

# **COUNTY GOVERNMENT OF KIRINYAGA**



**DEPARTMENT OF FINANCE & ECONOMIC PLANNING**

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## **COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP) 2020**

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**SEPTEMBER 2020**

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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 2019/20 and makes comparisons to the budget appropriations of the same year. It presents the recent economic developments and actual fiscal performance of FY 2019/20. 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 2019/20. It has included the total revenue collected and made comparison to projected revenue for the same year.

The fiscal performance of the FY 2019/20 budget was below target on particularly on own source revenue shortfalls. Covid-19 pandemic and containment measures has impacted economic growth in the county leading to job losses.

In Financial Year 2019/2020 Kirinyaga County had an approved budget amounting to KShs. 6,131,617,882. The County projected to collect own source revenue of Ksh. 480,000,000. During the 2019-20 Financial Year the actual Own Source Revenue collected amounted to Kshs 374,738,723. This indicates own source revenue performance of 78%. This performance indicates a drop in own source revenue by 56.22 Million (13%) from 2018-19. Development expenditure for the period under review amounted to Kshs. 1,132,664,258 (62% of Development Budget) while recurrent expenditure for 2019/20 FY amounted to KShs. 3,900,400,926 (91% of recurrent budget).

In preparation of the 2021-22 budget it is projected that implementation of 2020/21 and Medium Term will anchored on strict expenditure controls and enhanced revenue collection measures. This will be achieved through fiscal discipline to ensure proper management of public resources and delivery of expected output. Emphasis will be given to key strategic interventions aimed and sparking and sustaining economic growth in the county. Enabling interventions in the infrastructure will also be given priority to support growth in 2020-21 and Medium term. In the social sector, affordable and high quality health services will be improved as we look to complete the Kerugoya Hospital Complex.

**MOSES MIGWI MAINA**  
**CECM FOR FINANCE & ECONOMIC PLANNING**

## **Acknowledgment**

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

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

I would also wish to convey my gratitude to the Economic Planning and Budget staff led by, 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**

ADP	Annual Development Plan
CA	County Assembly
CARA	County Allocation of Revenue Act
CRA	Commission on Revenue Allocation
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
OSR	Own Source Revenue
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 2019/20 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 this County Budget Review and Outlook Paper is to provide—

- (i) A review of the County Fiscal performance in the financial year 2019/20 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 2021/2022 FY budget.

## 2.0 REVIEW OF FISCAL PERFORMANCE FOR 2019/20 FINANCIAL YEAR

### 2.1 Revenue Analysis

In the Financial Year 2019/2020 Kirinyaga County had an approved budget amounting to KShs. 6,131,617,883 which was to be financed as per the below resource envelope.

DESCRIPTION	AMOUNT
Equitable Share	4,241,100,000
Allocation - User Fees Foregone	11,282,570
Transforming Healthcare Systems for Universal Care Project (THSUCP)	30,000,000
Transforming Healthcare Systems for Universal Care Project (THSUCP) Roll-Over from FY 2018/2019	5,037,424
Allocation of Roads Maintenance Fuel Levy Fund for Repair and Maintenance of County Roads	120,386,438
Allocation Financed by Grant from Government of Denmark to Supplement Financing of County Health facilities (DANIDA)	12,281,250
Local Revenues	480,000,000
World Bank Devolution Support Programme Grant (KDSP)	71,078,830
Grant for Youth Polytechnics	34,503,298
Grant for Youth Polytechnics (Carried forward from FY 2018/2019)	12,791,450
Kenya Urban Support Project (KUSP)	71,302,200
Kenya Urban Support Project (KUSP)-UDG	8,800,000
Agricultural and Rural Inclusive Growth Project (NARIGP)	350,000,000
Agriculture Sector Development Support Programme (ASDSP II)	14,513,306
Grants (ASDSP II)	6,500,000
Rolled over Funds	662,041,117
<b>TOTAL REVENUES</b>	<b>6,131,617,883</b>

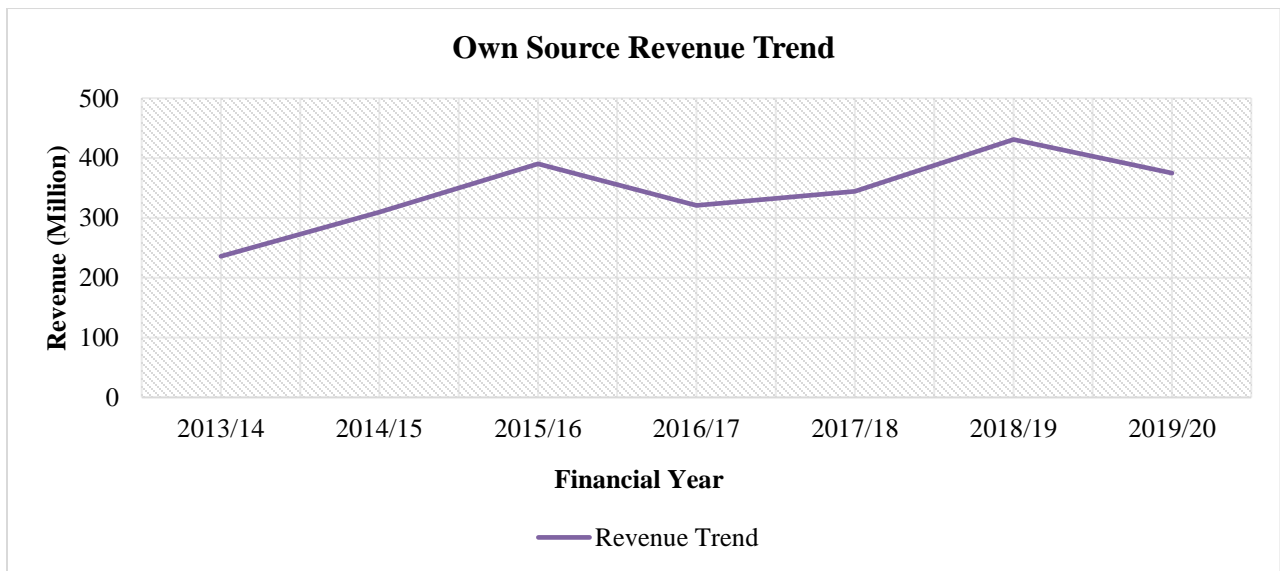
Source: County Treasury

#### 2.1.1 Performance of Own Source Revenue

The County had a projected revenue target of KShs. 500 Million in the FY 2019/20 and revised in the approved Supplementary 1 estimates to Ksh. 480 Million.

During the 2019-20 Financial Year the actual Own Source Revenue (OSR) collected amounted to Kshs 374,738,723. This indicates a collection of 78 % of the budgeted Own Source Revenue. This performance indicates a drop in own source revenue by 56.22 Million (13%) when compared to actual collection of Kshs. 430,961,820 in FY 2018/19

REVENUE SOURCE	TOTAL FY 2019-20	TOTAL FY 2018-19	VARIANCE	TARGET FY 2019-20	VARIANCE
business permits	62,368,151.95	103,596,963.00	-41,228,811.05	100,848,000.00	-38,479,848.05
market entrance/gate fee	32,555,550.00	31,910,500.00	645,050.00	35,541,659.62	-2,986,109.62
quarry cess/fee	2,588,730.00	2,666,450.00	-77,720.00	2,969,870.68	-381,140.68
parking fee	20,962,110.00	23,469,118.00	-2,507,008.00	26,139,715.88	-5,177,605.88
Land,Ground Rates &Arrears	21,976,636.00	21,162,524.00	814,112.00	32,981,913.63	-11,005,277.63
Liquor license	23,205,723.00	37,589,300.00	-14,383,577.00	40,056,616.69	-16,850,893.69
Health(Hospitals)	133,667,446.61	122,004,737.35	11,662,709.26	131,217,559.75	2,449,886.86
Veterinary Services	5,117,920.00	5,539,190.00	-421,270.00	6,169,505.51	-1,051,585.51
buildings plans	11,020,513.00	14,135,709.00	-3,115,196.00	15,744,239.60	-4,723,726.60
Public Health	21,776,366.00	24,217,900.00	-2,441,534.00	26,973,703.28	-5,197,337.28
Sub Division Fee	602,316.00	1,879,600.00	-1,277,284.00	2,093,483.44	-1,491,167.44
Transfer fee	1,293,000.00	1,454,734.00	-161,734.00	1,620,271.09	-327,271.09
house rents	2,940,950.00	5,388,400.00	-2,447,450.00	3,179,520.00	-238,570.00
Market Stall	2,452,350.00		2,452,350.00	3,454,848.00	-1,002,498.00
Survey fee	290,200.00	1,717,860.00	-1,427,660.00	1,913,338.73	-1,623,138.73
Sale of minutes	1,015,000.00	1,270,000.00	-255,000.00	1,414,515.84	-399,515.84
Advertisement	9,296,440.00	8,666,750.00	629,690.00	9,652,956.82	-356,516.82
Produce cess	5,076,400.00	2,123,385.00	2,953,015.00	10,045,009.23	-4,968,609.23
Trade-Weights	854,500.00	854,060.00	440.00	951,245.20	-96,745.20
Coop Audit	583,775.00	474,195.00	109,580.00	528,154.60	55,620.40
Group Registration	1,362,200.00	1,156,828.00	205,372.00	1,288,465.77	73,734.23
Refuse collecton	6,497,662.00	9,141,905.00	-2,644,243.00	10,182,180.65	-3,684,518.65
Kamweti	3,523,418.60	4,096,206.15	-572,787.55	4,562,321.64	-1,038,903.04
Administrative Charges	3,711,365.15	6,445,506.00	-2,734,140.85	10,470,904.37	-6,759,539.22
<b>TOTAL (FY 2019/2020)</b>	<b>374,738,723.31</b>	<b>430,961,820.50</b>	<b>-56,223,097.19</b>	<b>480,000,000.00</b>	<b>-105,261,276.69</b>



### 2.1.2 Performance of Transfers from National Government

In the FY 2019-20 budget resource envelop, transfers from National Government of Kshs. 4,983,076,766 accounted for approximately 81% of total resources projected. These includes

equitable share, conditional grants from national government and other transfers from development partners.

Further, in order to support County Governments to respond to COVID-19 pandemic, the County received a further 116,356,000 from the National Treasury which was not appropriated in CARA 2019.

By end of 2019-20 FY, the National Treasury hadn't released Ksh. 364,734,600 as part of Equitable Share.

<b>DESCRIPTION</b>	<b>Budget 2019/2020</b>	<b>Actual Receipts by End of 2019/20</b>
Equitable Share	4,241,100,000	3,876,365,400
Allocation - User Fees Foregone	11,282,570	11,282,570
Transforming Healthcare Systems for Universal Care Project (THSUCP)	30,000,000	29,996,486
Transforming Healthcare Systems for Universal Care Project (THSUCP) Roll-Over from FY 2018/2019	5,037,424	-
Allocation of Roads Maintenance Fuel Levy Fund for Repair and Maintenance of County Roads	120,386,438	120,386,439
Allocation Financed by Grant from Government of Denmark to Supplement Financing of County Health facilities (DANIDA)	12,281,250	16,866,250
Own Source Revenue	480,000,000	374,738,723
World Bank Devolution Support Programme Grant (KDSP)	30,000,000	30,000,000
World Bank Devolution Support Programme Grant (KDSP) 2018-19	41,078,830	-
Grant for Youth Polytechnics	34,503,298	34,503,298
Grant for Youth Polytechnics (Carried forward from FY 2018/2019)	12,791,450	-
Kenya Urban Support Project (KUSP)	71,302,200	50,998,100
Kenya Urban Support Project (KUSP)-UDG	8,800,000	8,800,000
Agricultural and Rural Inclusive Growth Project (NARIGP)	350,000,000	195,061,354
Agriculture Sector Development Support Programme (ASDSP II)	14,513,306	10,006,753
Covid-19 Response Funds		116,356,000
Rolled over Funds	668,541,117	668,541,117
<b>TOTAL REVENUES</b>	<b>6,131,617,883</b>	<b>5,543,902,490</b>

Source: County Treasury

## 2.2 Expenditure Analysis

The County Government total approved 2019/20 FY budget amounts to KShs. 6,131,617,883 in Supplementary 1 of 2019-20 as follows;

	Approved Recurrent Budget 2019/20 FY	Recurrent Supplementary 1 Budget 2019-20	Change in Rec Estimates	Approved Development Budget 2019/20 FY	Development Supplementary 1 Budget 2019-20	Change in Development Estimates	TOTAL Sup1 Estimates
County Assembly	556,934,809	569,393,333	12,458,524	134,519,242	120,860,717	(13,658,525)	690,254,050
County Executive	515,293,514	541,235,923	25,942,409	481,677,591	285,308,732	(196,368,859)	826,544,655
Finance and Economic Planning	325,849,047	417,474,232	91,625,185	30,000,000	30,000,000	-	447,474,232
Agriculture, Livestock and Fisheries	222,534,741	224,194,741	1,660,000	488,286,283	488,286,283	-	712,481,024
Environment, Water and Natural Resources	90,627,839	108,472,439	17,844,600	59,434,000	48,934,000	(10,500,000)	157,406,439
Education	218,259,229	172,969,229	(45,290,000)	34,503,298	47,294,748	12,791,450	220,263,977
County Health Services	1,923,771,863	2,018,371,431	94,599,568	609,320,202	404,849,851	(204,470,351)	2,423,221,282
Lands, Housing and Urban Development	39,148,028	37,488,028	(1,660,000)	71,302,200	71,302,200	-	108,790,228
Transport and Infrastructure	79,558,285	78,066,285	(1,492,000)	228,831,775	226,831,775	(2,000,000)	304,898,060
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	54,514,927	52,270,941	(2,243,986)	56,605,314	69,936,316	13,331,002	122,207,257
Gender and Youth	37,655,210	37,155,210	(500,000)	35,946,800	29,700,000	(6,246,800)	66,855,210
Sports, Culture and Social Services	29,738,469	38,721,469	8,983,000	14,500,000	12,500,000	(2,000,000)	51,221,469
<b>TOTAL</b>	<b>4,093,885,961</b>	<b>4,295,813,261</b>	<b>201,927,300</b>	<b>2,244,926,705</b>	<b>1,835,804,622</b>	<b>(409,122,083)</b>	<b>6,131,617,883</b>

Source: County Treasury

### 2.2.1 Development Expenditure

Development expenditure for the period under review amounted to Kshs. 1,132,664,258. Uptake of development budget gathered speed in the third and fourth quarters.

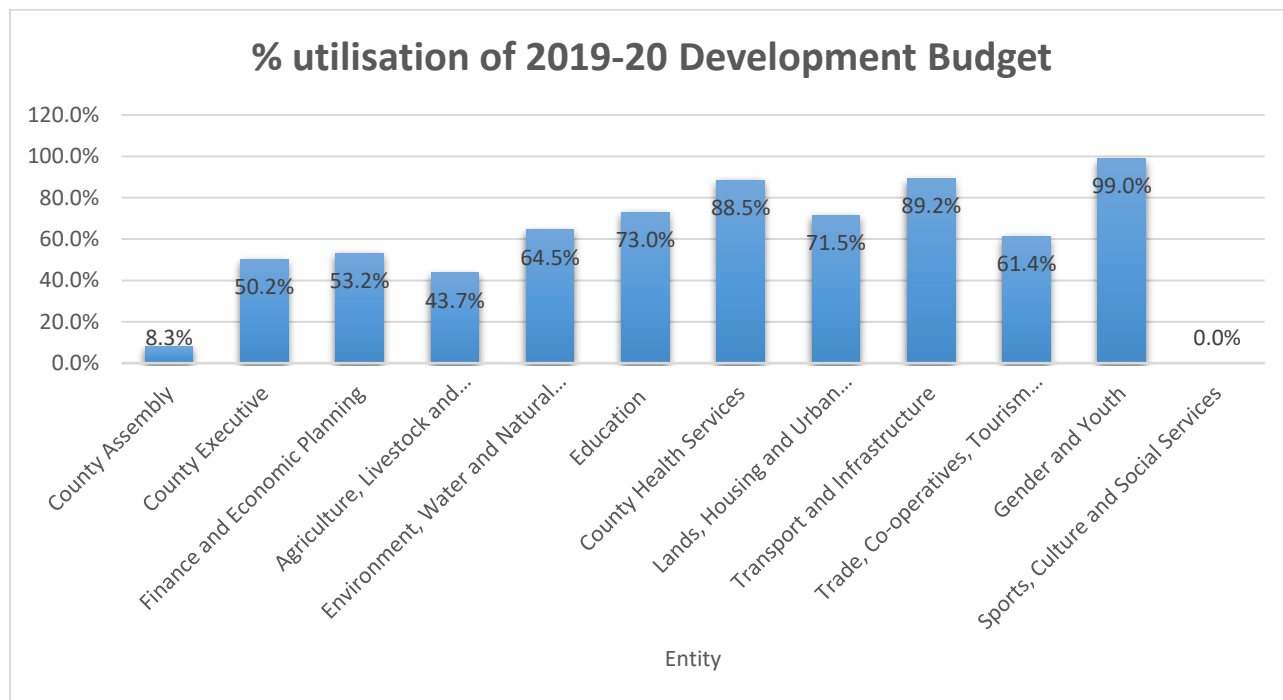
#### Development Expenditure by Department

		Approved Development Budget 2019/20 FY	Sup Estimates	First Quarter Development Expenditure 2019/20	Half Year Development Expenditure	3RD Quarter Expenditure	Annual Expenditure 2019-20
3961	County Assembly	134,519,242	120,860,717	-	-	-	10,031,216
3962	County Executive	481,677,591	285,308,732	14,500,000	12,123,472	34,486,772	143,161,479
3963	Finance and Economic Planning	30,000,000	30,000,000	-	-	15,957,328	15,957,328
3964	Agriculture, Livestock and Fisheries	488,286,283	488,286,283	-	6,500,000	112,479,941	213,385,972
3965	Environment, Water and Natural Resources	59,434,000	48,934,000	-	3,951,165	23,841,995	31,555,188
3966	Education	34,503,298	47,294,748	-	-	-	34,503,298
3967	County Health Services	609,320,202	404,849,851	30,101,715	92,677,186	231,432,150	358,388,337
3968	Lands, Housing and Urban Development	71,302,200	71,302,200	-	-	-	50,998,100
3969	Transport and Infrastructure	228,831,775	226,831,775	5,000,000	61,924,320	134,429,079	202,383,029
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	56,605,314	69,936,316	-	-	11,598,030	42,912,130
3971	Gender and Youth	35,946,800	29,700,000	-	6,050,809	5,842,762	29,388,181
3972	Sports, Culture and Social Services	14,500,000	12,500,000	-	-	-	-
	<b>TOTAL</b>	<b>2,244,926,705</b>	<b>1,835,804,622</b>	<b>49,601,715</b>	<b>183,226,952</b>	<b>570,068,057</b>	<b>1,132,664,258</b>

Source: County Treasury

### Expenditure Analysis against budget allocations

Utilization of Development budget stood at 62% of the total development allocation of Kshs.1,835,804,621. Departments with leading utilization includes; County Executive, County Health Services, Transport and Infrastructure.



Source: County Treasury

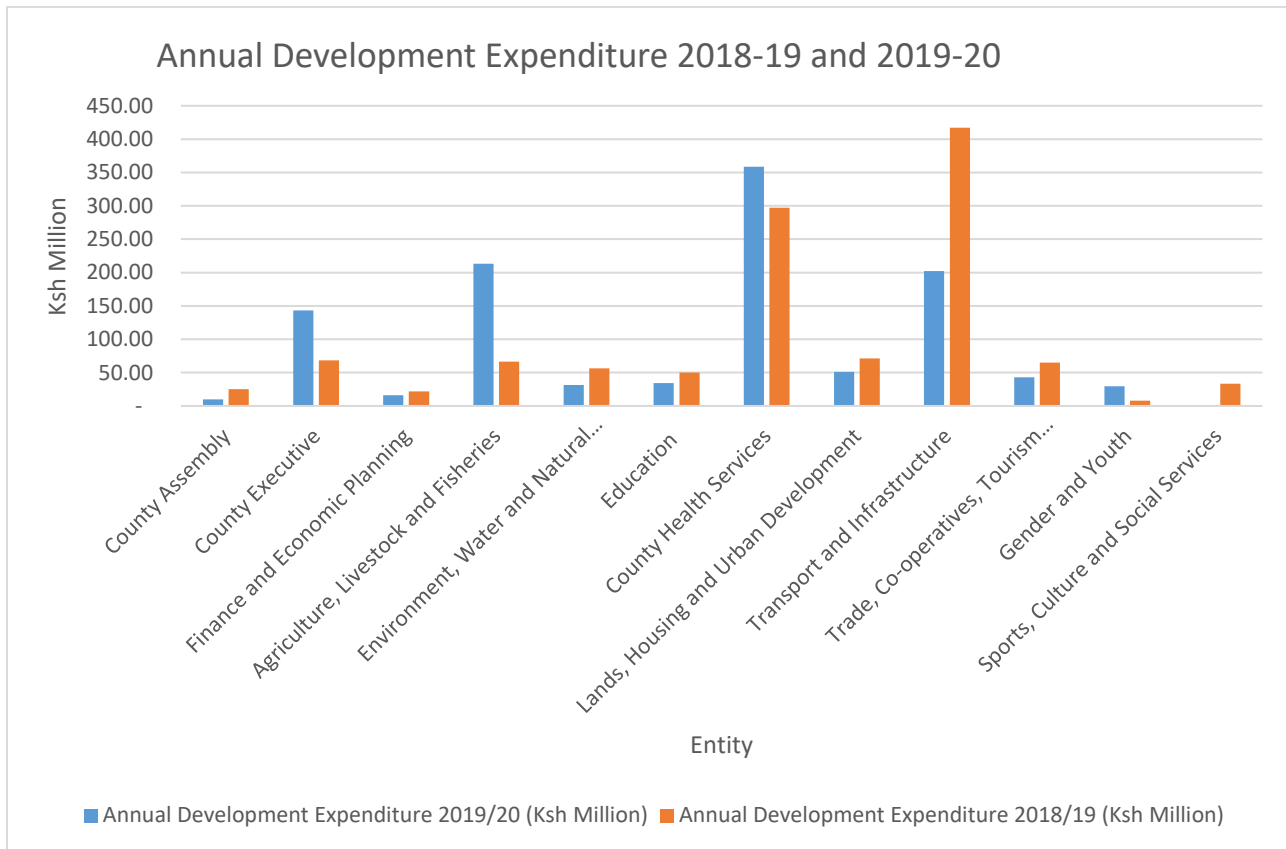
### Comparison in Development Expenditure 2018/19FY and 2019/20 FY

It's worth noting that absorption for 2019-20FY is lower compared to same period in 2018-19FY. It represents a 4% overall slowdown in absorption.

		Approved Development Budget 2019/20 FY	Development Supplementary 1 Budget 2019-20	Annual Development Expenditure 2019-20	Annual Expenditure 2018-19
3961	County Assembly	134,519,242	120,860,717	10,031,216	25,084,259
3962	County Executive	481,677,591	285,308,732	143,161,479	68,223,320
3963	Finance and Economic Planning	30,000,000	30,000,000	15,957,328	21,843,669
3964	Agriculture, Livestock and Fisheries	488,286,283	488,286,283	213,385,972	66,237,562
3965	Environment, Water and Natural Resources	59,434,000	48,934,000	31,555,188	56,170,960
3966	Education	34,503,298	47,294,748	34,503,298	50,021,454
3967	County Health Services	609,320,202	404,849,851	358,388,337	297,137,825

3968	Lands, Housing and Urban Development	71,302,200	71,302,200	50,998,100	71,302,200
3969	Transport and Infrastructure	228,831,774	226,831,774	202,383,029	417,278,374
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	56,605,314	69,936,316	42,912,130	64,924,754
3971	Gender and Youth	35,946,800	29,700,000	29,388,181	7,718,600
3972	Sports, Culture and Social Services	14,500,000	12,500,000	-	33,280,420
	<b>TOTAL</b>	<b>2,244,926,704</b>	<b>1,835,804,621</b>	<b>1,132,664,258</b>	<b>1,179,223,397</b>

Source: County Treasury



### 2.2.2 Recurrent Expenditure

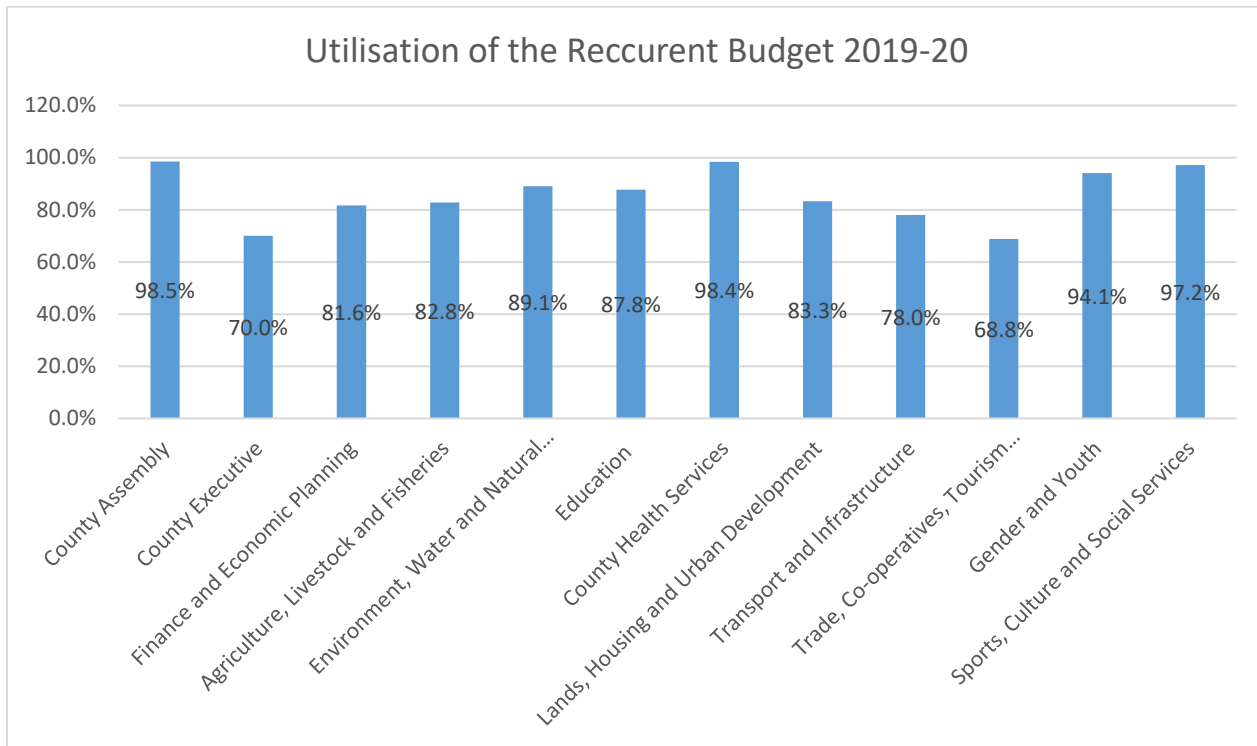
Total cumulative recurrent expenditure for 2019/20 FY amounted to KShs. 3,900,400,926 which represents 91% of the total recurrent budget estimates of KShs.4,295,813,261. The major contributor to this expenditure was the County Health Services. Recurrent expenditure for this sector amounted to KShs. 1985.3 Million. This was 51% of the total recurrent expenditure in the county and represented 98% expenditure against total approved recurrent expenditure for this sector. Other sectors with high utilization of their approved recurrent budget included, County Assembly (98.5%), Environment, water and Natural resources (89%).



## Recurrent Expenditure per Department

	Approved Recurrent Budget 2019/20 FY	Sup1 Estimates	1st Quarter Expenditure 2019-20	Half Year Expenditure 2019-20FY	First 9 Months Expenditure 2019-20	Annual Expenditure 2019-20
County Assembly	556,934,809	569,393,333	140,131,586	292,631,700	428,721,099	560,733,734
County Executive	515,293,514	541,235,923	73,462,006	166,319,144	247,507,550	378,965,559
Finance and Economic Planning	325,849,047	417,474,232	75,360,121	130,682,193	180,194,811	340,770,796
Agriculture, Livestock and Fisheries	222,534,741	224,194,741	13,084,393	64,398,094	84,495,075	185,537,900
Environment, Water and Natural Resources	90,627,839	108,472,439	12,487,575	30,359,322	57,904,934	96,657,678
Education	218,259,229	172,969,229	13,762,960	30,953,604	59,174,438	151,792,284
County Health Services	1,923,771,863	2,018,371,431	240,231,635	727,407,217	902,060,791	1,985,259,201
Lands, Housing and Urban Development	39,148,028	37,488,028	4,353,137	7,325,290	8,348,826	31,215,500
Transport and Infrastructure	79,558,285	78,066,285	7,340,272	13,919,772	29,719,500	60,907,802
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	54,514,927	52,270,941	4,982,254	15,049,290	20,585,655	35,964,595
Gender and Youth	37,655,210	37,155,210	7,469,376	13,861,531	17,099,007	34,965,224
Sports, Culture and Social Services	29,738,469	38,721,469	4,697,686	14,445,082	18,296,646	37,630,653
<b>TOTAL</b>	<b>4,093,885,961</b>	<b>4,295,813,261</b>	<b>597,363,001</b>	<b>1,507,352,239</b>	<b>2,054,108,332</b>	<b>3,900,400,926</b>

Source: County Treasury



### 3.0 RECENT ECONOMIC DEVELOPMENT AND OUTLOOK

#### 3.1 Recent Economic Development

This section presents Recent Economic Developments; Medium Term Fiscal Framework; and Risks to the Outlook. Its purpose is to turn the attention from the past to the present time and the immediate future. In this section, the county government discusses its assessment of the prospects for growth after analyzing the recent economic events and circumstances.

The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated global economies. As a result, the global economy is projected to contract **by** 4.9 percent in 2020 from a growth of 2.9 percent in 2019 with prospects across countries and regions remaining highly uncertain (*Source: National Treasury Draft BROP, 2020*). Kenya has not been spared, the Pandemic and the containment measures slowed down economic activities in key sectors of the economy in the first quarter of 2020, resulting to a lower growth of 4.9 percent compared to a growth of 5.5 percent in a similar period in 2019. Overall, taking into account the available indicators for second quarter for 2020, the economy is projected to grow **by** 2.6 percent in the calendar year 2020 compared to the initial projection of 6.1 percent in the 2020 Budget Policy Statement. The economy

is projected to rebound to 5.3 percent in 2021 and 5.9 percent over the medium term. (Source: National Treasury Draft BRDP, 2020). In terms of fiscal years, the economy is projected to grow by 4.0 percent in the FY 2020/21 and 5.9 percent over the medium term (Source: National Treasury Draft BRDP, 2020)

The slowdown in the first quarter of 2020 was mainly due to the uncertainty surrounding the Covid-19 pandemic which was already slowing economic activity in most of the country's major trading partners. Accommodation and food services were particularly greatly affected with a contraction of 9.3 percent. On the positive side, the economy was supported by strong agricultural activities that strengthened to 4.9 percent in the first quarter of 2020 from 4.7 percent over the same period in 2019. A resilient non-agriculture sector also supported growth, despite a slowdown to 5.2 percent from 5.9 percent over the period under review.

The agriculture sector grew by 4.9 percent in the first quarter of 2020 compared to a growth of 4.7 percent in the same period in 2019 supported by favorable weather conditions.

Tea production and cane deliveries grew by 49.2 percent and 10.2 percent, respectively in the first quarter of 2020 relative to 2019. However, the production of coffee and formal milk intake declined by 11.8 percent and 1.2 percent over the same period.

### **3.2 County Economic Development and Outlook**

Similarly, the County's economic development has also continued to be impacted by the outbreak and consequent containment measures of Covid-19. Accommodation and food service sector was particularly hit due to containment measures. Measures such as reduced operating hours and social distancing has led to closures of businesses occasioning job losses.

Unemployment has been worsened due to Covid-19 which occasioned by job losses in various sectors. Suspension of the school calendar led to job losses to some employees of private schools, reduced capacity in food service sector led to partial closures.

According to KNBS Survey on Social Economic Impacts of Covid-19, 37.0 per cent of households in rented premises indicated that they were unable to pay rent for May 2020, while 31.6 per cent reported having paid the rent on time. Most (61.0%) of the households that were unable to pay rent cited reduced income as the main reason for defaulting. The survey further revealed that only 0.7 per cent of households in rented dwellings had received waiver or relief from landlords. A third of the households

had not put in place any coping mechanism to counter the effect of COVID-19 on their ability to pay rent.

### **3.3 Medium Term Economic Outlook**

Before the pandemic, the Country's economy grew by 4.9 per cent on the first quarter of 2020 mainly supported by the agricultural sector which benefitted from favorable weather conditions. However, the negative effects of the pandemic looks to cut this growth to a projected 2.6 per cent in 2020. The economy is however, expected to rebound by a projected 5.3 per cent in 2021. (*Source: National Treasury Draft BRDP, 2020*)

Growth outlook for 2020 and financial year will be supported by National Governments and County Government intervention in key strategic areas. On the onset of the pandemic, the National Government was quick to unveil measures to cushion Kenyans against the pandemic. These measures directly brought relief to the economy through injection of cash and provision of additional disposable incomes to the people and businesses. Government also lowered the Value

Added Tax (VAT) rate from 16% to 14%; reduced tax rates for both corporate and personal income (PAYE) from 30% to 25% and provided 100% tax relief for persons earning a gross monthly income of up to Ksh 24,000. Further, in order to support the Micro, Small and Medium Enterprises, the turnover tax rate was lowered from 3.0% to 1.0%.

The Government also acted to enhance credit access by the private sector at an affordable cost. This was achieved through reduction of the Central Bank Rate from 8.25% to 7.0%. These measures commercial banks allowing them flexibility with regard to requirements for loan classification and provisioning. Since March 2020, banks have restructured loans in excess of Ksh. 360 billion including Ksh 190.0 billion of personal loans. (*Source: National Treasury Draft BRDP, 2020*)

Government provided an additional Ksh 10.0 billion to boost the on-going traditional current cash transfer programme.

In addition to further engage the youth in meaningful employment, gainfully engage our youth, the Government rolled out the "Kazi Mtaani Programme", designed to improve public hygiene standards and undertake urban civil works.

Going forward, the government has constituted an 8-point economic stimulus program that is aimed at stimulating and sustaining economic activities.

The County's economic growth will largely take into account economic growth in the whole country. Favorable local and International markets for locally produced goods especially the coffee, tea, rice and horticultural sectors holds key to the county's economic growth prospects.

The local economy is further expected to benefit from investments by the County Government to revitalize dairy, poultry, avocado agribusinesses under the Wezesha Program. The county government through Kirinyaga Investment Development Authority is in top gear to consolidate investment opportunities in the agribusiness sector with a view to securing better prices for farmers

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

### **Risk to the Economic Outlook**

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

1. Transfers from the national government are not adequate to meet the cost of offering the services as stipulated in Schedule Four of the constitution.
2. High inflation rates are contributing to higher cost of living. This will affect the ease of doing business in the county, and access to credit to small and micro enterprises will be affected negatively due to tight liquidity in the economy.
3. Reduced global demand emanating from COVID-19 fears and containment measures are expected to result 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.
4. 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.
5. Expenditure pressures, especially high recurrent expenditures pose fiscal risks. The county is going to maintain a sustainable recurrent expenditure by strictly adhering to austerity measures and hence free more resources for development expenditure over the medium term.
6. Reliance on rain-fed agriculture also poses a risk to this Outlook. Instances of prolonged drought has resulted in 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.

## **4.0 RESOURCE ALLOCATION FRAMEWORK**

### **4.1 Overview**

This section establishes the resource envelope the county expects and how it will be allocated across all the sectors for 2021/22 FY and MTEF.

### **4.2 Adjustment to 2020/21 FY Budget**

The budget sought to allocate resources to key areas to unlock economic growth by supporting growth in agricultural value chain development, investment in key infrastructural development, and improved service delivery in health services.

Parliament delayed in enacting the County Allocation of Revenue Act 2020 and when it was finalized it reduced the equitable share the county will receive in 2020-21FY. These changes in revenue have necessitated further alignments to the budget and which will refocus spending priorities.

### **4.3 FY 2021/22 Budget and Medium Term Expenditure Framework**

Resource allocations in various sectors will be anchored in the second County Integrated Development Plan (2018-2022). The plan will continue to allocate resources towards sectors with potential to create employment. Towards this end focus will be to build on the progress achieved especially in Agricultural value chain development, transport infrastructure development, and health services to spur economic growth in the county.

The plan will also ensure alignment of the priority areas to the national development agenda captured in the President's Big Four Agenda; enhancing manufacturing, food security and nutrition, and universal health coverage.

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

- Continue supporting economic growth through agricultural value chain development. The County government will support crop and animal value chains in the implementation of the NARIGP project. The government will increase efforts in gaining market for crop and animal products from the county.
- The county government realizes that infrastructure is a key enabler to economic growth. Towards this end, resources will be channeled towards Infrastructure development. Upgrade of access

roads will continue to be implemented across the county as well as, paving of major towns and rehabilitation of access roads 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 and further construction of dispensaries in various electoral wards. 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, thus ensuring clean and habitable environment. More effort will be put in building on the progress achieved on waste management and water connectivity and distribution networks

#### 4.4 Revenue Projections

The realization of revenue targets for the medium term will depend on efforts made 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;

- There will be increased economic activities in the country and therefore contributing to the growth in GDP over the medium term period;
- There will be improved revenue collection due to diversification of revenue sources and enhancement of revenue collection;
- There will be favorable weather conditions for agribusiness which is the backbone of Kirinyaga county’ economy

#### *Medium Term Fiscal Projections*

	<b>Projections</b>			
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
<b>Revenue (Total)</b>	<b>6,131,617,883</b>	<b>6,738,270,021</b>	<b>5,646,180,000</b>	<b>5,696,180,000</b>
Equitable Share	4,241,100,000	4,241,100,000	5,196,180,000	5,196,180,000
Own Source Revenue	480,000,000	405,000,000	450,000,000	500,000,000
National Government’s Grants to counties	748,476,766	76,924,797		

Balance B/F	662,041,117	809,996,082		
<b>Expenditure (Total)</b>	<b>6,131,617,882</b>	<b>6,738,270,021</b>	<b>5,646,180,000</b>	<b>5,696,180,000</b>
Recurrent	4,295,813,261	4,102,998,736	3,952,326,000	3,987,326,000
Recurrent as percentage of Total budget	70%	61%	70%	70%
Development	1,835,804,621	2,635,271,285	1,693,854,000	1,708,854,000
Development as percentage of Total budget	30%	39%	30%	30%

Revenue projections excludes conditional grants.

### **Third Basis Revenue Sharing Formula**

As envisioned in Article 217 and the Six Schedule of the Constitution, the Commission on Revenue Allocation (CRA) and Parliament adopted the third basis for allocating revenue raised nationally among the County Governments. The projections on revenue transfers from National Government for the FY2020/2021 are based on the Third Basis Revenue Sharing formula among counties that has been adopted by the Senate. However, these projections will further be updated in the County Fiscal Strategy Paper (CFSP) to adjust for of any developments upon adoption of new revenue sharing formula by Parliament.



*Indicative Department Ceilings*

	2019-20 Budget						2020/21 Budget						Projected allocations	
	REC	% of Total Rec	DEV	% of Total DEV	TOTAL	% allocation of Total Budget	REC	% of Total Rec	DEV	% of Total DEV	TOTAL Budget	% allocation of Total Budget	REC	DEV
County Assembly	569,393,333	13.3%	120,860,717	6.6%	690,254,050	11.3%	569,393,333	13.88%	540,860,717	21%	1,110,254,050	16%	13.3%	6.6%
County Executive	544,645,923	12.7%	285,308,732	15.5%	829,954,655	13.5%	481,790,441	11.74%	414,793,259	16%	896,583,700	13%	12.7%	15.5%
Finance and Economic Planning	417,474,232	9.7%	30,000,000	1.6%	447,474,232	7.3%	542,615,230	13.22%	152,672,520	6%	695,287,750	10%	9.7%	1.6%
Agriculture, Livestock and Fisheries	224,194,741	5.2%	488,286,283	26.6%	712,481,024	11.6%	235,701,097	5.74%	546,599,715	21%	782,300,812	12%	5.2%	26.6%
Environment, Water and Natural Resources	108,472,439	2.5%	48,934,000	2.7%	157,406,439	2.6%	102,589,239	2.50%	1,000,000	0%	103,589,239	2%	2.5%	2.7%
Education	172,969,229	4.0%	47,294,748	2.6%	220,263,977	3.6%	234,544,623	5.72%	40,691,344	2%	275,235,967	4%	4.0%	2.6%
County Health Services	2,018,371,431	47.0%	404,849,851	22.1%	2,423,221,282	39.5%	1,711,902,792	41.72%	520,254,955	20%	2,232,157,747	33%	47.0%	22.1%
Lands, Housing and Urban Development	37,488,028	0.9%	71,302,200	3.9%	108,790,228	1.8%	37,768,028	0.92%	153,999,831	6%	191,767,859	3%	0.9%	3.9%
Transport and Infrastructure	74,656,285	1.7%	226,831,775	12.4%	301,488,060	4.9%	77,078,28	1.88%	212,462,077	8%	289,540,362	4%	1.7%	12.4%
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	52,270,941	1.2%	69,936,316	3.8%	122,207,257	2.0%	42,839,441	1.04%	34,636,868	1%	77,476,309	1%	1.2%	3.8%
Gender and Youth	42,209,210	1.0%	29,700,000	1.6%	71,909,210	1.2%	46,168,210	1.13%	2,000,000	0%	48,168,210	1%	1.0%	1.6%
Sports, culture & Social Services	33,667,469	0.8%	12,500,000	0.7%	46,167,469	0.8%	20,608,017	0.50%	15,300,000	1%	35,908,017	1%	0.8%	0.7%
<b>TOTAL</b>	<b>4,295,813,261</b>		<b>1,835,804,622</b>		<b>6,131,617,883</b>		<b>4,102,998,736</b>		<b>2,635,271,285</b>		<b>6,738,270,021</b>			

## **5.0 CONCLUSION AND WAY FORWARD**

The FY 2021/22 medium term budget is being prepared against the backdrop of a slowdown in the growth of the national economy. The Pandemic and resultant containment measures have led to contraction of the economy thus disrupting businesses, including international trade and this has led to loss of livelihoods for millions of people. Also, the Pandemic and the containment measures have not only disrupted our ways of lives and livelihoods, but to a greater extent, business have also been adversely affected

Given tight resource constraints midst of significant revenue shortfalls occasioned by the adverse effects of the Covid-19 Pandemic, the National Government is expected to continue ensuring proper prioritization of public expenditures on programmes with highest welfare benefits to Kenyans.

The Government is expected to continue with a strategy of ensuring fiscal discipline and, service delivery is prioritized to achieve the set objectives.

Resource ceilings projected in this document should guide the Departments in prioritizing the key productive activities contained in the Annual Development Plan (ADP) in order to ensure consistency in the development interventions in the County.

Going forward, the second County Integrated Development Plan (CIDP 2018-2022), ADP and 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 Public Finance Management Act (PFMA) 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 government's deliver on its functions.

Departmental ceilings annexed herewith will guide the Departments in preparation of the 2021-22 FY budget and will further be reaffirmed in the next County Fiscal Strategy Paper which shall be the final basis for development of the MTEF period 2021/22-2023/24.