



**REPUBLIC OF KENYA**

**COUNTY GOVERNMENT OF KIRINYAGA**

---

**COUNTY BUDGET REVIEW  
AND OUTLOOK PAPER  
(CBROP)**

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**SEPTEMBER 2019**

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## **Foreword**

This County Budget Review Outlook Paper (CBROP) is prepared in line with section 118 of the Public Finance Management Act, 2012. It reviews the actual fiscal performance of the financial year 2018/19 and makes comparisons to the budget appropriations of the same year. It presents the recent economic developments and actual fiscal performance of FY 2018/19. It further provides forecasts with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper (CFSP).

In reviewing the fiscal performance, this paper analyzes the performance of county own revenue in the FY 2018/19. It has included the total revenue collected and made comparison to projected revenue for the same year.

It is projected that, the projected revenue and expenditure for 2020/21 will be achieved with strict expenditure controls and enhanced revenue collection measures. This will be achieved through fiscal discipline to ensure proper management of public resources and delivery of expected output. To ensure transparency and accountability the executive will involve and relay our performance indicators to all stakeholders as required by the constitution 2010 and Public Finance Management Act, 2012.

The County Government approved supplementary budget for 2018-19FY amounted to 5.911 Billion. Allocation for Development of at least 30% amounting to Kshs. 1.818 Billion and Recurrent Expenditure at 4.093 Billion. Of this allocation, annual Development expenditure amounted to Ksh. 1.179 Billion which represents a utilization of 65%. Recurrent expenditure amounted to Kshs. 3.985 Billion a representation of 97% absorption of recurrent allocation

Own source revenue target was set at Kshs 430 Million in supplementary budget for 2018-19FY.

The County collected KShs 430,961,820.50 which meets the target.

**MOSES MIGWI MAINA**

**COUNTY EXECUTIVE COMMITTEE MEMBER FOR FINANCE AND ECONOMIC  
PLANNING**

## **Acknowledgment**

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

Sincere gratitude goes to all the Chief Officers and Directors of County Departments for their input in providing necessary information and submissions, and their participation which forms the core of this paper. Also highly appreciated is Mr. James Gitahi (County Budget Cordinator-Office of Controller of Budget) for vital submissions towards production of this paper.

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

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

**PATRICK MUGO**

**CHIEF OFFICER- FINANCE AND ECONOMIC PLANNING**

## **Abbreviations/Acronyms**

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



## **1.0 INTRODUCTION**

### **1.1 Background**

Preparation of this CBROP is an indication of Kirinyaga County continued adherence to Section 118 of the Public Finance and Management Act (PFMA), 2012. The CBROP contains a review of the fiscal performance of the financial year 2018/19 updated macroeconomic forecast, and the experiences in the implementation of the budget estimates for the financial year 2019/20.

### **1.2 Legal Framework for the publication of the CBROP**

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

- 1) A County Treasury shall —
  - a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
  - b) Submit the paper to the County Executive Committee by the 30th September of that year.
- 2) In preparing its County Budget Review and Outlook Paper, the County Treasury shall specify—
  - a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
  - b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
  - c) Information on—
    - (i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or
    - (ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and
  - d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- 3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

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

- a) Arrange for the Paper to be laid before the County Assembly; and
- b) As soon as practicable after having done so, publish and publicize the Paper.

### **1.3 Fiscal Responsibility Principles in the PFM Law**

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

- 1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- 2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-
  - a) The county government's recurrent expenditure shall not exceed the county government's total revenue;
  - b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
  - c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
  - d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
  - e) The county debt shall be maintained at a sustainable level as approved by county assembly;
  - f) The fiscal risks shall be managed prudently; and
  - g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

#### **1.4 Objectives of the CBROP**

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

- (i) A review of the County Fiscal performance in the financial year 2017/18 compared to the appropriation of that year and how this had an effect on the economic performance of the County.
- (ii) An updated economic and financial forecast with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy paper.
- (iii) Information on any changes in the forecasts compared with the County Fiscal Strategy Paper.
- (iv) Reasons for any deviation from the financial objectives in the CFSP together with the proposals to address the deviation and the time estimated for doing so.

Therefore, this CBROP will aim at informing the basis for preparation of the 2019/20 FY budget.

## 2.0 REVIEW OF FISCAL PERFORMANCE FOR 2018/19 FINANCIAL YEAR

### 2.1 Revenue Analysis

In the Financial Year 2018/2019 Kirinyaga County had an approved budget amounting to KShs5,911,458,972 which was to be financed as per the below resource envelope.

<i>DESCRIPTION</i>	<i>FY 2018/2019 BUDGET</i>	<i>BALANCE B/F FROM FY 2017/2018</i>	<i>REDUCTION</i>	<i>SUPPLEMENTARY BUDGET FY 2018/2019</i>
Equitable Share	4,113,400,000		-	4,113,400,000
Local Revenues	650,000,000		220,000,000	430,000,000
Allocation - User Fees Foregone(HSSF)	11,282,570	342,508		11,625,078
Transforming Healthcare Systems for Universal Care Project (THSUCP)	50,000,000		20,000,000	30,000,000
Allocation of Roads Maintenance Fuel Levy Fund for Repair and Maintenance of County Roads	108,302,240	9,292,373		117,594,613
Allocation Financed by Grant from Government of Denmark to Supplement Financing of County Health facilities (DANIDA)	14,782,500	5,811,539		20,594,039
World Bank Devolution Support Programme Grant (KDSP Capacity Building Grant)	41,078,830	83,856,066		124,934,896
Grant for Youth Polytechnics	52,210,000	9,334,821		61,544,821
Kenya Urban Support Project (KUSP Urban Development Grants)	71,302,200			112,502,200
Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	44,458,725.40		184,893,888

Rolled over Funds (Unspent Funds)	900,123,444	687,870,888	68,448,897	687,870,888
Agriculture Sector Development Support Programme (ASDSP II)- Sweden				16,498,549
<b>TOTAL</b>	<b>6,152,916,947</b>	<b>831,674,547</b>	<b>308,448,897</b>	<b>5,911,458,972</b>

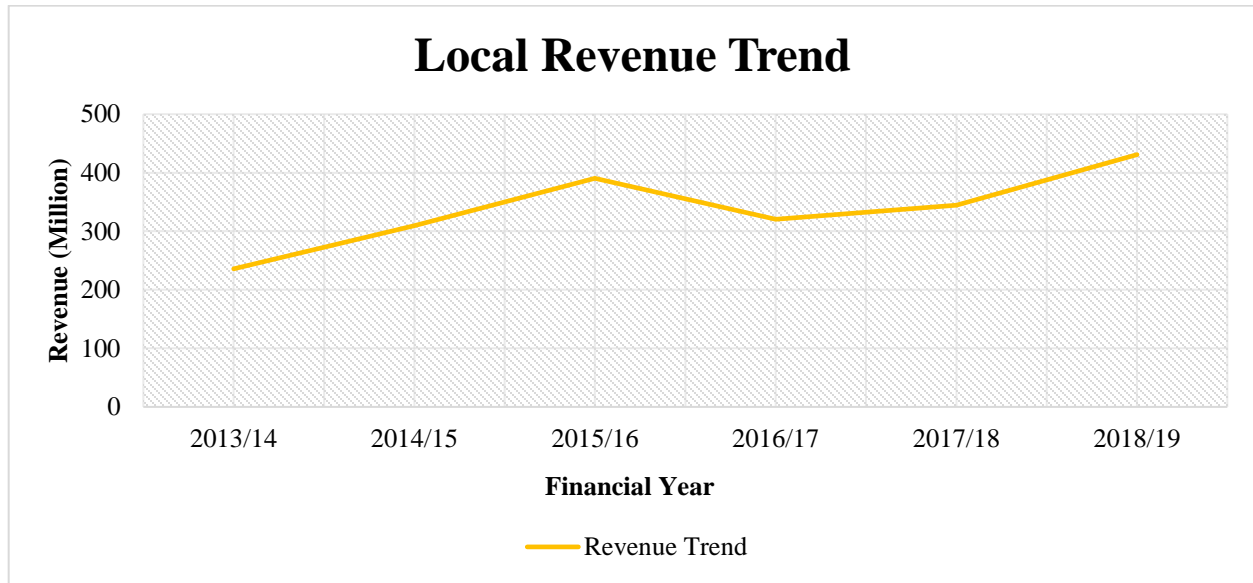
Source: County Treasury

### 2.1.1 Performance of the Revenue sources

The local revenue target was KShs 430 Million and the actual annual revenue collection amounted to KShs 430,961,820 representing 100% target achievement. The county collected KShs 86,553,700 more compared to the Financial Year 2017/2018 as shown in the table below.

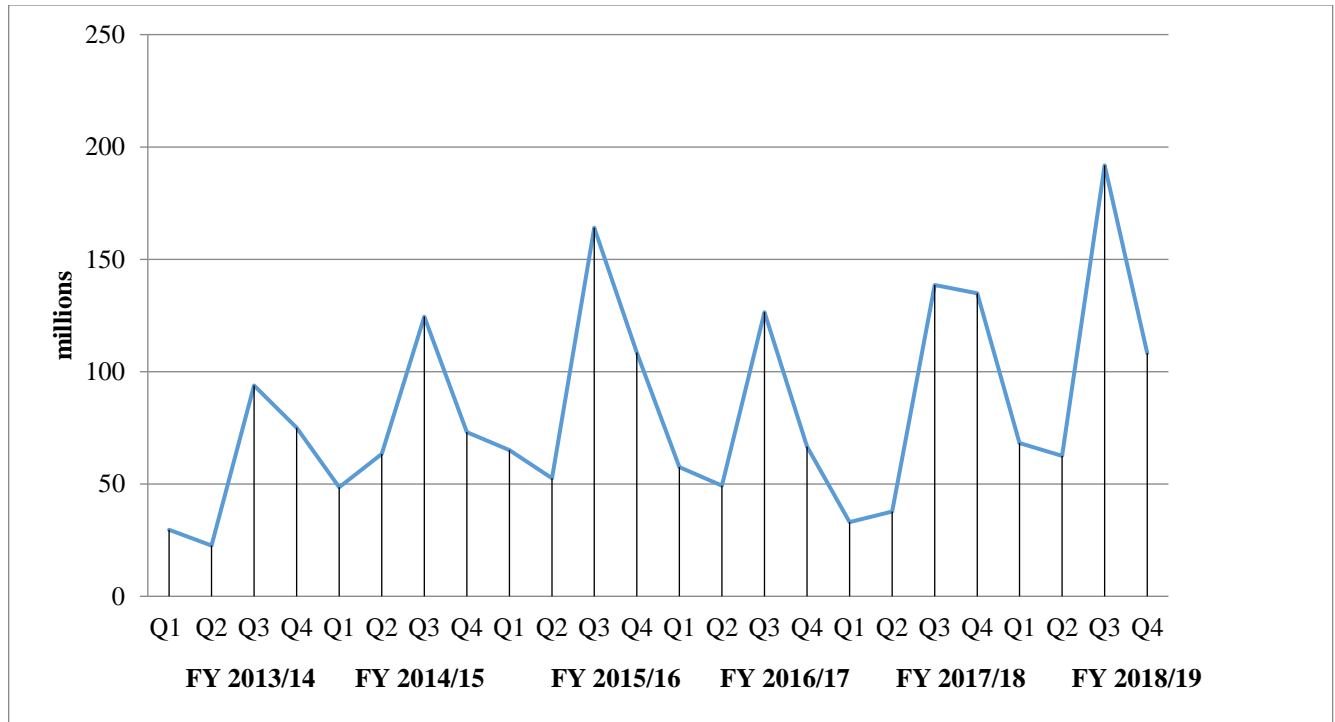
<b>REVENUE SOURCE</b>	<b>TOTAL COLLECTED FY 2018/2019</b>	<b>ANNUAL TARGET</b>	<b>% ACHIEVEMENT</b>
business permits	103,596,963.00	99,230,769.23	104.40%
market entrance/gate fee	31,910,500.00	33,076,923.08	96.47%
quarry cess/fee	2,666,450.00	3,430,769.23	77.72%
parking fee	23,469,118.00	23,153,846.15	101.36%
Land, Ground Rates & Arrears	21,162,524.00	25,000,000.00	84.65%
Liquor license	37,589,300.00	25,138,461.54	149.53%
Health(Hospitals)	122,004,737.35	136,513,846.15	89.37%
Veterinary Services	5,539,190.00	6,000,000.00	92.32%
buildings plans	14,135,709.00	14,000,000.00	100.97%
Public Health	24,217,900.00	22,000,000.00	110.08%
Sub Division Fee	1,879,600.00	2,000,000.00	93.98%
Transfer fee	1,454,734.00	1,500,000.00	96.98%
house rents	5,388,400.00	5,500,000.00	97.97%
Survey fee	1,717,860.00	1,500,000.00	114.52%
Sale of minutes	1,270,000.00	1,100,000.00	115.45%
Advertisement	8,666,750.00	8,000,000.00	108.33%
Produce cess	2,123,385.00	2,000,000.00	106.17%
Trade-Weights	854,060.00	900,000.00	94.90%
Coop Audit	474,195.00	400,000.00	118.55%
Group Registration	1,156,828.00	1,100,000.00	105.17%
Refuse collection	9,141,905.00	10,000,000.00	91.42%

Kamweti	4,096,206.15	6,000,000.00	68.27%
Administrative Charges	6,445,506.00	2,455,384.62	262.50%
<b>TOTAL (FY 2018/2019)</b>	<b>430,961,820.50</b>	<b>430,000,000.00</b>	<b>100.22%</b>
<b>TOTAL (FY 2017/2018)</b>	<b>344,408,120.30</b>		
<b>VARIANCE</b>	<b>86,553,700.20</b>		



***Annual Local Revenue trend for the last six Financial Years***

FY 2018/19 has the highest own source revenues compared to all other year since FY2013/14.



From the above line graph, it is clear that overall quarter by quarter revenue collection performance was high in 2018-19 compared to all other years.

### **Challenges**

- Revenue automation has been delayed and has resulted to incomplete and inconsistent revenue date computations and resultant delay in making appropriate decisions on revenue activities.
- Inadequate legal framework to support effective revenue management and enforcement in all sectors.
- Aging and low staffing levels affecting the optimal deployment of human capital requirements and training.
- Over reliance on traditional sources of revenue majoring in agriculture, business, land and health.

### **Strategies.**

- The County is in the process of automating revenue collection in the FY 2019/2020 to boost effective revenue management.

- Legislative processes to be fast tracked to cover loop holes in all areas of revenue management and enforcement and further benchmark with legislation from other Counties.
- Human Capital boost to be ensured through recruitment, training and development and reduce use of human component by automation.

Description of revenue sources by conducting revenue potential assessment and baseline studies, which will cover mapping new sources and location.

## 2.2 Expenditure Analysis

The County Government in the approved supplementary budget amounting to KShs. 5.911 Billion. Recurrent expenditure estimates allocated 70% at Kshs4.093 Billion and Development expenditure estimates at 30% with Kshs. 1.818 Billion.

### 2018-19 Approved Budget Estimates

<i>Approved Budget 2018/19</i>			
	<i>Approved Recurrent Budget 2018/2019 FY</i>	<i>Approved Development Budget 2018/2019 FY</i>	<i>Total</i>
<b>ENTITY</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>
County Assembly	601,934,809	72,117,442	674,052,251
County Executive	472,444,189	86,080,912	558,525,101
Finance and Economic Planning	387,007,957	32,739,185	419,747,142
County Health Services	1,811,250,115	409,380,717	2,220,630,832
Education	168,485,229	72,644,821	241,130,050
Agriculture, Livestock and Fisheries	280,996,715	185,221,945	466,218,660
Gender, Culture, Children and Social Services	49,168,210	27,605,350	76,773,560
Youth and Sports	26,471,878	43,491,400	69,963,278
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	42,595,905	107,439,102	150,035,007
Environment, Water and Natural Resources	92,398,245	77,302,200	169,700,445
Lands, Housing and Urban Development	72,252,028	129,504,474	201,756,502



Transport and Infrastructure	88,307,645	574,618,499	662,926,144
<b>TOTAL</b>	<b>4,093,312,926</b>	<b>1,818,146,046</b>	<b>5,911,458,972</b>

Source: County Treasury

### 2.2.1 Development Expenditure

#### Total Development Expenditure per Department

Total cumulative development expenditure amounted to Ksh 1.179 Billion. This represents utilization of 65% of the Development estimates in the Supplementary budget.

#### Total Development Expenditure per Department

<i>ENTITY</i>	<i>2018-19 FY Development Expenditure</i>	<i>Approved Supplementary Budget 2018-19 FY</i>
County Assembly	25,084,259	72,117,442
County Executive	68,223,320	86,080,912
Finance and Economic Planning	21,843,669	32,739,185
County Health Services	297,137,825	409,380,717
Education	50,021,454	72,644,821
Agriculture, Livestock and Fisheries	66,237,562	185,221,945
Gender, Culture, Children and Social Services	7,718,600	27,605,350
Youth and Sports	33,280,420	43,491,400
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	64,924,754	107,439,102
Environment, Water and Natural Resources	56,170,960	77,302,200

Lands, Housing and Urban Development	71,302,200	129,504,474
Transport and Infrastructure	417,278,374	574,618,499
<b>TOTAL</b>	<b>1,179,223,397</b>	<b>1,818,146,046</b>

Source: County Treasury

### Expenditure Analysis against budget allocations

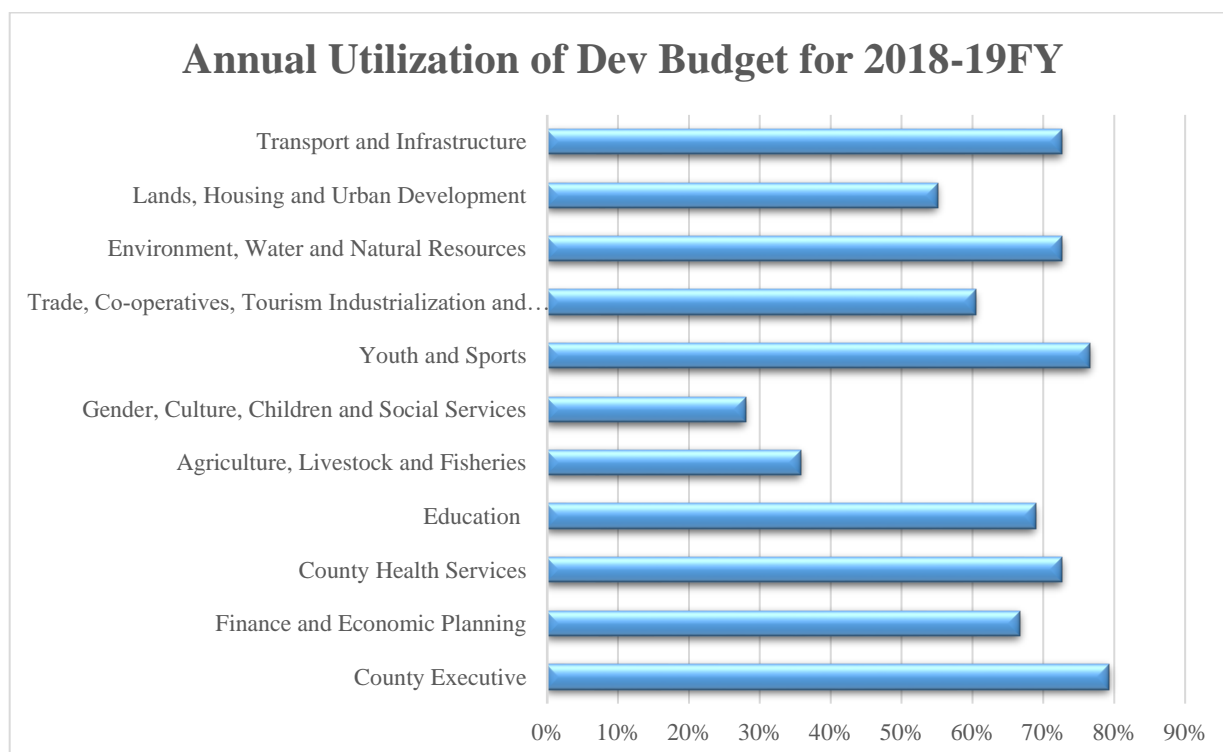
Utilization of Development budget stood at 65% of the total development allocation. Departments with leading utilization includes; County Executive, County Health Services, Transport and Infrastructure.

### Development Expenditure and Absorption Rate

<i>ENTITY</i>	<i>2018-19 Development Expenditure</i>	<i>Approved Supplementary Budget 2018-19</i>	<i>% Utilization of Development Budget</i>
County Assembly	25,084,259	72,117,442	35%
County Executive	68,223,320	86,080,912	79%
Finance and Economic Planning	21,843,669	32,739,185	67%
County Health Services	297,137,825	409,380,717	73%
Education	50,021,454	72,644,821	69%
Agriculture, Livestock and Fisheries	66,237,562	185,221,945	36%
Gender, Culture, Children and Social Services	7,718,600	27,605,350	28%
Youth and Sports	33,280,420	43,491,400	77%

Trade, Co-operatives, Tourism Industrialization and Enterprise Development	64,924,754	107,439,102	60%
Environment, Water and Natural Resources	56,170,960	77,302,200	73%
Lands, Housing and Urban Development	71,302,200	129,504,474	55%
Transport and Infrastructure	417,278,374	574,618,499	73%

Source: County Treasury

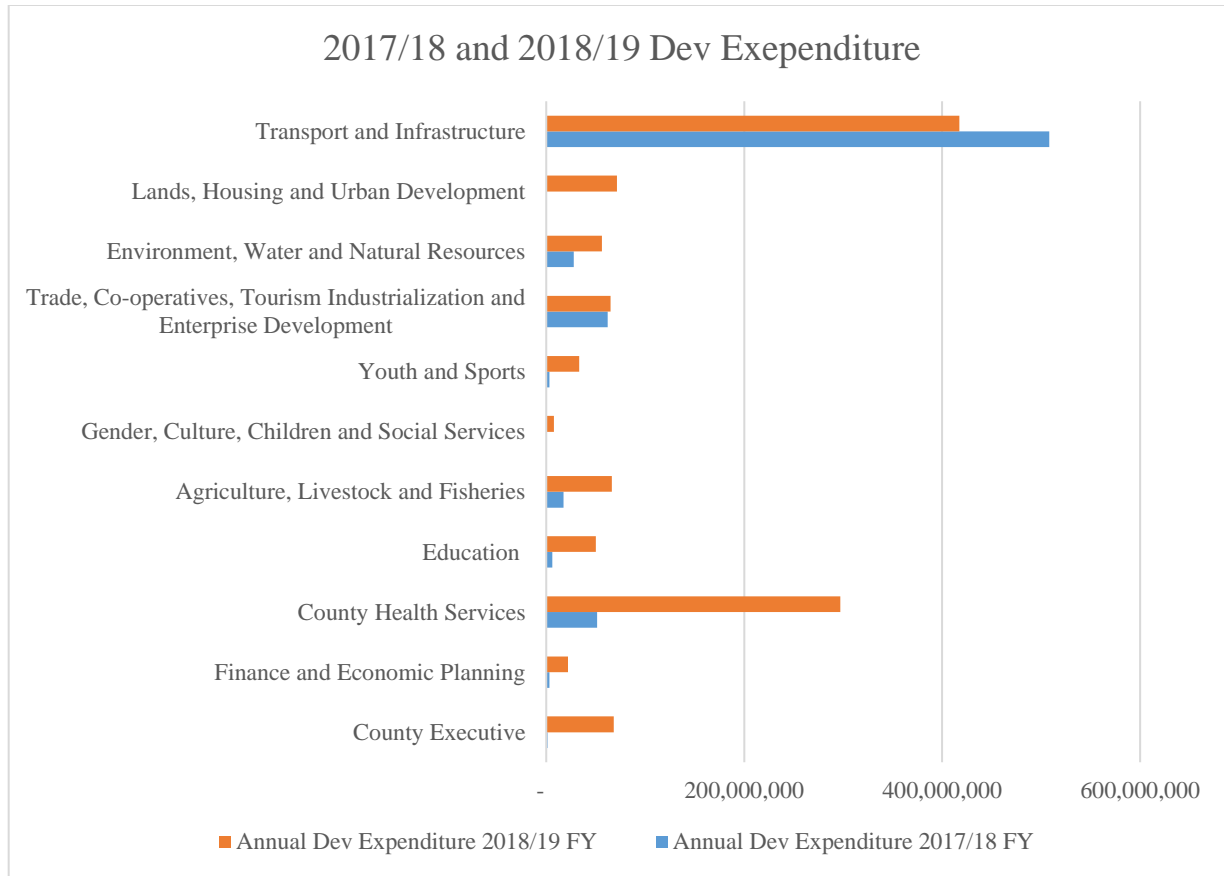


### Comparison in Development Expenditure 2017/18FY and 2018/19 FY

Overall Development Expenditure for County Executive entities for 2018/19 FY increased tremendously by 69 % from similar period in 2017/18 FY. However, Ministry of Transport and Infrastructure recorded a decrease of 18% from similar period in 2017/18.

<b>ENTITY</b>	<b>Development Expenditure 2017/18 FY</b>	<b>Development Expenditure 2018/19 FY</b>	<b>Variance</b>
County Executive	1,270,710	68,223,320	66,952,610
Finance and Economic Planning	3,364,280	21,843,669	18,479,389
County Health Services	51,368,930	297,137,825	245,768,895
Education	6,091,320	50,021,454	43,930,134
Agriculture, Livestock and Fisheries	17,612,183	66,237,562	48,625,379
Gender, Culture, Children and Social Services	-	7,718,600	7,718,600
Youth and Sports	3,365,713	33,280,420	29,914,707
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	62,120,666	64,924,754	2,804,088
Environment, Water and Natural Resources	27,799,218	56,170,960	28,371,742
Lands, Housing and Urban Development	-	71,302,200	71,302,200
Transport and Infrastructure	508,283,481	417,278,374	- 91,005,107
<b>TOTAL</b>	<b>681,276,501</b>	<b>1,154,139,138</b>	<b>472,862,637</b>

Source: County Treasury



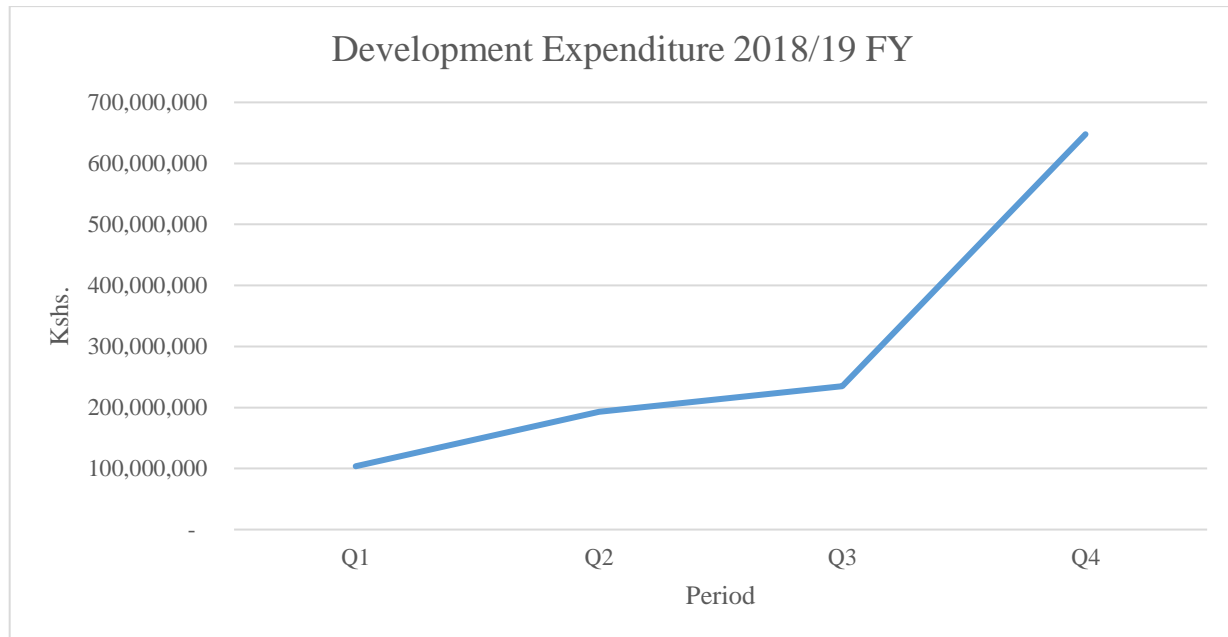
### Fourth Quarter Development Expenditure

It's worth noting that a big percentage of the development expenditure was incurred in the fourth quarter (54.9%).

<i>Entity</i>	<i>Q1 Development Expenditure</i>	<i>Q2 Development Expenditure</i>	<i>Q3 Development Expenditure</i>	<i>Q4 Development Expenditure</i>	<i>Total</i>	<i>Approved Supplementary Budget</i>	<i>% Of Quarter 4 To Total Development Expenditure 2018-19</i>
County Assembly	25,084,259				<b>25,084,259</b>	72,117,442	0.0%
County Executive	47,981,896	15,131,163	2,519,089	2,591,172	<b>68,223,320</b>	86,080,912	3.8%
Finance and Economic Planning	7,303,650	6,000,000	-	8,540,019	<b>21,843,669</b>	32,739,185	39.1%
County Health Services	13,315,930	11,272,580	80,809,555	191,739,760	<b>297,137,825</b>	409,380,717	64.5%
Education	-	-	-	50,021,454	<b>50,021,454</b>	72,644,821	100.0%

Agriculture, Livestock and Fisheries	-	14,100,000	44,000,000	8,137,562	<b>66,237,562</b>	185,221,945	12.3%
Gender, Culture, Children and Social Services	-	997,600	-	6,721,000	<b>7,718,600</b>	27,605,350	87.1%
Youth and Sports	-	1,489,900	12,198,507	19,592,013	<b>33,280,420</b>	43,491,400	58.9%
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	-	8,118,015	3,453,705	53,353,034	<b>64,924,754</b>	107,439,102	82.2%
Environment, Water and Natural Resources	-	7,168,100	15,156,130	33,846,730	<b>56,170,960</b>	77,302,200	60.3%
Lands, Housing and Urban Development	-	-	-	71,302,200	<b>71,302,200</b>	129,504,474	100.0%
Transport and Infrastructure	10,046,589	128,484,431	76,829,050	201,918,304	<b>417,278,374</b>	574,618,499	48.4%
<b>TOTAL</b>	<b>103,732,324</b>	<b>192,761,789</b>	<b>234,966,036</b>	<b>647,763,248</b>	<b>1,179,223,397</b>	<b>1,818,146,046</b>	<b>54.9%</b>

Source: County Treasury



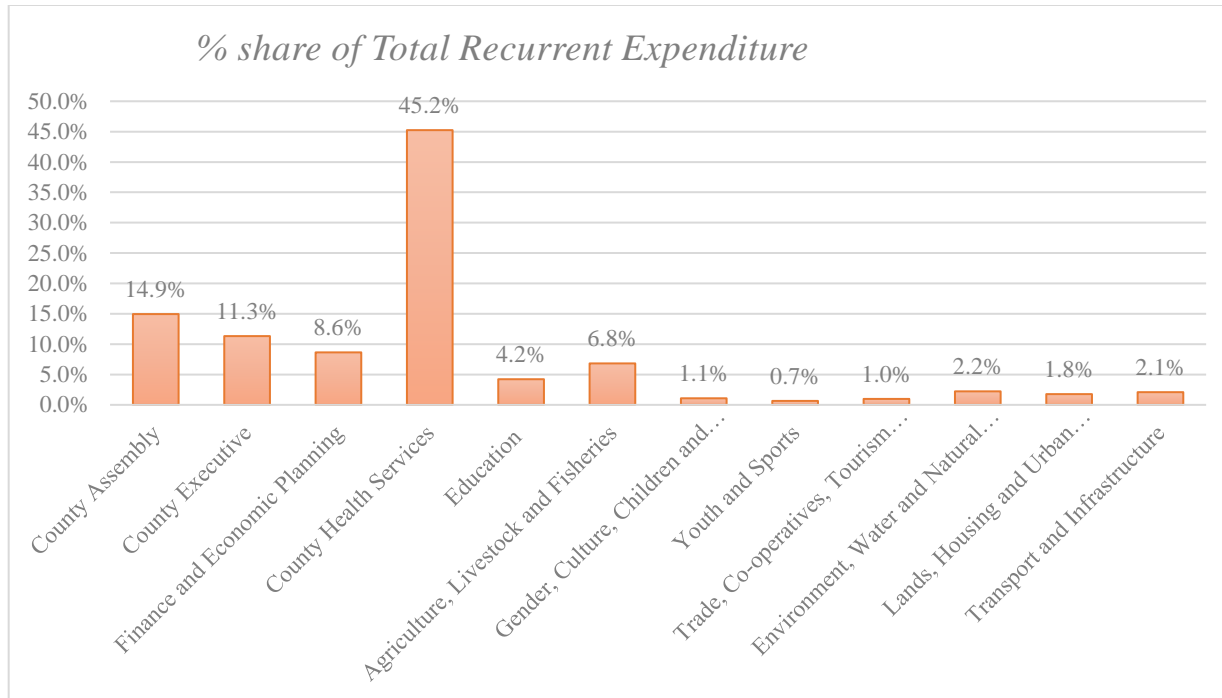
### ***2.2.2 Recurrent Expenditure***

Total recurrent expenditure for 2018-19 FY amounted to KShs 3.985 Billion. This represents utilization of 97 % of the total budgetary allocation. County health services constituted 45% of the total recurrent expenditure. Followed by the County assembly at 14%, County Executive at 11% of total recurrent expenditure.

#### ***Recurrent expenditure proportion by Department***

#### **Recurrent Expenditure per Department**

<b><i>ENTITY</i></b>	<b><i>Approved Recurrent Budget 2018/19</i></b>	<b><i>Annual Recurrent Expenditure 2018/19</i></b>
County Assembly	601,934,809	595,843,289
County Executive	472,444,189	451,316,250
Finance and Economic Planning	387,007,957	344,473,804
County Health Services	1,811,250,115	1,803,185,714
Education	168,485,229	168,295,029
Agriculture, Livestock and Fisheries	280,996,715	272,064,438
Gender, Culture, Children and Social Services	49,168,210	43,138,315
Youth and Sports	26,471,878	25,946,356
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	42,595,905	39,003,188
Environment, Water and Natural Resources	92,398,245	88,681,543
Lands, Housing and Urban Development	72,252,028	70,469,215
Transport and Infrastructure	88,307,645	83,282,996
<b>TOTAL</b>	<b>4,093,312,926</b>	<b>3,985,700,137</b>



### **Recurrent Expenditure Absorption by department**

Absorption rate for Recurrent Budget stood at 97%. County Assembly, Health, Education are among the leading departments in utilization of recurrent budget in 2018-19FY.

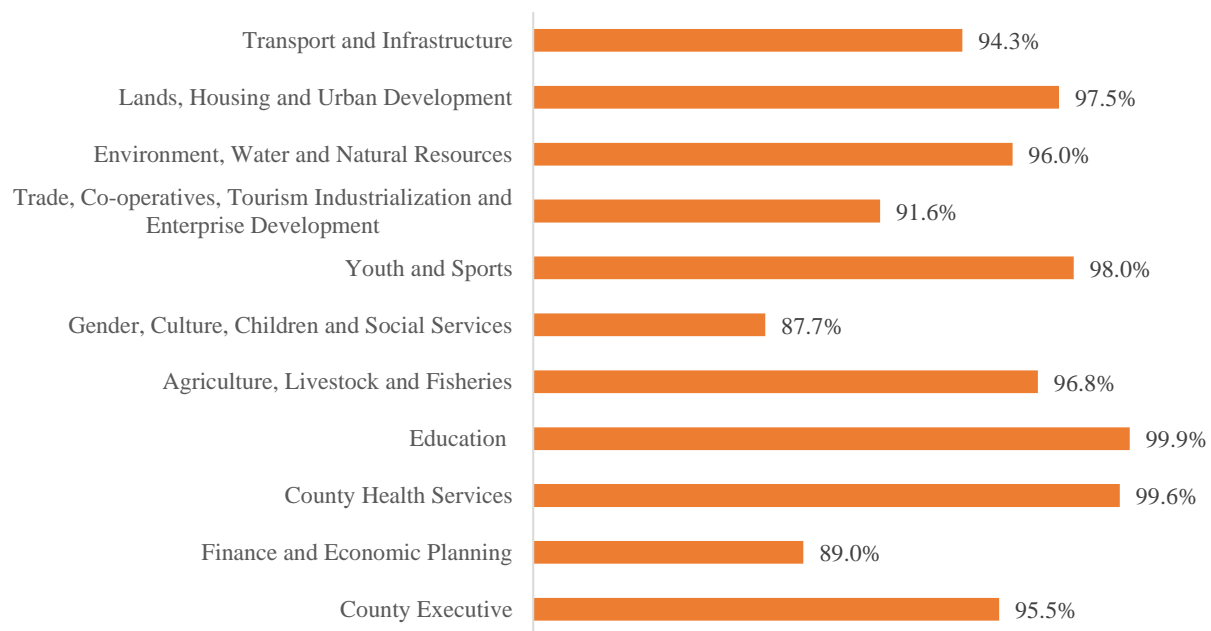
<i>ENTITY</i>	<i>Approved Recurrent Budget 2018/19</i>	<i>Rec Expenditure 2018-19</i>	<i>% utilization of Rec Budget 2018-19</i>
County Assembly	601,934,809	595,843,289	99.0%
County Executive	472,444,189	451,316,250	95.5%
Finance and Economic Planning	387,007,957	344,473,804	89.0%
County Health Services	1,811,250,115	1,803,185,714	99.6%
Education	168,485,229	168,295,029	99.9%
Agriculture, Livestock and Fisheries	280,996,715	272,064,438	96.8%



Gender, Culture, Children and Social Services	49,168,210	43,138,315	87.7%
Youth and Sports	26,471,878	25,946,356	98.0%
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	42,595,905	39,003,188	91.6%
Environment, Water and Natural Resources	92,398,245	88,681,543	96.0%
Lands, Housing and Urban Development	72,252,028	70,469,215	97.5%
Transport and Infrastructure	88,307,645	83,282,996	94.3%
<b>TOTAL</b>	<b>4,093,312,926</b>	<b>3,985,700,137</b>	<b>97.4%</b>

### Annual Utilization of Rec Budget 2018/19FY

■ Annual Utilization of Rec Budget 2018/19FY



### ***Implementation of 2019/20 budget***

Implementation of 2019/20 in the first quarter has experienced challenges at the start of the financial year mainly occasioned by minor delays in approval of the budget. In addition, delays by the Parliament to enact Division of Revenue Bill has resulted in delays in funds disbursements to counties.

Further, it should be noted that allocation to the County in Equitable Share will be revised downwards from the approved estimates of Kshs 4,497,978,000 to Kshs 4,241,100,000 due to variations in County Equitable Share as published in the CARA 2019. Reallocations in the budget will be initiated to take care of these revisions.

<b>KIRINYAGA COUNTY GOVERNMENT</b>			
<b>RESOURCE ENVELOPE -2019-20 FY</b>			
<b><i>Description</i></b>	<b><i>Approved Revenue Estimates 2019/2020 (A)</i></b>	<b><i>Revised Revenue Estimates 2019/2020 (B)</i></b>	<b><i>Variance (B-A)</i></b>
Equitable Share	4,497,978,000	4,241,100,000	(256,878,000)
Allocation - User Fees Foregone	11,282,570	11,282,570	0
Transforming Healthcare Systems for Universal Care Project (THSUCP)	30,000,000	30,000,000	0
Allocation of Roads Maintenance Fuel Levy Fund for Repair and Maintenance of County Roads	120,386,438	120,386,438	0
Allocation Financed by Grant from Government of Denmark to Supplement Financing of County Health facilities (DANIDA)	12,281,250	12,281,250	0
Local Revenues	500,000,000	500,000,000	0
World Bank Devolution Support Programme Grant (KDSP)	71,078,830	71,078,830	0
Grant for Youth Polytechnics	34,503,298	34,503,298	0
Kenya Urban Support Project (KUSP)	71,302,200	71,302,200	0
Kenya Urban Support Project (KUSP)-UDG	8,800,000	8,800,000	0

Agricultural and Rural Inclusive Growth Project (NARIGP)	350,000,000	350,000,000	0
Agriculture Sector Development Support Programme (ASDSP II)	14,513,306	14,513,306	0
Rolled over Funds	616,686,774	616,686,774	0
<b>TOTAL REVENUE</b>	<b>6,338,812,666</b>	<b>6,081,934,866</b>	<b>(256,878,000)</b>

Source: County Treasury

### 3.0 ECONOMIC AND FINANCIAL FORECAST FOR 2020/21 FY AND THE MEDIUM TERM

#### 3.1 Overview

Over the medium term, the County Government budgets will continue to be guided by the CIDP 2018-2022 and building on the achievements realized in the previous financial years. Resources will be allocated to high impact areas to ensure accelerated economic growth in the county. Economic growth is anchored in major pillars of health wellbeing, improved doing business conditions, improved infrastructure (improved road networks, water connectivity), increased rate of industrialization to spur job creation.

The county will continue focusing on the priority programs as identified in the Sessional Paper 2032. Spending on infrastructure, health, agriculture and manufacturing remains a priority in line with Kenya's 'Big Four' economic transformation. Implementation of the priority programs will be monitored closely so as to realize benefits and maintain positive growth momentum, create jobs, reduce poverty.

Over the medium term, the county fiscal policy will be anchored on the following broad areas:

- Exercising prudence in management of public resources
- Delivering better services to the public despite tight fiscal environment. The County will continue to fund the budgets using raised revenues and transfers from the National Government. The county is also looking forward to initiating programmes that are aimed at accelerating economic growth in the area. The county may seek financiers to fill the resource gap that cannot be covered through the budgetary allocations in accordance

with Section 140 of the Public Finance Management Act, 2012.

- Ensuring a sustainable recurrent expenditure to reduce budgetary pressures and ensure allocation of more resources towards development expenditure. The county will continue to allocate a minimum of 30% of the budgetary allocations towards development expenditure.

### 3.2 Revenue Forecast

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

For this to be achieved, it is assumed that;

- i. There will be increased economic activities in the county and therefore contributing to the growth in GDP over the medium term period;
- ii. There will be improved revenue collection due to diversification of revenue sources and enhancement of revenue collection;
- iii. There will be favorable weather conditions for agribusiness which is the back bone of Kirinyaga county' economy

#### ***Resource envelope forecast for 2020/21***

Equitable share from National Government	4,569,400,000
Revenue from Local Sources	<u>450,000,000</u>
<b>Total</b>	<b>5,019,000,000</b>

*Conditional Grants are expected for the Road Maintenance Levy Fund (RMLF), Health Services (Maternity) and Kenya Devolution Support Program (KDSP) – Capacity Building grant.*

### 3.3 Expenditure Forecast

The 2020/21 FY priority areas will be building on progress achieved in the infrastructural development, continue rollout of the Wezesha program for wealth creation amongst youth, women and persons with disabilities. Invest in a healthy citizenry by improving the volume of services offered in the health facilities through acquisition of more medical equipment, establishment of new medical infrastructure as well as improvement of the existing ones. The

county government remains conscience of the vulnerable in the society by continuing coverage of vulnerable groups in NHIF cover.

### **3.4 Fiscal policy**

Over the medium term, the county will continue with a balanced fiscal position between revenues raised locally and transfers from the national government.

#### ***3.4.1 Recurrent Expenditure***

The county government will look to rationalization of recurrent expenditure to enable injection of more resources towards development expenditure. Therefore, to foster economic growth it's imperative to maintain a sustainable recurrent expenditure over the medium term. Growth in recurrent allocations will strictly be maintained at sustainable levels.

#### ***3.4.2 Development Expenditure***

The county will over the medium term will adhere to fiscal responsibility principles by allocating a minimum 30% of total allocations towards development expenditure. Ongoing projects will be prioritized. Resources to new programs will be on the basis on the degree to which it links to the Wezesha program and the Big Four agenda, Linkages with the CIDP 2018-2022, job creation and poverty reduction. In order to accelerate the economic developments, more resources are needed in the medium term. However, due to constraints in low revenue bases and inadequate national government transfers, the county is open to utilize other resources raising measures to fill the resource gap. Measure to market and showcase potential areas for investment in the county will be enhanced with more emphasis focusing on agro- processing, value addition and manufacturing.

## **4.0 MEDIUM TERM SECTORAL PRIORITIES AND RESOURCE ALLOCATION**

### **4.1 Overview**

Going forward, resource allocations in various sectors will be anchored in the second County Integrated Development Plan (2018-2022). The plan will aim at leveraging on the progress achieved especially in the infrastructure sector to spur economic growth in the county. In addition, more resources will be allocated towards sectors with potential to create employment. The plan will also ensure alignment of the priority areas to the national development agenda

captured in the president's Big Four Agenda; enhancing manufacturing, food security and nutrition, universal health coverage.

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

- Supporting economic growth through agricultural value chain development under the Wezesha program. The government will support the crop and animal value chains in the implementation of the NARIGP project. The government will further revamp marketing strategies to gain market share for crop and animal products from the county.
- The county government realizes that infrastructure is a key enabler to economic growth. Towards this, resources will be channeled towards Infrastructure development. Upgrade of access roads will continue to be implemented across the county, paving of areas and major towns will continue, rehabilitation of access roads will also be continued across the county.
- Provision of affordable health services. A lot of health infrastructure has been put in place adding to the services available in county health facilities. In addition, more progress is expected towards the ongoing development of Kerugoya Referral Hospital medical complex. Further, a lot of focus will also be given on efficiency in service delivery in other health facilities through provision of health equipment and systems to avail a wide range of services offered.
- Improvement of water distribution infrastructure by funding various water projects, ensuring clean and habitable environment. More effort will be put in building on the progress achieved on waste management and water connectivity and distribution.

## **4.2 Details of Departmental Priorities and Resource Allocation for 2020-21 FY**

### **4.2.1 COUNTY EXECUTIVE**

This sector is key to providing leadership in the County's governance and development. The key strategic areas in this sector are;

- Instituting county public service reforms to ensure effective and efficient service delivery
- Providing leadership and guidance in human resource management
- Development of appropriate county organization structures
- Enhancement of transparency and accountability in all county entities
- Effective management and coordination of county government operations

To meet the above objectives, the County Executive is projected to be allocated 16% of the total expenditure.

#### ***4.2.2 AGRICULTURE, VETERINARY, LIVESTOCK & FISHERIES***

In order to strengthen this important sector, the county government will continue to offer services that are aimed at equipping farmers with vital skills to be competitive either in agribusiness or subsistence farming, increase support for agricultural infrastructure, equipment and materials. Towards this, the county will be implementing the NARIGP and ASDSP programs to support agricultural value chains in the county.

To improve the livelihoods of Kirinyaga people by promoting Innovative, commercially oriented and modern agriculture enabled through appropriate policy environment, effective support services and sustainable agricultural resources management.

The department will implement the following six strategic objectives:

- i. Create an enabling environment and enhance institutional efficiency and effectiveness for agricultural development
- ii. Increase agricultural productivity and outputs
- iii. Enhance institutional efficiency and effectiveness in implementation and extension
- iv. Identification of market opportunities and linking of farmers and producers to markets
- v. Increase livestock productivity and outputs
- vi. Enhancing farmer access to affordable inputs and credit.

To increase fish production by;

- Improve access to affordable fish feeds.
- Developing aquaculture.
- Promoting fish safety, quality assurance, value addition and marketing.

To implement the above priorities the sector is projected to be allocated 11% of the total expenditure

#### **4.2.3 HEALTH SERVICES**

The department will endeavor to continue provision of effective medical services to the people of Kirinyaga. The department will focus more on service delivery enhancement through improved medical equipment and infrastructure. The department will focus on the following areas;

- Maternal and child healthcare;
- Prevention, management and control of communicable and non-communicable diseases;
- Health promotion through provision of community health education and training of community health workers; and
- Promotion of public health interventions on environmental health and safety

The aforementioned priority areas are in line with the third Sustainable Development Goal (SDG) that seeks to ensure healthy lives and promote well-being for all at all ages. Due to the critical role that the sector holds in the county, and high personnel emoluments, it's projected to be allocated 40% of the total expenditure.

#### **4.2.4 FINANCE & ECONOMIC PLANNING**

The major role of this sector is to ensure fully compliance to the provisions of the public finance management in management of fiscal matters in the county. Providing effective monitor, evaluate in programmes implemented by the county government. It also ensures that the county has sound financial policies that will spur its economic growth. To this end, the sector has singled out the following key priority areas to implement over the medium term:

- Coordination of the MTEF process and ensure prudent fiscal policies are developed;
- Enhancement of revenue collection mechanisms
- Automation of County Government systems
- Supply chain management
- Coordination of the County Monitoring and Evaluation framework

In order to implement the above programmes, this sector is projected to be allocated 6% of the total expenditure.



#### ***4.2.5 CO-OPERATIVE DEVELOPMENT, TOURISM, TRADE AND INDUSTRIALIZATION***

The county government is committed to providing an enabling environment for a vibrant economy through promotion of trade and investment opportunities in the county.

The resources for this sector are targeted for the following key priority areas:

- a) To develop and implement policy, legal and institutional reforms
- b) Oversee the development and implementation of Strategic plan
- c) Capacity building for staff, cooperatives, SMEs and other relevant stakeholders
- d) To promote value addition and product diversification
- e) To promote the culture of saving for social economic empowerment of the people of Kirinyaga County
- f) Promote good corporate governance in the co-operative movement
- g) Enhance standards of measurements, traceability and fair trade practices
- h) Promote private sector development through enterprises and entrepreneurship development
- i) Establish structures to promote growth and development of County Tourism

In order to implement the above priorities, the sector is projected to be allocated 2% of the total projected expenditure.

#### ***4.2.6 TRANSPORT AND INFRASTRUCTURE***

The county government realizes that having a well maintained rural road network is a key component to unlocking the potential of key agricultural areas and increase integration of the areas. Towards this, the county government has constantly allocated resources towards transforming rural feeder roads to all weather roads.

Priorities for this sector include:

- Construction of paved parking lots in major towns
- County Roads improvement program
- Other infrastructure development including construction of bridges

This sector is key to unlocking the economic potential in the County and is projected to be allocated 5% of the total projected expenditure, which will include an allocation of development expenditure of 10% of total projected Development estimates.

#### **4.2.7 EDUCATION AND PUBLIC SERVICE**

The roles of the counties towards education in the devolution context is in pre-primary education, village polytechnics and home craft centers. To ensure accessibility to universal early childhood education, the department has increased the classrooms capacity by construction of new classrooms in ECDE centres. To improve the hygiene in these centres, the county government has also invested in construction of modern toilets. Provision of playing equipment have also been revamped to aid the physical development of ECDE curriculum.

In the DVET, county has continued to support the vocational training centres by rehabilitation of existing ones, provision of equipment to improve the quality of skills provided.

In order to implement the above programmes, the sector is projected to receive 4% of the total expenditure.

#### **4.2.8 GENDER AND YOUTH**

The department is mandated to ensure Empowerment of communities and individuals to participate in development with particular emphasis on women and children; mainstreaming gender issues in all development initiatives;

The following is a summary of strategic priorities of the sector/ sub-sector

- a) Development and implementation of policy, legal and institutional reforms
- b) Ensure there is good corporate governance in Gender and Youth
- c) Enforcement of standards of measurements, traceability and fair-trade practices at Kaitheri apparel.
- d) Encourage value addition and product diversification in the Wezesha program
- e) Ensure provision of Quality Service Delivery to the people of Kirinyaga

The department will implement the following strategic objectives:

- a) To develop and implement policy, legal and institutional reforms
- b) Oversee the development and implementation of Strategic plan
- c) Capacity building for staff, Gender, youth and other relevant stakeholders

- d) To promote value addition and product diversification through Wezesha Program
- e) To promote the culture of saving for social economic empowerment of the people of Kirinyaga County through group formations
- f) Promote good corporate governance in the group and sacco movement
- g) Enhance standards of measurements, traceability and fair trade practices
- h) Promote private sector development through enterprises and entrepreneurship development through KIDA

This sector is projected to receive an allocation of 1% of the total county expenditure.

#### ***4.2.9 SPORTS, CULTURE & SOCIAL SERVICES***

The sector is responsible for the promotion and development of sports talents and empowerment of youths, coordination of social services including persons living with disabilities. The county through this department will improve sporting standards through training and improvement of sports infrastructure. It will also empower youths through trainings and improving access to employment information and opportunities to employment and business.

To implement the above programmes, this department is projected to be allocated 1% of the total projected estimates.

#### ***4.2.10 ENVIRONMENT, WATER AND NATURAL RESOURCES***

The sector aims at ensuring a clean, habitable environment. It is also mandated to ensure provision of clean water for domestic and farm uses. Ensuring environmental conservation by reclamation of riparian land, re-forestation. Enforcing the environmental policies at the county level.

This department is projected to be allocated 2% of the total projected estimates.

#### ***4.2.11 LANDS, HOUSING AND PHYSICAL PLANNING***

The sector is responsible for physical planning, lands and housing which are key factors of production. The sector recognizes that physical planning is a priority aspect of economic development as such proper physical planning will determine the progressive economic

development of the county. Land is a scarce resource in the county as such proper land management is critical for sustainable economic development in the county. In view of this as against the backdrop of the County sessional paper 2032, the sector will ensure proper land use that will seek to actualize the provisions of the sessional paper. Housing is a factor that determines the productivity of a workforce as such the county has prioritized housing so as to ensure that the workforce within the county is well catered for. The department will also be undertaking implementation of the Kenya Urban Support Program to enhance institutional capacity and development capacity to offer critical municipal services in Kerugoya/Kutus Municipality.

Overall, the strategic goal of the sector is to facilitate improvement of livelihoods of the people of Kirinyaga County through efficient land resource management especially with respect to physical/urban planning, equitable access, secure tenure and sustainable housing.

To implement the programmes, the department is projected to be allocated 2% of the total projected estimates.

#### **4.3 Risks to the Economic Outlook**

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

Transfers from the national government are not adequate to meet the cost of offering the services as stipulated in Schedule Four of the constitution.

High inflation rates are contributing to higher cost of living. This will affect the ease of doing business in the county, access to credit to small and micro enterprises will be affected negatively due to tight liquidity in the economy.

Weakening global economies results in reduced demand for commodities from the country. This will have an effect on the county's economy cognizant of the fact that the County plays a major role in the exports sector for commodities like tea, coffee and horticultural produce.

Weak revenue base thereby leading to over-reliance on the transfers from the national government resources which are inadequate and limits resources allocations to key sectors.

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

Reliance on rain fed agriculture also poses a risk to this outlook. Instances of prolonged drought has resulted on decrease in own revenue collections as well as curtailing the purchasing power of the residents. However, the government continues to allocate more resources to sustainable farming methods by providing more connections for irrigation water.

## **5.0 CONCLUSION AND WAY FORWARD**

This CBROP intends to outline expectations in the budget period 2019/20-21 taking into considerations of the fiscal performance in the previous year together with economic outlook in the medium term. The county will seek to address issues relating to resource allocations to sector

priorities with adjustments from the ceilings set out in the County Fiscal strategy Paper where necessary.

Going forward the second County Integrated Development Plan (CIDP 2018-2022), the Annual Development Plan and the departmental strategic plans shall continue to advise the priorities in resource allocation. In addition, in order to continue adhering to the fiscal discipline, the County Government will continue to entrench the fiscal responsibility principles set out in the PFM Act 2012 in making forecasts realistic and reasonable. The county will also continue with prudent management of funds and delivery of expected output. Effective and efficient utilization of funds will be crucial in ensuring that the county deliver on its functions

The departmental ceilings annexed herewith will guide the departments in preparation of the 2020-21FY budget and will further be reaffirmed in the next County Fiscal Strategy Paper which shall be the final basis for development of the MTEF period 2020/21-2022/23.

**APPENDIX 1 : PROJECTED DEPARTMENTAL ALLOCATION CEILINGS FOR 2020/21 FY**

VOTE	ENTITY	2018-19 FY				2019-20 FY				2020-21 FY
		APPROVED REC ESTIMATES 2018/2019 FY	APPROVED DEV ESTIMATES 2018/2019 FY	TOTAL	% Allocatio n of the total Budget Estimates	APPROVED REC ESTIMATES 2019/20FY	APPROVED DEV ESTIMATES 2019/20FY	TOTAL	% Allocati on of the total Budget Estimat es	ESTIMATES PROJECTIO NS FOR 2020-21 FY as Percentage of Total Budget Estimates
3961	County Assembly	601,934,809	158,317,442	<b>760,252,251</b>	12%	556,934,809	134,519,242	<b>691,454,051</b>	11%	11%
3962	County Executive	471,245,843	441,500,000	<b>912,745,843</b>	15%	515,293,514	481,677,591	<b>996,971,105</b>	16%	16%
3963	Finance and Economic Planning	298,523,247	38,390,025	<b>336,913,272</b>	5%	325,849,047	30,000,000	<b>355,849,047</b>	6%	6%
3964	Agriculture, Livestock and Fisheries	173,431,599	183,178,123	<b>356,609,722</b>	6%	222,534,741	488,286,283	<b>710,821,024</b>	11%	11%
3965	Environment, Water and Natural Resources	76,225,182	120,317,402	<b>196,542,584</b>	3%	90,627,839	59,434,000	<b>150,061,839</b>	2%	2%
3966	Education	188,990,427	80,364,788	<b>269,355,215</b>	4%	218,259,229	34,503,298	<b>252,762,527</b>	4%	4%
3967	County Health Services	1,628,817,358	574,967,500	<b>2,203,784,858</b>	36%	1,923,771,863	609,320,202	<b>2,533,092,065</b>	40%	40%
3968	Lands, Housing and Urban Development	19,689,018	110,311,928	<b>130,000,946</b>	2%	39,148,028	71,302,200	<b>110,450,228</b>	2%	2%
3969	Transport and Infrastructure	64,294,307	605,913,054	<b>670,207,361</b>	11%	79,558,285	228,831,775	<b>308,390,060</b>	5%	5%
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	43,134,726	155,878,312	<b>199,013,038</b>	3%	54,514,927	56,605,314	<b>111,120,241</b>	2%	2%
3971	Gender and Youth	27,494,139	22,105,350	<b>49,599,489</b>	1%	37,655,210	35,946,800	<b>73,602,010</b>	1%	1%
3972	Sports, culture & Social Services	29,550,969	42,491,400	<b>72,042,369</b>	1%	29,738,469	14,500,000	<b>44,238,469</b>	1%	1%
<b>3960</b>	<b>TOTAL</b>	<b>3,623,331,624</b>	<b>2,533,735,323</b>	<b>6,157,066,948</b>		<b>4,093,885,961</b>	<b>2,244,926,705</b>	<b>6,338,812,666</b>		