the quality of our drinking water, resilience to climate change and ability to store and hold back flood water. The rivers affected include Gucha, Riana, Nyakomesaro and Nyangweta and several springs. Damage to river systems has been so extensive that an urgent need has emerged, not only to conserve, but to restore these systems. Best practice river and catchment restoration can deliver multiple benefits including improvements to water quality, biodiversity, water supply security and reductions in flood risk and pollution.

Therefore, the County Government recognizes that protecting and conserving the environment is fundamental to sustain access to clean water, clean environment and a healthy productive population. Indeed, safe drinking water and sanitation do complement efforts towards improved primary health care and productivity of Labour. It is therefore clear that provision of clean water through reticulation will contributes to the realization of the "Big Four Agenda" of the National government through Universal Health Care; Food and Nutrition security and job creation through industrialization.

To achieve on this course, there is need to invest on environmental conservation and Solid waste management through massive tree planting, removing blue gum trees along the riparian land and water catchment areas, soil erosion control measures, building sewerage structures in urban areas; protection of ecosystems and investing on climate change adaptation mechanisms.

2.4 Conducive Business Environment for Employment Creation

The business environment has been affected by COVID-19 Pandemic and continues to remain uncertain. However, despite all the reservations brought about by the Pandemic, the County Government remains committed to creating and sustaining a conducive business environment by reducing market rates in the Finance Act 2021, enhanced security to attract investors, and promote trade that is geared towards job creation.

2.4.1Reduction in rates, taxes and levies

Low taxes, rates and levies provides the necessary conducive environment for the private sector investments as a ground for sustained economic growth. The County Government continues to put policies that will stimulate the economy to safeguard livelihoods, jobs, businesses and industrial recovery. In particular, the County Government has kept market rates and levies down to boost the economic activity. To ensure fully recovery, the County Government will scrab some levies and rates to attract more investment especially among mama mboga and mitumba traders. Despite the advent of Covid-19 pandemic that has threatened revenue collection, the County Government has strived to promote investment through waivers to encourage investment.

2.4.2 Payment of pending bills

The Government will prioritize payment of pending bills to provide funds for further investment and ensure adequate money in circulation.

2.4.3 Enhancing Security

To maintain economic stability and attract investment, security is critical. A safe and secure environment remains a prerequisite for achieving the Kenya Vision 2030. To achieve this, the government will work closely with the National Government Security agencies, install streetlights in all markets and risks places, construct backstreet roads in all urban centres and open up village roads to facilitate patrols.

2.4.4 Infrastructure Development for inclusive Growth

In order to ensure businesses, thrive in an enabling environment, realize significant progress from manufacturing and Agro-processing, the County Government continues to build a strong transport system to enhance connectivity in the County. This will in turn support growth in the other sectors of the economy. In view of this, the Government has put in place deliberate efforts to scale up a robust network of high-quality roads to enable residents enjoy the benefits of expanded infrastructure assets, interconnectivity and competitiveness leading to improvement and better ranking in the ease of doing business in the country.

In order to ensure every resident enjoys the benefits of an expanded road network, the County Government in partnership with the National Government has been scaling up the construction of tarmac roads, urban and rural roads in every part of the county. This will continue to open up many areas to economic activities and spur growth in other sectors of the economy.

During the FY 2019/20, the Government constructed 200 Km of new roads and rehabilitated 400 Km of roads. Additionally, over the same period, the Government constructed two-foot bridges. Among other major projects that the Government is undertaking is the construction of the construction of roads in Kisii Municipality and major roads connecting sub-counties. Going forward, during the FY 2021/22 to FY 2023/24 period, the County Government has committed to construct and maintain 2,000 Km of roads through the implementation of various programmes and projects.

Air transport is one of the sectors that was adversely hit by the containment measures put in place to prevent further spread of COVID-19 Pandemic. Despite this, the Government is committed towards making Kisii County a strategic transport hub in support of the 'Big Four' Agenda in realization of the Kenya Vision 2030. In achieving this, the County in partnership with National Government is also committed to repairing, expanding Suneka airstrip to have competitive edge in the region.

2. 4.5 Supply of reliable energy

The socio-economic status and the general well-being of society largely depends on access to stable, reliable and affordable energy supply. In this regard, the County Government in partnership with the National Government is committed to ensure an efficient and reliable transmission distribution of affordable, clean and reliable energy. This will be done through installation of transformers across the county to ensure that major markets are connected to the national grid.

2.4.6 Promoting the use of Information Communication Technology (ICT)

Information, communication and Technology plays a big part in today's digital economy. Amidst the disruptions caused by COVID-19 Pandemic and most people working from homes, ICT has taken center stage in driving activities in other economic activities and as such has it has shown great potential to increase economic growth and improve the lives of the residents.

The Government takes cognizance of the critical role ICT and innovation play in overall national development. As such, the attainment of the county priorities in realization of the "Big Four" Agenda hinges on the country's ability to reap on the full potential of technological advancement and innovations in ICT in the country. Going into the FY 2021/22, the Government has continued to make huge investments in ICT sector, which has greatly improved access to government services and enabled the youth access job opportunities even outside Kenya. All the vocational training centres, sub-county offices will be equipped with ICT equipment. Going forward, the Government will digitalize its services including revenue collection to leverage of ICT connectivity in the County.

2.4.7 Stimulating Tourism Recovery, Sports, Culture and Arts.

Sports and culture remain the cornerstone of our tourism strategy in Kisii County. Therefore, tourism transformation and its integration with promotion of commerce, sports, culture and arts will be positioned as a key driver of inclusive growth and employment creation. Great strides have been made to support these sub-sectors. The County Government has completed the construction of the Gusii Stadium with sportsmen and women already enjoying state-of-the-art facilities.

The tourism sector is one of the worst hit sectors by the COVID-19 Pandemic and the ensuing containment measures. The massive cancellation of hotel bookings prompted by lockdowns and travel bans imposed by various countries in an effort to curb the spread of the virus, occasioned massive job and income losses by many residents directly and indirectly employed in the tourism sector.

The sector is expected to recover gradually following the ease of travel restrictions, opening of international travel, implementation of protocol for management of restaurants and eateries.

Going forward and building on the progress made thus far, the Government working, in partnership with key stakeholders, will, among other measures: continue supporting the development and performance of music, drama, and dance; exhibition of works of art and crafts; and fostered discussions of matters of literacy, historical, scientific, and education importance.

2.4.8 Empowering Youth and Women for Employment Creation

The most pressing challenge in today's society is lack of jobs for the Kenyan youth. The Government targets to provide empowerment opportunities to unemployed youths, in addition to access to services and support programmes.

The County Government also continues to allocate funds in the different youth empowerment programs. The outbreak of the COVID-19 Pandemic has exacerbated the need for loans to enable the youth and women start businesses. In addition, and in a bid to cushion unemployed youth from the adverse effect of the COVID-19 Pandemic the County Government in partnership with the National Government and other development partners will engage youth groups and women in cleaning services and maintenance of roads under.

CHAPTER THREE

RESOURCE ALLOCATION FRAMEWORK

3.1 Overview

The fiscal framework for the FY 2021/22 Budget is based on the Government's policy priorities set out in the 2020 ADP and the County Post COVID-19 Economic Recovery Strategy. The framework will continue with the fiscal consolidation policy to strengthen domestic revenue generation and reduction in pending bills. With the fiscal consolidation strategy, departments will have to adopt the culture of doing more with less that is available with a view to promote sustainability and affordability.

Sustainability, affordability and strict prioritization are therefore expected to be the norm rather than an exception under this strategy. To achieve this, we need to ensure that: Spending is directed towards the most critical needs of the county and is well utilized; more outputs and outcomes are achieved with existing or lower level of resources; and Departments request for resources are realistic and take into account the resource constraints.

3.2 Revenue projection

There are three main sources of funding for the County Budget, namely: transfers from the National Government as provided under Article 201 of the Constitution; own source revenue (domestic/local revenue); and Loans and Grants. The resource envelope available for allocation among the spending units is based on the recommendations from the Commission on Revenue Allocation, The Senate, National Assembly, National Treasury, COB and County Treasury. The County is projecting a revenue of KShs. 11.3 billion comprising of various sources as illustrated in Table5.

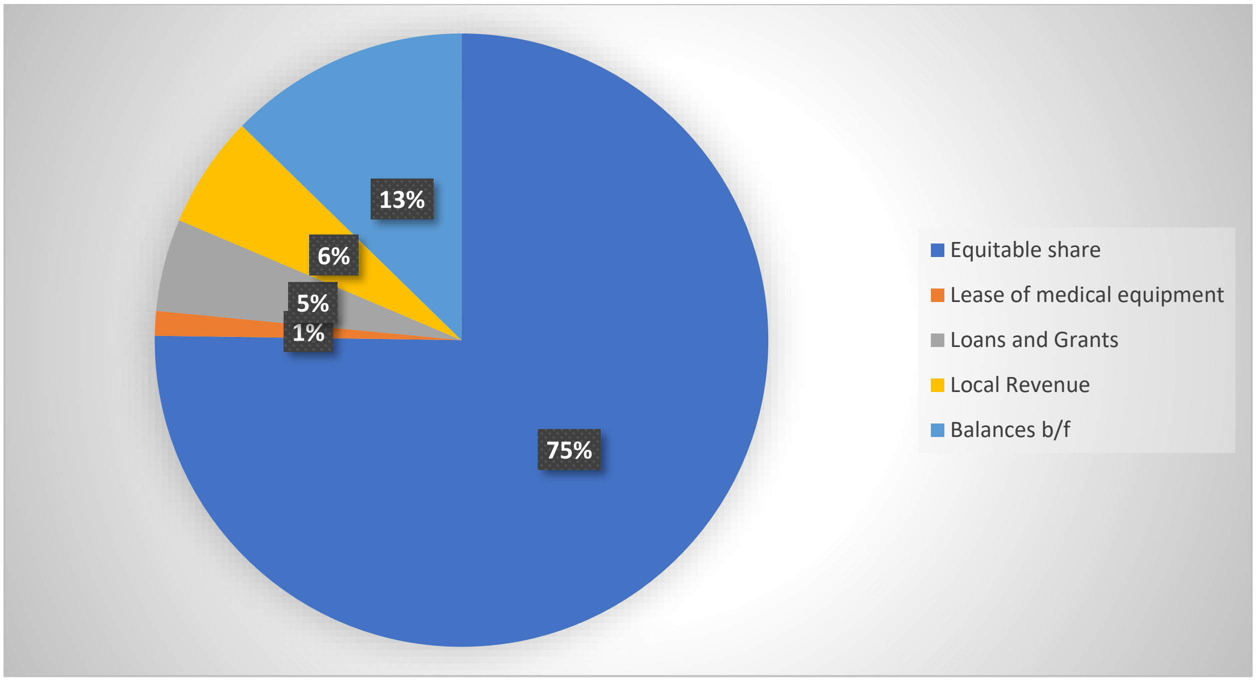
Table 5: projected revenue

Source of Revenue	Approved Budget KShs 2020/21	Approved supplementary	Proposed KShs 2021/2022	Projections KShs	
				2022/23	**2023/24**
Equitable Share	7,817,550,000	7,785,900,000	8,894,274,509	9,350,000,000	9,800,000,000
Conditional share, Loans and grants	1,465,691,495	1,512,407,653	575,643,577	650,000,000	700,000,000
Lease of medical equipment	132,021,277	132,021,277	153,297,872	153,297,872	153,297,872
Own source revenue	650,000,000	650,000,000	700,000,000	750,000,000	800,000,000
Balances	2,590,952,010	2,590,952,010	1,500,000,000	2,023,916,888	2,040,736,252
Total	**12,656,214,782**	**12,671,280,940**	**11,823,215,958**	**12,927,214,760**	**13,494,034,124**

Source: County Treasury

The figures for equitable share, conditional allocations, loans and grants were extracted from the 2021 BPS while, domestic revenue figure is based on the revenue trends over the years and underpinned by on-going reforms in revenue administration. The unspent balances are projections from the County Treasury. Figure 7 presents the summary of revenue sources their respective percentages.

Figure 7: Percentages of Revenue Sources in FY 2021/22



Source: County Treasury

3.2.1 Equitable share

Equitable share forms the bulky of financing to the County. It accounts for 75 percent of the revenue. The distribution of equitable share is based on third generation formula by the CRA. Equitable share finances operations in the County Assembly, Executive and Departments.

3.2.2 Loans and Grants

The loans and grants accounts for 5 percent of the total revenue. The grants will specifically finance programmes in Health Sector, Agriculture and Rural Development Sector and in infrastructure Kisii Municipality.

3.2.3 Own Source of Revenue (domestic revenue)

Locally generated revenue will account 6 percent of the projected County revenue in the FY 2021/22 and over the medium term.

3.2.4 Balances carried forward.

Balances carried forward will account for 13 percent of county revenue. It consists of unreleased funds from the exchequer and unspent balances at the CRF account. Under the provision of PFM Act,2012 its regulations, unspent balances from the previous FY are re-budgeted in the following year. In this regard, the funds will be utilized in paying pending bills.

3.2.5 Lease of Medical equipment

This category will account for 1 percent of the total projected County revenue. This money is normally deducted at source to pay for the medical equipment bought by the National Government on behalf of the counties.

3.3 Expenditure projection

The total expenditure in the forward budget is expected to contract by **6.7 percent** from **KShs.12.6 billion** in FY 2020/21 to **KShs.11.8 billion** in FY 2021/22. The decline is due to reduction in balances brought forward. In FY 202021, balance brought from FY 2019/20 was projected at **KShs 2.5 billion** while it the forward budget, we are projecting balance to be carried forward at **KShs.1.5 billion**. Nevertheless, the expenditure in the forward budget is expected to be within the principle of fiscal responsibility of at least 30 percent of the expenditure going to development.

3.4 FY 2021/22 and Medium-Term Priorities

The Government is committed to implementing priority programmes under the County Integrated Development Plan (CIDP) 2018-2022 to achieve the aspirations of the residents in realization of the Vision 2030 while taking into account the need to optimize use of Own Source Revenue (OSR) and other resources during the period. The Government will in this regard develop a framework for better quality services based on strong links between resources, budgeting, monitoring and clear expectations for delivering planned outcomes.

Whilst consolidating earlier gains, the Medium-Term Budget for 2021/22 – 2023/24 will primarily focus on priority programmes aimed at economic recovery and achieving the County Priorities in realization of the "Big Four" Agenda. These priorities notwithstanding, the Government will strive to ensure that public spending leads to high quality outcomes within a sustainable and affordable framework.

In this regard, spending will be directed towards the most critical needs of the county with the aim of achieving quality outputs and outcomes with existing or lower level of resources. Further, the Government will ensure departments request for resources are realistic and take into account the resource constraints, in light of the fiscal consolidation policy.

3.5 Budgetary Allocations for the FY2021/22 and the Medium Term

The county Revenue will be shared among the two arms of the County Government namely Executive and County Assembly. Allocations to the County Assembly and the Governor's offices are guided by the ceilings from the CRA.

While the allocation among the ten department in the executive with a mandate of implementing projects that affect the public will be based on the criterion discussed herein. Table 6 presents the ceilings for FY 2021/22 and the medium-term and details are attached in annex 1. The baseline estimates reflect the current departmental spending levels in sector programmes. In the recurrent expenditure category, non-discretionary expenditures take first charge. These include payment of pending bills, salaries for staff and pensions. While Development expenditures have been shared out on the basis of the flagship projects in the CIDP and the ADP priorities. The following criteria was used in apportioning capital budget:

- **Pending bills:** emphasis was given to completed works that has not been paid for. It is now a requirement that departments must pay pending works before giving out new works.
- **On-going projects**: emphasis was given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation.
- **Counterpart funds**: priority was also given to adequate allocations for donor counterpart funds which is the portion that the Government must finance in support of the projects financed by development partners.
- **Post-COVID-19 Recovery**; Consideration was further given to interventions supporting Kisii County Post-Covid 19 Economic Recovery.
- **Strategic policy interventions**: further priority was given to policy interventions covering the entire county in the four priority areas.

Table 6: Summary of Budget Allocations for the FY2021/22 – 2023/24 (Ksh Million)

Institution	Approved budget FY 2020/21 (KShs.)	Approved Revised budget (supp) KShs	Proposed Budget FY 2021/22 (KShs.)	Projections	
				2022/23 (KShs.)	2023/2024 (KShs.)
County Assembly	1,173,082,040	1,021,250,968	1,055,741,608	1,155,754,709	1,234,234,256
Executive (Governor's Office)	485,689,372	514,812,621	447,397,562	431,124,456	435,456,765
Administration and Stakeholders Management	711,959,603	711,565,453	588,268,634	620,765,434	621,657,324
Finance and Economic Planning	1,194,482,471	1,255,583,241	1,124,243,646	1,245,547,456	1,323,567,569
Energy, Water, Environment and Natural Resources	406,518,217	426,746,515	451,575,653	550,567,654	555,768,234
Education, Labour and Manpower	761,620,747	777,120,747	771,328,966	800,456,789	810,567,754
Health Services	4,659,120,274	4,357,733,802	4,314,153,789	4,567,156,876	4,856,876,998
Trade, Industry and Tourism	201,735,479	189,485,479	204,704,152	214,782,671	223,672,782
Roads, Public Works and Housing	1,286,123,809	1,497,400,371	1,022,447,887	1,152,256,576	1,234,561,548
Lands, Physical Planning and Urban Development	181,891,155	188,541,155	289,834,668	301,345,765	306,734,769
Culture, Youth, Sport and Social Services	210,661,962	279,281,962	237,411,554	350,542,451	240,511,234
Agriculture, Livestock, Veterinary Services, Fisheries and Cooperative Development	1,021,422,607	1,086,285,420	1,018,776,090	1,235,679,345	1,345,189,324
Kisii Municipality	361,907,046	365,473,204	297,331,749	301,234,578	305,235,567
Total	**12,656,214,782**	**12,671,280,938**	**11,823,215,958**	**12,927,214,760**	**13,494,034,124**

3.5.1 County Assembly

This department plays a key role in the implementation of development programmes in the County through oversight and legislation. It also plays the role of strengthening the democratic space and governance in the County. To this end, in the FY 2021/2022 the department has been allocated a total of **KShs.1,055,741,608** to implements programmes where the bulky of the funds will be for recurrent expenditure, to cater for salaries for staff, allowances for MCAs and for general office operation.

3.5.2 Executive (Governor's Office)

The office is responsible for providing overall policy direction, coordination of county government, communication services and legal advice to government agencies. It also plays a major role in promoting integrity and transparency in county governance. It also plays a key role in inter-governmental relations, peace building.

To meet its mandate, the office has prioritized the following programmes for the 2021/22 and MTEF Period: executive services, public advisory services, county attorney services, communication services, protocol and liaison services and general administration and planning. In order to implement the prioritized programmes, the Sector has been allocated **KShs 447,397,562** million for the 2021/22 financial year.

3.5.3 Administration and Stakeholder Management

The department plays a key role in linking all other departments with key stakeholders, coordinating, and supervising the day-to-day County Government affairs, and managing human resource for efficient and effective service delivery. To enable it discharge the above, the department has been allocated **KShs. 588,268,634** in the FY 2021/22 to settle pending bills, complete on going works and cater for recurrent expenses.

3.5.4 Finance and Economic Planning

This department is mandated to provide overall leadership and policy direction in resource mobilization, management and accountability for quality public service delivery. Strategies to attain the overall goal include establishment of directorate of Monitoring and Evaluation Directorate, continuous training of staff on e-Procurement and adherence to the provisions of PFM Act, Participatory planning and budgeting as well as mainstreaming crosscutting issues to planning and budgeting. To achieve this, in the FY 2021/2022, department has been allocated **Ksh 1.1** billion

3.3.5 Agriculture and Cooperative Development

The department is mandated to carry out crop and animal husbandly, livestock market yards, abattoirs, plant and animal diseases control, fisheries and cooperative societies. This sector is critical to the county's economic growth, employment creation, food security and poverty reduction. The sector contributes to over 70 percent of the county's income. The challenges facing the sector include; competing land uses, fragmentation of land, uncertified seeds, adverse weather conditions, poor marketing and lack of access of credit.

The sector aims to address the above challenges by raising agricultural productivity through improvement in the provision of extension services; improved livestock and crop breeds through subsidized husbandry services and promotion of sustainable management of fisheries and forestry. To achieve the above targets, KShs **1,018,776,09** has been allocated for the sector in the 2021/2022 budget.

3.3.6 Energy, Water, Environment and Natural Resources

This is a critical sector in the County economy with the role of ensuring that every citizen has access to safe and clean water. Under the sector, the assigned functions to the County Governments include soil and water conservation, forestry, storm water management, water sanitation services, air pollution, noise pollution, other public nuisance and outdoor advertising.

The department envisions to encourage the usage of green energy, supply clean and safe drinking water through expansion of the existing water schemes and spring protection, starting new water schemes, drilling boreholes, encouraging and supporting roof harvesting in public institutions. The goal in the medium term is to reduce the distance to the water points through water reticulation. The sector will increase forest cover by establishing a tree nursery and planting of trees. To achieve its objective, the sector has been allocated **KShs. 451,575,653** in the FY 2021/2022.

3.3.7 Roads, Public Works and Housing

The sector is a key enabler for sustained development of the economy through provision of the necessary infrastructure. In order to provide the infrastructure, the sector will develop motor and non-motor (MT&NMT) road transport system, supervision of buildings among others. The sector faces a number of challenges that limit its optimal operations, including; inadequate road construction equipment, topographical problem, and encroached road reserves, continuous heavy rains which destroy roads and sweep culverts among others. The total budget estimate for the sector is **KShs 1,124,243,646** in FY 2021/2022.

3.3.8 Health Services

The department is responsible for providing equitable and affordable health care to the County residents. To achieve this, department will construct and equip the health facilities within the County, provide ambulatory services, purchase of pharmaceutical and non-pharmaceutical supplies, develop health human resource among others. To achieve the above the department has been allocated **KShs 4.2** billion in FY 2021/2022.

3.3.9 Trade, Tourism and Industry

This department is responsible for market development, promotion of tourism development and creating environment conducive for investment.

To achieve these goals, the County Government has allocated **KShs 204,704,152** in FY 2021/2022.

3.5.10 Education

The sector's goal is to enhance access to basic quality education, provide learning materials and equipment, and exploit talents as well as skills development to create competitive labor force. The sector faces many challenges including inadequate Infrastructure, learning materials and staff.

In the FY 2021/2022, the sector intends to put up more ECD centers, disburse bursary fund, purchase learning materials and construct necessary facilities for ECD centers. For village polytechnics, the sector intends to construct workshops and purchase tools. To this end, the sector has been allocated **KShs 771,328,966** in FY 2021/2022.

3.5.11 Lands, Physical Planning and Urban Development

The department is responsible for preparation of physical development plans (PDPs) and spatial plans, street lighting programme, solid waste management, construction and maintenance of urban roads, beaconing of public land and aid in dispute resolution of land relates matters. To achieve the above targets, in the FY 2021/2022, the sector has been allocated **KShs**. **289,834,668.**

3.5.12 Culture, Youth, Sports and Social Services

The sector is involved in vocational rehabilitation and training; social infrastructure development and gender mainstreaming; provision of safety nets to the elderly and vulnerable groups, community support services; prevention and promotion of County culture and heritage; provision of public library services; training of youth in life skills and refurbishment of sports facilities. Though, some of the programmes are executed by the National Government, the County Government is undertaking for the wellbeing of the residents. To achieve the above targets, the sector has been allocated **KShs. 237,411,554** in FY 2021/2022.

3.5.13 Kisii Municipality

This is a sub-department in charge of the management of Kisii Municipality through provision of services and infrastructure for the municipal residents. Some of the services provided include; waste management; disaster response services; provision of safe and clean water; improved sewerage systems among others. The sector intends to rehabilitate the drainage system, improve access to clean and safe water, ease congestion, organize transport system, and name major streets in the municipality. To achieve the above targets, in the FY 2020/2021 budget, the county has allocated the department **KShs 297,331,749**.

3.6 Public Participation/ Sector Hearings and Involvement of Stakeholders.

The law requires that the input of the public be taken into account before the Budget proposals are firmed up. In this regard, sector healings were conducted between 8th and 12th February, 2021 at ATC and public hearings for the CFSP and FY 2021/22 Budget and medium term were held between 15th and 17th February, 2021.