

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF KILIFI

THE TREASURY

2021 COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER, 2021

© 2021 County Government of Kilifi

This 2021 Kilifi County Budget Review and Outlook Paper has been compiled using latest information, some of which is unaudited or subject to revision.

To obtain copies of the document, please contact:

The County Treasury

P. O. Box 519

KILIFI,

KENYA

The document is also available on the website at: www.kilifi.go.ke

FOREWORD

The 2021 Kilifi County Budget Review Outlook Paper (CBROP) is prepared in line with Section 118 of the Public Finance Management (PFM) Act, 2012. The 2021 CBROP presents updated economic and financial forecasts with sufficient information to inform the budget proposals for the next financial year. It also reviews previous year's budget and provides an outlook for the forthcoming budget year.

The paper examines recent economic developments and fiscal performance in FY 2020/21 against corresponding appropriations. This entails analysis of total revenue collected versus projected revenue and highlighting the causes for deviations. The analysis also includes expenditure performance of county departments with highlights on actual performance of FY 2020/21 and its compliance with the fiscal responsibility principles in the PFM Act of 2012. Additionally, the paper provides an overview of how the actual performance of the FY 2020/21 affected the financial objectives as detailed in the 2020 County Fiscal Strategy Paper (CFSP).

HON. SAMUEL KOMBE NZAI
COUNTY EXECUTIVE COMMITTEE MEMBER FINANCE AND ECONOMIC
PLANNING

LEGAL BASIS FOR THE PUBLICATION OF THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER

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

- 1) A County Treasury shall;
 - a) Prepare a County Budget Review and Outlook Paper (CBROP) in respect of the county for each financial year; and
 - b) Submit the paper to the County Executive Committee by 30th September of that year.
- 2) In preparing the County Budget Review and Outlook Paper, the County Treasury shall specify:
 - a) The details of actual fiscal performance in the previous financial 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 (CFSP);
 - c) Information on-
 - i. any changes in the forecasts compared with the CFSP 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 CFSP for that year; and
 - d) Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- 3) The County Executive Committee shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the CBROP is approved by County Executive Committee, the County Treasury shall:
 - (a) Arrange for the CBROP to be laid before the County Assembly; and
 - (b) As soon as practicable after having done so, publish and publicize the paper.

FISCAL RESPONSIBILITY PRINCIPLES

The fiscal responsibility principles are set out in Section 107(2) of the Public Finance Management (PFM) Act, 2012, and Regulation 25 of PFM (County Government) Regulations, 2015 to ensure prudence and transparency in the management of county public resources. Thus, Section 107(2) of the PFM Act 2012 provides that:

- (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 expenditures on wages and benefits 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 county government's borrowings shall be used only for the purpose for 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.

Further, Regulation 25 of the PFM (County Government) Regulations of 2015 specifically provides that:

- a) the County Executive Committee Member with the approval of the County Assembly shall set a limit on the county government's expenditure on wages and benefits for its public officers pursuant to section 107(2) of the Act;
- b) the limit set under paragraph (a) above, shall not exceed thirty five (35) percent of the county government's total revenue;
- c) for the avoidance of doubt, the revenue referred to in paragraph (b) shall not include revenues that accrue from extractive natural resources including as oil and coal;
- d) the county public debt shall never exceed twenty (20%) percent of the county governments total revenue at any one time;

- e) the county annual fiscal primary balance shall be consistent with the debt target in paragraph (d);
- f) the approved expenditures of a county assembly shall not exceed seven per cent of the total revenues of the county government or twice the personnel emoluments of that county assembly, whichever is lower;
- g) pursuant to section 107(5) of the Act, the county government actual expenditure on development shall be at least thirty percent in conformity with the requirement under section 107(2)(a) of the Act;
- h) if the county government does not achieve the requirement of regulation 25(1)(f) above at the end of the financial year, the county executive committee member for finance shall submit a responsibility statement to county assembly explaining the reasons for the deviation and provide a plan on how to ensure annual actual expenditure outturns as well as medium term allocation comply with the provisions of Section 107 (2) (a) of the Act and these regulations in the subsequent years; and
- i) the compliance plan above shall be binding and the county executive committee member for finance shall ensure implementation

TABLE OF CONTENTS

FOREWORD	2
LEGAL BASIS FOR THE PUBLICATION OF THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER.....	3
FISCAL RESPONSIBILITY PRINCIPLES.....	4
TABLE OF CONTENTS	6
LIST OF TABLES.....	7
ABBREVIATIONS AND ACRONYMS.....	9
GLOSSARY OF COMMONLY USED TERMS	10
1.1 CHAPTER ONE: INTRODUCTION.....	11
1.1 INTRODUCTION.....	11
1.2 OBJECTIVE OF CBROP.....	11
1.3 ORGANIZATION OF THE CBROP	12
2.0 CHAPTER TWO: FISCAL PERFORMANCE FOR FY 2020/21 AND ITS IMPLICATION ON FINANCIAL OBJECTIVES	13
2.1 OVERVIEW.....	13
2.2 FY2020/21 FISCAL PERFORMANCE	15
2.2.1 REVENUE PERFORMANCE	15
2.2.2 EXPENDITURE PERFORMANCE	21
2.5 AGGREGATE EXPENDITURE	24
2.6 RECURRENT AND DEVELOPMENT EXPENDITURES	25
2.7 EXPENDITURE ANALYSIS ACCORDING TO ECONOMIC CLASSIFICATION.....	26
2.7.1 COMPENSATION OF EMPLOYEES.....	27
2.7.2 OPERATIONS AND MAINTENANCE (O&M).....	27
2.7.3 DEVELOPMENT EXPENDITURE PERFORMANCE FY2020/21.....	28
3.0 CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK PERFORMANCE 32	
3.1 OVERVIEW.....	32
3.2 RECENT ECONOMIC DEVELOPMENTS	32
3.3 GROSS DOMESTIC PRODUCT.....	33
3.4 INFLATION RATE	36
3.5 INTEREST RATES.....	37
3.6 EXCHANGE RATES.....	38
3.7 MEDIUM TERM FISCAL FRAMEWORK	39
3.8 RISKS TO ECONOMIC AND FISCAL OUTLOOK.....	40
4.0 CHAPTER FOUR: RESOURCE ALLOCATION FRAMEWORK	42
4.1 OVERVIEW.....	42
4.2 ADJUSTMENTS TO THE FY 2021/22 BUDGET	42
4.3 BUDGET FRAMEWORK FY 2021/22	43
4.4 MEDIUM TERM EXPENDITURE FRAMEWORK.....	45
5.0 CHAPTER FIVE: CONCLUSION	50

LIST OF TABLES

Table 1: Approved and Revised Estimates for FY 2020/21	13
Table 2: Disbursement of Equitable Share of Revenue Raised Nationally FY 2020/21	15
Table 3: Conditional Grants and Their Disbursement for FY 2020/21.....	16
Table 4: Own Source Revenue Streams Performance FY 2020/21	18
Table 5: Revenue Projection for FY 2021/22	19
Table 6: Withdrawals from the County Revenue Fund Account FY 2020/21.....	21
Table 7: Expenditure Performance FY 2020/21	22
Table 8: Aggregate Expenditures FY2020/21	24
Table 9: Recurrent Vs Development Expenditure FY2020/21	25
Table 10: Expenditure Performance on Economic Classification FY 2020/21	26
Table 11: Expenditure on Compensation to Employees FY 2020/21	27
Table 12: Expenditure Performance on Operations and Maintenance FY 2020/21	27
Table 13: Development Expenditure Performance FY2020/21	28
Table 14: Overall Fiscal Balance FY2020/21	30
Table 15: Projections for Equitable Share and Own Source Revenue for FY 2022/23 to FY 2024/25	44
Table 16: Medium Term Expenditure Framework	47

LIST OF FIGURES

Figure 1: Expected Sources to budget Financing in FY 2020/2021	14
Figure 2: Annual Trend in Own Source Revenue	20
Figure 3: Departmental Expenditure FY 2019/20 Vs FY 2020/21	23
Figure 4: Expenditure Performance on Economic Classification FY2019/20 Vs FY2020/21	26
Figure 5: Actual Expenditure FY2020/21	29
Figure 6: Expenditure Proportions FY2020/21	31
Figure 7: Annual GDP Growth (%), 1986-2020	34
Figure 8: GDP Q3 % Change, 2015-2020	34
Figure 9: Overall Inflation Rate (%), FY 2020/2021	37
Figure 10: Analysis of Trends in Interest Rates (%), FY 2017/18, 2018/19, 2019/20, 2020/2021	38
Figure 11: Average exchange rates for 2020 and 2021	39

ABBREVIATIONS AND ACRONYMS

AMS	Agricultural Mechanization Servicers
ATC	Agricultural Training College
BPS	Budget Policy Statement
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPI	Consumer Price Index
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
FY	Financial Year
GDP	Gross domestic product
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
Kilifi eDAMS	Kilifi Electronic Development Applications Management System
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
O&M	Operations and Maintenance
OSR	Own source revenue
PFMA	Public Finance Management Act
SWGs	Sector Working Groups

GLOSSARY OF COMMONLY USED TERMS

Budget Framework: Fiscal arrangements that allow government to extend the horizon for fiscal policy making beyond the annual budgetary calendar.

Conditional Grants: Monetary transfers from one level of government to another, either through competitive project grants or through more general block grants, which place conditions on the use of the transferred funds by the recipient government.

Development Expenditure: Expenditure of the government which helps in economic development by increasing production and real income of the country. Some people call it productive expenditure because it helps in increasing production and productivity of the economy.

Economic Development: Creation of wealth from which community benefits are realized. It is more than a jobs program, it's an investment in growing your economy and enhancing the prosperity and quality of life for all residents

Economic Growth: Economic growth is an increase in the production of economic goods and services, compared from one period of time to another.

Equitable Share: The equitable share is the money parliament shares vertically between the national and the county governments. The money comes from the ordinary tax revenue the national government collects at the national level.

Exchange Rate: An exchange rate is the value of one nation's currency versus the currency of another nation or economic zone.

Inflation Rate: Decline of purchasing power of a given currency over time. A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of an average price level of a basket of selected goods and services in an economy over some period of time.

Interest Rate: An interest rate refers to the amount charged by a lender to a borrower for any form of debt given, generally expressed as a percentage of the principal.

Medium Term Expenditure Framework (MTEF): The MTEF sets out three-year spending plans of the government. It aims to ensure that budgets reflect Government's social and economic priorities and give substance to Government's reconstruction and development commitments.

Own Source Revenue: Revenue generated by county governments from local sources in the form of taxes, charges and fees.

Recurrent Expenditure: Expenditure, which does not result in the creation or acquisition of fixed assets (new or second-hand). It consists mainly of expenditure on wages, salaries and supplements, purchases of goods and services and consumption of fixed capital (depreciation).

Revenue: All receipts the government gets, including taxes, custom duties, revenue from state-owned enterprises, capital revenues and foreign aid.

1.1 CHAPTER ONE: INTRODUCTION

1.1 Introduction

1. The 2021 County Budget Review and Outlook Paper (CBROP) is set out at a time of economic contraction due to the novel Corona Virus (COVID-19) pandemic. As such, the macroeconomic conditions are unstable and the fiscal space contractionary, in response to the economic shock.
2. On the same vein, the prevailing drought conditions as well as the prolonged rains in the early part of the year, there is a significant impact on most revenue streams given that the County and the country's economy is agro-based. The limited revenue streams and the harsh weather patterns have thus contributed significantly to the environment on which the budget was implemented and executed.

1.2 Objective of CBROP

3. The objectives of the CBROP are anchored in the legal provisions of the PFM Act, Section 118. The CBROP provides a review of the previous fiscal performance and how these impacts on the financial objectives and fiscal responsibility principles to be set out in the subsequent County Fiscal Strategy Paper (CFSP). As such, it amalgamates fiscal policy to the policy direction of the County thus significantly impacting on the development and performance matrix of the County in the various sectors.
4. These, together with macroeconomic outlook provides a basis for revision of the current budget in the context of the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium-term policy priorities will be firmed up in the CFSP 2021.

Specifically, the CBROP provides:

- Review of the previous fiscal year in terms of revenue and expenditure performance across the County departments
 - Analysis of the prevailing macroeconomic conditions and their impact to the subsequent financial years
 - Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
 - Indication on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
 - Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.
5. The CBROP endeavors to examine the attainment of the economic priorities and strategic intervention areas set out in CFSP 2021, as well as the finalization of the County Integrated Development Plan (CIDP) 2018-22; in terms of programs and projects. The paper also checks

on the attainment of the fiscal responsibility principles as per Section 107 of the PFM Act, 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative sector expenditure projections for the FY 2022/2023 budget and in the medium term to guide Sector Working Groups (SWGs). These will be firmed up in the CFSP 2022.

1.3 Organization of the CBROP

6. This paper has four sections. Chapter One provides a comprehensive introduction to the CBROP. Chapter Two reviews the county's fiscal performance for the previous year as per the revenues and expenditures as well as economic classifications of the entries. Chapter three reviews recent economic developments in terms of the macroeconomic indicators. Chapter Four sets out how the county government intends to operate within its means. It establishes the resources envelope (total revenues) it expects then allocates these across departments by setting expenditure ceilings for each department. Lastly, Chapter Five gives a conclusion of the entire paper.

2.0 CHAPTER TWO: FISCAL PERFORMANCE FOR FY 2020/21 AND ITS IMPLICATION ON FINANCIAL OBJECTIVES

2.1 OVERVIEW

7. This chapter provides an overview of the performance and the implementation of the budget for the financial year 2020/21 and how it affected the compliance during the implementation of the Kilifi County CFSP 2020. The county's FY2020/21 approved supplementary II estimates was at Ksh.14,661,031,386, comprising of Ksh.9,351,560,742 (64%) and 5,309,470,644 (36%) allocation for the recurrent and development expenditure respectively. In the year under review, the county thus met the fiscal responsibility requirement in the PFM Act, 2012 (Section 107) that requires at least 30% of the overall county budget be dedicated to development expenditure, which was distributed as follows within the county departments;

Table 1: Approved and Revised Estimates for FY 2020/21

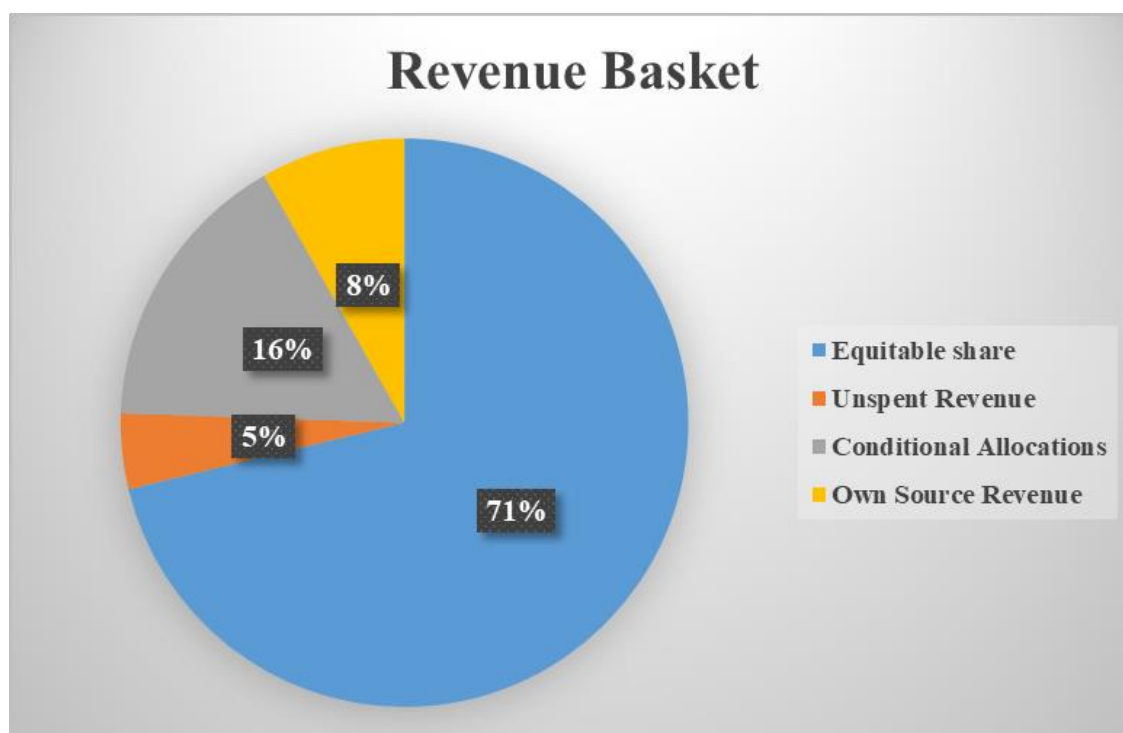
DEPARTMENT	APPROVED ESTIMATES FY2020/21		REVISED ESTIMATES II FY2020/21	
	RECURENT	DEVELOPMENT	RECURENT	DEVELOPMENT
COUNTY ASSEMBLY	817,588,616	118,500,000	817,588,616	118,500,000
OFFICE OF THE GOVERNOR	280,395,858	-	349,665,821	-
COUNTY ATTORNEY	90,000,000	-	94,264,529	-
FINANCE	639,388,652	66,033,455	652,932,303	31,533,455
ECONOMIC. PLANNING	87,424,782	-	121,424,782	-
AGRICULTURE	362,084,348	376,091,614	370,766,426	306,043,701
LIVESTOCK	51,415,764	157,425,737	53,115,764	95,474,567
FISHERIES	51,009,179	101,033,176	43,009,179	51,641,475
WATER AND SANITATION	193,077,617	1,255,258,137	195,276,631	1,126,690,191
ENVIRONMENT	117,269,353	55,763,912	135,966,161	52,503,793
EDUCATION	1,018,108,438	665,266,007	1,028,836,230	472,497,849
ICT	81,855,754	-	81,855,754	-
MEDICAL SERVICES	2,728,128,585	1,187,744,033	3,046,142,640	747,174,152
PUBLIC HEALTH	496,781,345	33,000,000	457,781,345	38,000,000
ROADS	299,028,294	1,114,263,261	390,810,265	1,205,455,408
LANDS ENERGY	149,257,539	337,159,582	202,819,283	320,408,876
PHYSICAL PLANNING	38,216,386	172,995,072	38,216,386	120,169,014
GENDER	131,218,446	183,103,440	187,497,460	87,016,053

DEPARTMENT	APPROVED ESTIMATES FY2020/21		REVISED ESTIMATES II FY2020/21	
	RECURENT	DEVELOPMENT	RECURENT	DEVELOPMENT
TRADE	129,801,235	303,142,414	137,628,379	225,795,737
COOPERATIVES	14,350,000	-	14,350,000	-
CPSB	65,158,201	-	66,158,201	-
PUBLIC SERVICE MANAGEMENT	224,290,041	-	234,899,055	-
DEVOLUTION & DISASTER MANAGEMENT	309,189,070	79,960,041	474,970,010	50,960,041
KILIFI MUNICIPALITY	25,000,000	-	121,593,668	-
MALINDI MUNICIPALITY	35,000,000	36,000,000	33,991,854	259,606,332
TOTAL	8,435,037,503	6,242,739,881	9,351,560,742	5,309,470,644

Source: Kilifi County Treasury

8. In order to finance the budget, the county's revenue basket was Ksh.10,444,500,000 (71%) as equitable share, Ksh.629,445,023 (4%) as unspent revenue from FY2019/20, 2,381,470,206 (16%) as conditional allocations and Ksh.1,205,616,156 (8%) that the county had targeted to raise as local revenue. The revenue sources are as shown below;

Figure 1: Expected Sources to budget Financing in FY 2020/2021



Source: Kilifi County Treasury

2.2 FY2020/21 FISCAL PERFORMANCE

9. FY 2020/21 fiscal performance is classified into:

- Revenue Performance
- Expenditure Performance
- Overall Fiscal Balance

Each of these is presented in detail in the sub-sections that follows.

2.2.1 REVENUE PERFORMANCE

10. The County government's revenue basket comprises of the following sources:

- a) Equitable share of revenue raised nationally
- b) Conditional grants and
- c) Own source revenue (OSR)

The performance of each category is discussed below.

2.2.1.1 Equitable Share of Revenue Raised Nationally

11. The County's equitable share of revenue raised nationally in FY2020/21 was Ksh.10,444,500, 000. There was a lag in the disbursement of funds at the start of the financial year which culminated to delays in the disbursement of the entire allocation as shown in the table below.

Table 2: Disbursement of Equitable Share of Revenue Raised Nationally FY 2020/21

Date	Source	Description	Amount
13-Oct-20	National Treasury	Exchequer release for Equitable share for July & August 2020	1,723,342,500
22-Dec-20	National Treasury	Exchequer release for Equitable share for Sept 2020	887,782,500
19-Jan-21	National Treasury	Exchequer release for Equitable share for October 2020	835,560,000
26-Feb-21	National Treasury	Exchequer release for Equitable share for November 2020	887,782,500
25-Mar-21	National Treasury	Exchequer Equitable share for December 2020	835,560,000
16-Apr-21	National Treasury	Exchequer Equitable share for January 2021	887,782,500
11-May-21	National Treasury	Exchequer Equitable share for February 2021	887,782,500
23-Jun-21	National Treasury	Exchequer Equitable share March 2021	740,005,000
23-Jun-21	National Treasury	Exchequer Equitable share April 2021	200,000,000
23-Jun-21	National Treasury	Exchequer Equitable share May 2021	835,560,000

30-Jun-21	National Treasury	Exchequer Equitable share June 2021	835,560,000
30-Jun-21	National Treasury	Exchequer Equitable share June 2021	887,782,500
Total			10,444,500,000

Source: Kilifi County Treasury

2.2.1.2 Conditional Grants

12. The revised conditional grants for FY2020/2021 increased to Ksh.2,381,470,206 from Ksh.1,807,240,143 on account of additional grants. The additional grants were KUSP Ksh. 330,534,500, Health staff allowance Ksh. 59895000, KDSP level 1 30,000, KDSP level II Ksh.153,800,563. In FY2020/21 the total disbursements of conditional grants stood at Ksh.1,822,573,783, falling short of the target by Ksh.558,896,422.6, representing 76.5% percent of the targeted conditional grants as shown in the table below.

Table 3: Conditional Grants and Their Disbursement for FY 2020/21

DESCRIPTION OF GRANTS	ORIGINAL GRANT/APPROVED ESTIMATES	REVISED GRANT (SUPP II)	DISBURSED GRANT (ACTUAL RECEIVED)	UNDISBURSED GRANT
Total Conditional Grants from the National Government Revenue	554,005,433	554,005,434	554,005,434	-
Compensation for User Fee Foregone	25,969,864	25,969,864	25,969,864	-
Leasing of Medical Equipment	132,021,277	132,021,277	132,021,277	-
Road Maintenance Fuel Levy	316,014,398	316,014,399	316,014,399	-
Rehabilitation of Village Polytechnic	79,999,894	79,999,894	79,999,894	-
Total Conditional allocations to County Governments from Loans and Grants from Development Partners	1,253,234,710	1,827,464,773	1,268,568,349	558,896,424
Transforming Health Systems (THS) for Universal Health Project	265,111,481	265,111,481	264,848,909	262,572
National Agricultural and Rural Inclusive Growth Project (NARIGP)	198,440,766	198,440,766	198,129,567	311,199
Kenya Devolution Support Programme (KDSP) Level 1 Grant	45,000,000	75,000,000	75,000,000	-
Kenya Urban Support Programme (KUSP)- Urban Development Grant		330,534,500	180,513,740	150,020,761
DANIDA Grant (Universal Healthcare in Devolved System Programme)	29,700,000	29,700,000	29,700,000	-
Water & Sanitation Development Programme (WSDP)	700,000,000	700,000,000	347,093,108	352,906,892

Kenya Devolution Support Programme (KDSP) Level II Grant		153,800,563	153,800,563	-
Agricultural Sector Development Support Programme (ASDSP) II	14,982,463	14,982,463	19,482,463	4,500,000
Kenya Urban Support Programme (KUSP)- Urban Institutional Grant				
SlovakAid-Desktop Support for Vocational Training				
Health Staff Allowance		59,895,000		59,895,000

2.2.1.3 Own Source Revenue

13. By the end of June 2021, the total revenue generated from County Own Source Revenue (OSR) amounted to Ksh.832,361,953 against a target of Ksh.1,205,616,156 representing a shortfall of 31% (Ksh.373,254,202). This shortfall is attributed to the socio-economic effects of containment measures of COVID-19 pandemic which heavily weighed on key revenue streams due to the reduced economic hours imposed by the dusk to dawn curfew as well as the cessation of movement in and out of the County that led to significant reduction in economic activities. Despite the lifting of some of these measures in the period of post Covid 19 nothing much changed as the economy is struggling to recover from the setback.

14. Analysis of OSR by stream shows a significant increase in a number of revenue streams majorly being; building plan approval and inspection which surpassed its target by 796% by netting Ksh.45,461,799.75 against a target of Ksh.5,713,060 followed by, food hygiene fees surpassing target by 163% by netting Ksh.5,035,910 against a target of Ksh.1,912,780 and finally billboards and signage surpassing its target by 130% by netting Ksh.16,477,991 against a target of Ksh.12,699,431. This is a result of a number of factors being; enforcement of revenue collection, automation, boom in building during Covid period and lastly establishment of formal squatter scheme. The other revenue streams performed largely below their respective revenue targets as shown in the table below. In particular, the following streams netted less than 50% of their respective targets:

- Cess on natural resources
- Parking fees
- Survey fees and plot rents
- House rent

Table 4: Own Source Revenue Streams Performance FY 2020/21

REVENUE CLASS	ACTUAL REVENUE	SUPP II	VARIANCE	ACTUAL REVENUE %
FIF & NHIF	162,517,034.20	150,000,000.00	12,517,034.20	108%
Land Rates and other Land Revenue	170,329,040.00	176,387,790.00	6,058,750.00	97%
Cess on natural resources	273,840,433.90	568,953,608.00	295,113,174.10	48%
Business Permit	57,731,023.00	110,777,250.00	53,046,227.00	52%
Parking fees	25,515,572.30	59,248,289.00	33,732,716.70	43%
Market fees	9,285,225.00	11,677,048.00	2,391,823.00	80%
Billboards & Signage	29,147,422.00	12,669,431.00	16,477,991.00	230%
Building Plan approval and Inspection	51,174,859.75	5,713,060.00	45,461,799.75	896%
Rent/Stall rents	7,432,190.00	5,835,845.00	1,596,345.00	127%
Survey fees and plot rents	537,730.00	1,266,734.00	729,004.00	42%
Sale of Tender Documents	-	21,000.00	21,000.00	0%
Plot ground rent	5,686,017.00	6,728,051.00	1,042,034.00	85%
House rent	2,677,814.00	54,873,993.00	52,196,179.00	5%
Refuse Collection	2,267,500.00	1,262,806.00	1,004,694.00	180%
Food Hygiene Fees	5,035,910.00	1,912,780.00	3,123,130.00	263%
Slaughter House and Livestock sale Yards	1,045,190.00	1,600,657.00	555,467.00	65%
Others	28,138,992.15	36,687,814.00	8,548,821.85	77%
TOTAL	832,361,953.30	1,205,616,156.00	373,254,202.70	69%

Source: Kilifi County Treasury

15. Over the years, persistent shortfalls in OSR have led to budget implementation challenges resulting from adjustments of the budget to allow for payment of pending bills and ongoing projects that take up the allocations for respective programs and projects in the financial year under implementation. This calls for OSR projections that are conservative and in line with the prevailing macroeconomic conditions. The increase of own source revenue from Ksh.794,390,255 FY 2019/20 to Ksh.832,361,953 FY 2020/21 could be explained by the post covid recovery period when the economy tried to recover before the second wave hit.

16. To increase own source revenue, the county has undertaken the following measures which also explains the increase in revenue in the pre and post covid era: -

- Diversification of revenue streams
- Establishment of prosecution system
- Integration of Kilifi Electronic Data Management System with County-Pro
- Fully automating revenue collection and establishing one-stop-shop payment and approval for all licenses
- Waivers and subsidy on land rates

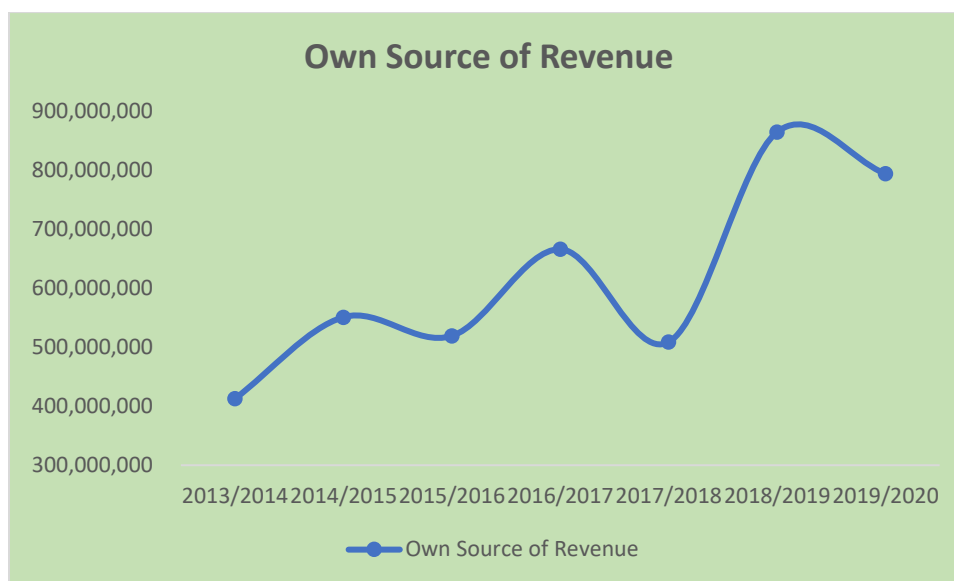
17. The table below shows the trend analysis for the period between 2019/20 and 2020/21 that has helped in prediction of the revenue expected to be collected in the next financial year.

Table 5: Revenue Projection for FY 2021/22

Revenue Streams	FY 2019/20	FY 2020-2021 (Sup II)	FY 2021/22
Cess on natural resources	276,601,301	568,953,608	315,000,000
Land Rates and other Land Revenue	131,437,899	176,387,790	195,000,000
HSIF	179,400,631	150,000,000	0
Business Permit	42,495,339	110,777,250	105,000,000
Parking fees	29,805,584	59,248,289	50,000,000
Refuse Collection	4,384,327	54,873,993	1,262,000
AMS & ATCs	0	36,687,814	20,000,000
Billboards & Signage	24,837,467	12,669,431	30,000,000
Market fees	7,439,593	11,677,048	25,000,000
House rent	30,478,756	6,728,051	40,000,000
Rent/Stall rents	5,411,657	5,835,845	15,000,000
Building Plan approval and Inspection	6,817,100	5,713,060	25,000,000
Slaughter House and Livestock sale Yards	3,526,063	1,912,780	6,000,000
Liquor License	0	1,600,657	25,000,000
Survey fees and plot rents	1,179,405	1,266,734	1,266,000
Food Hygiene Fees/Sanitary inspection and medical certificate	4,152,351	1,262,806	10,000,000
Plot ground rent	7,292,635	21,000	10,000,000
Leasing of Plants and Equipment	0	0	10,000,000
Others	38,452,949	0	41,472,000
TOTAL	793,713,057	1,205,616,156	925,000,000

Source: Kilifi County Treasury

Figure 2: Annual Trend in Own Source Revenue



Own Source Revenue has exhibited an annual growth of 60million since the start of devolution as shown in the figure 2 above.

Withdrawal for the County Revenue Fund (CRF) Account

18. The withdrawals from the County Revenue Fund (CRF) Account for the FY 2020/21 amounted to Ksh.10,348,124,100 against a revised estimate of Ksh.10,444,500,000. This comprised of Ksh.7, 320,780,831 and Ksh.3, 027,343,269 for recurrent and development purposes, respectively.

Table 6: Withdrawals from the County Revenue Fund Account FY 2020/21

DESCRIPTION	APPROVED ESTIMATES	REVISED ESTIMATES	RECURRENT	DEVELOPMENT
Equitable Share and local revenue	11,502,750,000	11,650,116,156	7,320,780,831	3,027,343,269
Compensation for User Fee Foregone	25,969,864	25,969,864	25,969,864	
Leasing of Medical Equipment	132,021,277	132,021,277		
Road Maintenance Fuel Levy KRB	316,014,398	316,014,398	316,014,399	
Rehabilitation of Village Polytechnic KCVPG	79,999,894	79,999,894		39,999,947
Transforming Health Systems (THS) for Universal Health Project	265,111,481	265,111,481	264,848,909	
National Agricultural and Rural Inclusive Growth Project (NARIGP)	198,440,766	198,440,766		198,129,567
Kenya Devolution Support Programme (KDSP) Level I Grant	45,000,000	75,000,000	75,000,000	
Kenya Urban Support Programme (KUSP)- Urban Development Grant		330,534,500		180,513,739
DANIDA Grant (Universal Healthcare in Devolved System Programme)	29,700,000	29,700,000	29,700,000	
Water & Sanitation Development Programme (WSDP)	700,000,000	700,000,000		347,093,108
Kenya Devolution Support Programme (KDSP) Level II Grant		153,800,563		153,800,563
Agricultural Sector Development Support Programme (ASDSP) II	14,982,463	14,982,463		19,482,463

Source: Kilifi County Treasury

2.2.2 EXPENDITURE PERFORMANCE

This sub-section gives an analysis of the county's overall expenditure for the financial year 2020/21. In the period under review, the actual expenditure amounted to Ksh. 13,468,383,246, equivalent to an absorption rate of 92% of the total budget, comprising of Ksh. 8,627,596,850 (91%) recurrent expenditure and Ksh. 4,840,786,396 (92%) development expenditure. This is shown in the table below;

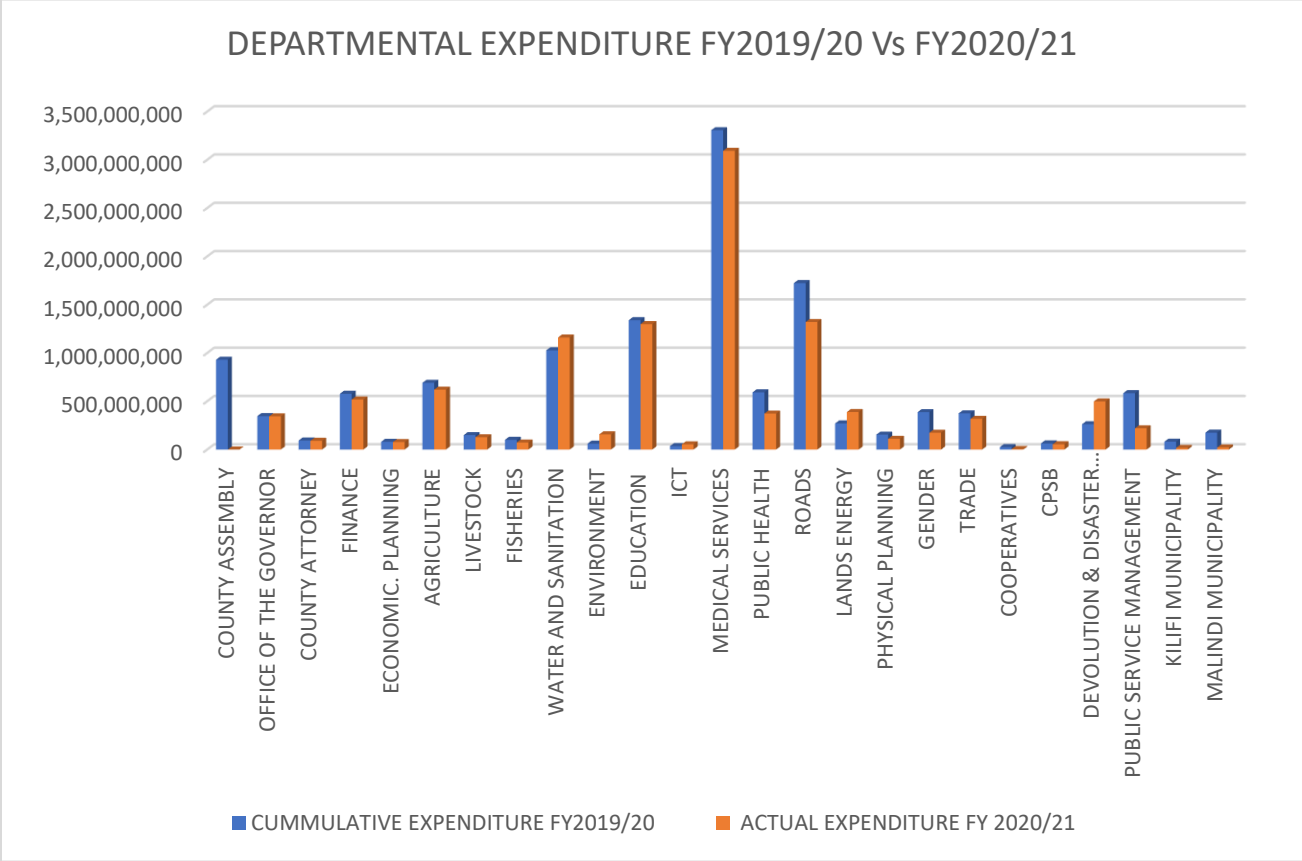
Table 7: Expenditure Performance FY 2020/21

DEPARTMENT	ACTUAL EXPENDITURE			ABSORPTION RATE		
	REC	DEV	TOTAL	REC	DEV	TOTAL
COUNTY ASSEMBLY	716,068,874	93,265,945	809,334,819	88%	79%	86%
OFFICE OF THE GOVERNOR	338,290,539	-	338,290,539	97%	0%	97%
COUNTY ATTORNEY	78,714,286	-	78,714,286	84%	0%	84%
FINANCE	614,126,659	17,989,473	632,116,132	94%	57%	92%
ECONOMIC. PLANNING	79,290,028	-	79,290,028	65%	0%	65%
AGRICULTURE	347,585,458	306,537,026	654,122,484	94%	100%	97%
LIVESTOCK	44,364,430	100,109,319	144,473,749	84%	105%	97%
FISHERIES	38,936,485	54,012,597	92,949,082	91%	105%	98%
WATER AND SANITATION	195,433,663	955,285,321	1,150,718,984	100%	85%	87%
ENVIRONMENT	116,065,422	38,839,279	154,904,701	85%	74%	82%
EDUCATION	962,155,346	431,505,882	1,393,661,228	94%	91%	93%
ICT	70,297,764	-	70,297,764	86%	0%	86%
MEDICAL SERVICES	2,963,636,249	722,129,923	3,685,766,172	97%	97%	97%
PUBLIC HEALTH	421,066,633	32,597,338	453,663,971	92%	86%	92%
ROADS	406,493,415	1,203,951,926	1,610,445,341	104%	100%	101%
LANDS ENERGY	134,883,814	285,249,261	420,133,075	67%	89%	80%
PHYSICAL PLANNING	15,553,043	99,734,772	115,287,815	41%	83%	73%
GENDER	168,867,077	75,151,766	244,018,843	90%	86%	89%
TRADE	134,306,440	222,666,613	356,973,053	98%	99%	98%
COOPERATIVES	12,215,743	-	12,215,743	85%	0%	85%
CPSB	58,019,350	-	58,019,350	88%	0%	88%
PUBLIC SERVICE MANAGEMENT	504,169,666	-	504,169,666	96%	0%	96%
DEVOLUTION & DISASTER MANAGEMENT	172,452,573	16,615,258	189,067,831	94%	33%	80%
KILIFI MUNICIPALITY	17,129,705	53,378,947	70,508,652	14%	0%	58%
MALINDI MUNICIPALITY	17,474,188	131,765,750	149,239,938	51%	51%	51%
TOTAL	8,627,596,850	4,840,786,396	13,468,383,246	92%	91%	92%

Source: Kilifi County Treasury

19. In the financial year 2019/20, the county department for Medical Services had the highest expenditure amounting to Ksh.3,306,451,626 whereas the division of Co-operatives had the lowest spending at Kshs. 25,684,746. This trend continues in the financial period under review with the county department for Medical Services having the highest spending at Ksh.3,092,694,635 (82%) of the total expenditure while the division of Co-operatives had the lowest expenditure at Ksh.4,788,177 (33%). The graph below presents comparison of the departmental expenditure performance for the financial years 2019/20 and 2020/21;

Figure 3: Departmental Expenditure FY 2019/20 Vs FY 2020/21



Source: Kilifi County Treasury

2.5 Aggregate Expenditure

20. The total expenditure for the county during FY 2020/21 was Ksh. 12,267,328,711 against a target of Ksh. 14,661,031,386. This is shown in the table below:

Table 8: Aggregate Expenditures FY2020/21

DEPARTMENT	ACTUAL EXPENDITURE			ABSORPTION RATE		
	REC	DEV	TOTAL	REC	DEV	TOTAL
COUNTY ASSEMBLY	696,260,287	93,870,823	790,131,110	85%	79%	84%
OFFICE OF THE GOVERNOR	328,907,354	0	328,907,354	94%	0%	94%
COUNTY ATTORNEY	68,909,288	0	68,909,288	73%	0%	73%
FINANCE	369,756,291	22,103,104	391,859,395	57%	70%	57%
ECONOMIC. PLANNING	66,443,856	0	66,443,856	55%	0%	55%
AGRICULTURE	314,802,748	304,489,781	619,292,529	85%	99%	92%
LIVESTOCK	42,521,913	75,252,518	117,774,431	80%	79%	79%
FISHERIES	32,714,000	40,454,472	73,168,472	76%	78%	77%
WATER AND SANITATION	196,640,901	967,995,750	1,164,636,651	101%	86%	88%
ENVIRONMENT	117,657,274	38,839,266	156,496,540	87%	74%	83%
EDUCATION	966,792,974	279,894,146	1,246,687,120	94%	59%	83%
ICT	60,586,945	0	60,586,945	74%	0%	74%
MEDICAL SERVICES	2,815,247,955	634,939,029	3,450,186,984	92%	85%	91%
PUBLIC HEALTH	387,886,134	17,163,440	405,049,574	85%	45%	82%
ROADS	366,863,392	996,200,647	1,363,064,039	94%	83%	85%
LANDS ENERGY	134,881,422	275,684,344	410,565,766	67%	86%	78%
PHYSICAL PLANNING	15,279,823	98,256,485	113,536,308	40%	82%	72%
GENDER	125,026,542	52,257,227	177,283,769	67%	60%	65%
TRADE	85,730,171	229,737,352	315,467,523	62%	102%	87%
COOPERATIVES	4,682,880	0	4,682,880	33%	0%	33%
CPSB	54,039,425	0	54,039,425	82%	0%	82%
PUBLIC SERVICE MANAGEMENT	499,048,465	0	499,048,465	95%	0%	95%
DEVOLUTION & DISASTER MANAGEMENT	172,902,596	0	172,902,596	94%	0%	74%
KILIFI MUNICIPALITY	16,442,343	53,378,947	69,821,290	66%	55%	57%
MALINDI MUNICIPALITY	17,770,652	129,015,749	146,786,401	52%	50%	50%
TOTAL	7,957,795,631	4,309,533,080	12,267,328,711	86%	80%	84%

Source: Kilifi County Treasury

2.6 RECURRENT AND DEVELOPMENT EXPENDITURES

21. The revised development and recurrent allocation were Kshs. 5,406,064,312 and Kshs 9,254,967,074 respectively. The bulk of the expenditure in FY2020/21 was recurrent in nature. The county spent Kshs. 4,309,533,080 and Kshs. 7,957,795,631 on development and recurrent outlays as shown in the table below. There has also been tendency of departments to initiate development projects late in the financial year due to delays in the exchequer release.

Table 9: Recurrent Vs Development Expenditure FY2020/21

DEPARTMENT	ACTUAL EXPENDITURE		
	REC	DEV	TOTAL
COUNTY ASSEMBLY	696,260,287	93,870,823	790,131,110
OFFICE OF THE GOVERNOR	328,907,354	0	328,907,354
COUNTY ATTORNEY	68,909,288	0	68,909,288
FINANCE	369,756,291	22,103,104	391,859,395
ECONOMIC. PLANNING	66,443,856	0	66,443,856
AGRICULTURE	314,802,748	304,489,781	619,292,529
LIVESTOCK	42,521,913	75,252,518	117,774,431
FISHERIES	32,714,000	40,454,472	73,168,472
WATER AND SANITATION	196,640,901	967,995,750	1,164,636,651
ENVIRONMENT	117,657,274	38,839,266	156,496,540
EDUCATION	966,792,974	279,894,146	1,246,687,120
ICT	60,586,945	0	60,586,945
MEDICAL SERVICES	2,815,247,955	634,939,029	3,450,186,984
PUBLIC HEALTH	387,886,134	17,163,440	405,049,574
ROADS	366,863,392	996,200,647	1,363,064,039
LANDS ENERGY	134,881,422	275,684,344	410,565,766
PHYSICAL PLANNING	15,279,823	98,256,485	113,536,308
GENDER	125,026,542	52,257,227	177,283,769
TRADE	85,730,171	229,737,352	315,467,523
COOPERATIVES	4,682,880	0	4,682,880
CPSB	54,039,425	0	54,039,425
PUBLIC SERVICE MANAGEMENT	499,048,465	0	499,048,465
DEVOLUTION & DISASTER MANAGEMENT	172,902,596	0	172,902,596
KILIFI MUNICIPALITY	16,442,343	53,378,947	69,821,290
MALINDI MUNICIPALITY	17,770,652	129,015,749	146,786,401
TOTAL	7,957,795,631	4,309,533,080	12,267,328,711

Source: Kilifi County Treasury

2.7 EXPENDITURE ANALYSIS ACCORDING TO ECONOMIC CLASSIFICATION

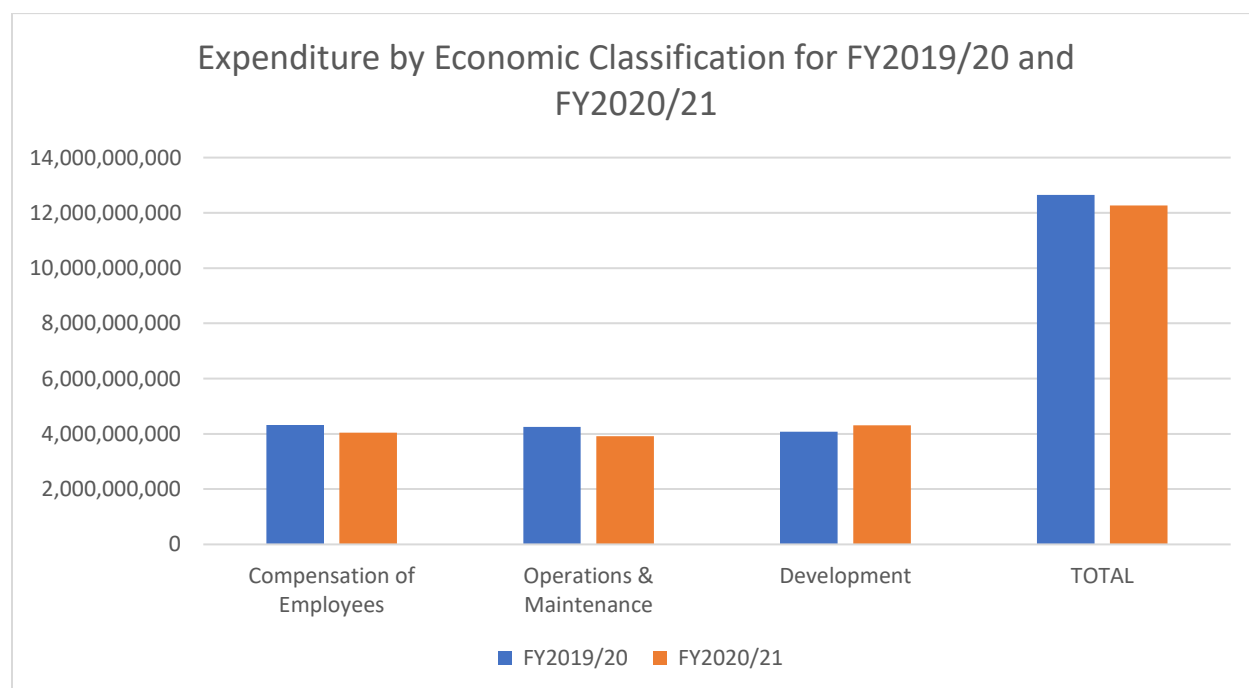
22. Of the total expenditure in FY2020/21, personnel emoluments stood at Kshs. 4,105,303,123 compared to Ksh.4,317,933,498 from the previous year. Operation and maintenance at Kshs. 4,522,293,727 which increased as compared to the previous financial year which was Kshs.4,247,867,764. There was an increase in development expenditure from Ksh.4,082,368,546 in FY2019/20 to Ksh. 4,840,786,396 in the year under review.

Table 10: Expenditure Performance on Economic Classification FY 2020/21

ITEM	FY2019/20	FY2020/21
Compensation of Employees	4,317,933,498	4,043,700,783
Operations & Maintenance	4,247,867,764	3,914,094,848
Development	4,082,368,546	4,309,533,080
TOTAL	12,648,169,808	12,267,328,711

Source: Kilifi County Treasury

Figure 4: Expenditure Performance on Economic Classification FY2019/20 Vs FY2020/21



Source: Kilifi County Treasury

2.7.1 COMPENSATION OF EMPLOYEES

23. The approved estimates for compensation to employees in FY 2020/21 amounted to Kshs.4,043,700,783 which is 28% of the projected revenues of the respective financial year. This is in compliance to the fiscal responsibility principle where no more than 35% of the County's total revenue is allocated to wages and benefits for its public officers. The analysis of compensation to employees is provided in the table below.

Table 11: Expenditure on Compensation to Employees FY 2020/21

DEPARTMENT	REVISED ESTIMATES FY2020/21	ACTUAL EXPENDITURE FY2020/21
COUNTY ASSEMBLY	265,528,294	333,143,036
OFFICE OF THE GOVERNOR	162,169,963	142,289,183
FINANCE	215,217,299	214,937,569
AGRICULTURE	243,487,337	219,437,266
WATER AND SANITATION	164,344,267	170,994,852
EDUCATION	534,258,890	466,665,528
MEDICAL SERVICES	2,033,697,373	2,018,902,145
ROADS	103,365,009	92,426,573
LANDS ENERGY	68,436,956	58,013,423
GENDER	49,397,929	48,870,835
TRADE	49,853,702	36,518,201
CPSB	31,005,963	30,842,798
PUBLIC SERVICE MANAGEMENT	197,379,937	196,666,039
KILIFI MUNICIPALITY	2,400,000	7,280,544
MALINDI MUNICIPALITY	15,776,000	6,712,791
TOTAL	4,136,318,919	4,043,700,783

Source: Kilifi County Treasury

2.7.2 OPERATIONS AND MAINTENANCE (O&M)

24. The expenditure on operations and maintenance (O&M) was at Ksh. 3,944,937,646, equivalent to 27% of the expected county revenue. This implies that use of good and services exerted negligible expenditure pressure on cash flow. The highest spender was the Department of Medical Services while the Division of Co-operatives had the lowest spending as at the end of the financial period under review. This is as shown in the table below;

Table 12: Expenditure Performance on Operations and Maintenance FY 2020/21

DEPARTMENT	REVISED ESTIMATES II FY2020/21	ACTUAL EXPENDITURE FY 2020/21
COUNTY ASSEMBLY	552,060,322	363,117,251
OFFICE OF THE GOVERNOR	187,795,858	186,618,171
COUNTY ATTORNEY	93,964,529	68,909,288
FINANCE	437,715,004	154,818,722
ECONOMIC. PLANNING	121,424,782	66,443,856
AGRICULTURE	127,279,089	95,365,482
LIVESTOCK	53,115,764	42,521,913
FISHERIES	43,009,179	32,714,000

WATER AND SANITATION	30,932,364	25,646,049
ENVIRONMENT	135,966,161	117,657,274
EDUCATION	494,577,340	500,127,446
ICT	81,855,754	60,586,945
MEDICAL SERVICES	1,012,445,267	796,345,810
PUBLIC HEALTH	457,781,345	387,886,134
ROADS	287,445,256	274,436,819
LANDS ENERGY	134,382,327	76,867,999
PHYSICAL PLANNING	38,216,386	15,279,823
GENDER	138,099,531	76,155,707
TRADE	87,774,677	49,211,970
COOPERATIVES	14,350,000	4,682,880
CPSB	35,152,238	54,039,425
PUBLIC SERVICE MANAGEMENT	328,550,114	302,382,426
DEVOLUTION & DISASTER MANAGEMENT	183,939,014	172,902,596
KILIFI MUNICIPALITY	119,193,668	9,161,799
MALINDI MUNICIPALITY	18,215,854	11,057,861
TOTAL	5,215,241,823	3,944,937,646

Source: Kilifi County Treasury

2.7.3 DEVELOPMENT EXPENDITURE PERFORMANCE FY2020/21

25. The County's development expenditure was adversely affected by COVID-19 pandemic containment measures which delayed completion of projects as well as exacerbated delays in disbursements of the equitable share of revenue to the County and shortfall in Own Source Revenue collection. In FY 2020/21, the County's development budget was 29% of the total budget. The total development expenditure was well within the fiscal responsibility development threshold at Kshs. 4,309,533,080. As at the end of the FY2020/21 the department with highest expenditure on development was the department of Roads while the lowest spender was the Department of Devolution and Disaster Management. Figure below provides development expenditure performance for each division in FY 2020/21.

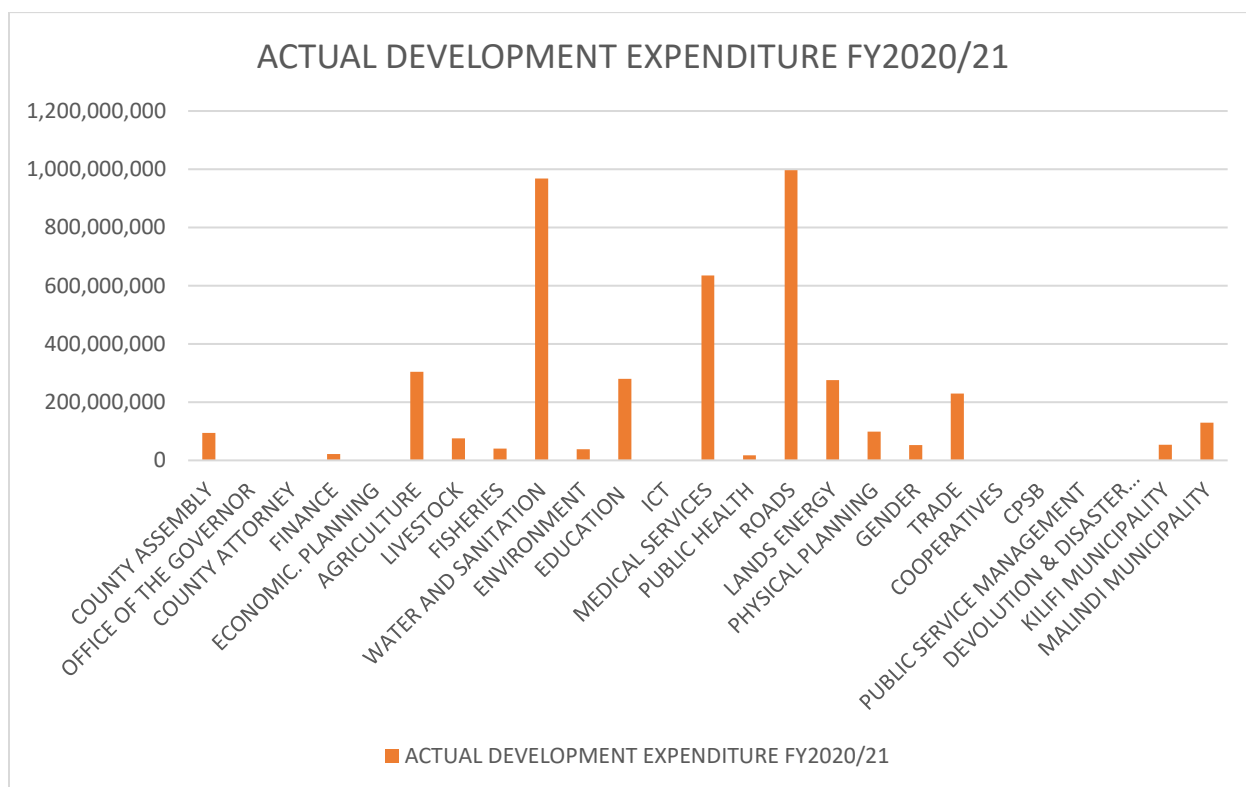
Table 13: Development Expenditure Performance FY2020/21

DEPARTMENT	REVISED DEVELOPMENT ESTIMATES FY2020/21	ACTUAL DEVELOPMENT EXPENDITURE FY2020/21
COUNTY ASSEMBLY	118,500,000	93,870,823
OFFICE OF THE GOVERNOR	0	0
COUNTY ATTORNEY	0	0
FINANCE	31,533,455	22,103,104
ECONOMIC. PLANNING	0	0
AGRICULTURE	306,043,701	304,489,781
LIVESTOCK	95,474,567	75,252,518
FISHERIES	51,641,475	40,454,472
WATER AND SANITATION	1,126,690,191	967,995,750
ENVIRONMENT	52,503,793	38,839,266
EDUCATION	472,497,849	279,894,146

ICT	0	0
MEDICAL SERVICES	747,174,152	634,939,029
PUBLIC HEALTH	38,000,000	17,163,440
ROADS	1,205,455,408	996,200,647
LANDS ENERGY	320,408,876	275,684,344
PHYSICAL PLANNING	120,169,014	98,256,485
GENDER	87,016,053	52,257,227
TRADE	225,795,737	229,737,352
COOPERATIVES	0	0
CPSB	0	0
PUBLIC SERVICE MANAGEMENT	0	0
DEVOLUTION & DISASTER MANAGEMENT	50,960,041	0
KILIFI MUNICIPALITY	96,593,668	53,378,947
MALINDI MUNICIPALITY	259,606,332	129,015,749
TOTAL	5,406,064,312	4,309,533,080

Source: Kilifi County Treasury

Figure 5: Actual Expenditure FY2020/21



Source: Kilifi County Treasury

2.7.4 OVERALL FISCAL BALANCE

26. The FY 2020/21, recorded a fiscal surplus of Kshs. 669,020,562 which is a decrease from the fiscal surplus in FY 2019/2020 of 814,878,042. This decrease is due to an increase in the FY 2020/2021 recurrent and development expenditures which rose by Ksh. 785, 759, 481 and Kshs 1, 227, 102, 098 respectively. The increased expenditure is attributed to the completion of the initially stalled and ongoing projects.

Table 14: Overall Fiscal Balance FY2020/21

ITEM DESCRIPTION	ACTUAL (REVENUE/EXPENDITURE) FY2019/20	APPROVED ESTIMATES FY2020/21	REVISED ESTIMATES II FY2020/21	ACTUAL (REVENUE/EXPENDITURE) FY 2020/21
Total Revenue	13,463,047,849	14,677,777,384	14,661,031,385	14,137,403,808
Equitable Share	10,444,500,000	10,602,750,000	10,444,500,000	10,444,500,000
Conditional Grants	1,287,636,530	1,807,240,143	2,381,470,206	2,231,096,832
Local Revenue	614,989,624	900,000,000	1,205,616,156	832,361,953
Health Services Improvement Fund (HSIF)	179,400,631	-	-	-
Unspent CRF (Revote of the Budget)	936,521,064	1,367,787,241	629,445,023	629,445,023
Unspent/Undisbursed Conditional Grants	0	-	-	-
Total Expenditure	12,648,169,807	14,677,777,384	14,661,031,386	13,468,383,246
Recurrent	8,565,801,261	8,435,037,503	9,351,560,742	8,627,596,850
Development	4,082,368,546	6,242,739,881	5,309,470,644	4,840,786,396
Fiscal Balance	814,878,042	-	-1	669,020,562

Source: Kilifi County Treasury

FISCAL PERFORMANCE FOR THE FY 2020/21 IN RELATION TO FINANCIAL OBJECTIVES

27. The overall financial performance of the FY 2020/2021 modifies the financial objectives set in the 2020 County Fiscal Strategy Paper and the FY 2021/2022 Budget. All these are aligned with the 2021 Budget Policy Statement.

1. The aggregate expenditure projected in the 2020 County Fiscal Strategy paper is Kshs. 12, 765, 796, 125 whereas the actual expenditure for FY 2020/2021 came to Kshs. 12,267,328,711. The actual spending will be used to adjust the FY 2021/2022 budget and inform the ceilings in the 2021 County Fiscal Strategy Paper. This ceiling was meant to ensure that there is maximum utilization of public resources so as to catalyze local economic growth and efficiency of service delivery.
2. The actual own source revenue for FY 2020/21, Kshs. 832,361,953, will be used to adjust, upwards, the FY 2021/2022 budget and to set the OSR ceilings in the next CFSP. This will reflect the anticipated increase in revenue collection from different revenue streams such as building plan approvals and inspection, food hygiene fees as well as billboard and signage. The revenue increase witnessed from these streams are as a result of factors such as enforcement of revenue collection, automation, establishment of formal squatter scheme as well as a boom in building during the COVID period. The Post-COVID recovery strategies will also lead to an increase in revenue.

FISCAL PERFORMANCE AND COMPLIANCE TO FISCAL RESPONSIBILITY PRINCIPLES

28. The County Government’s expenditure for the FY 2020/21 adhered to the provisions stated in the PFM Act that guide;

1. Development Expenditure

The development expenditure stands at Ksh. 4,309,533,080 equivalent to 35.1% the total expenditure.

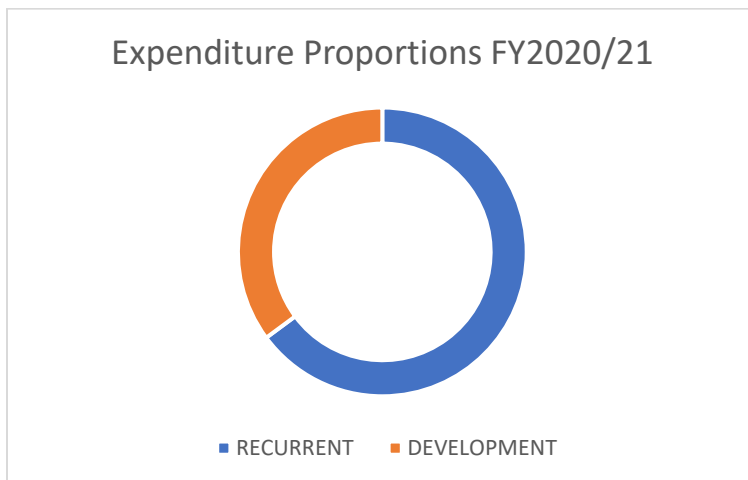
2. Recurrent Expenditure

The recurrent expenditure of Ksh. 7,957,795,631 representing 64.9% of the total expenditure.

3. Compensation to Employees

This entry stands at 28% of the total expenditure; which is in compliance to the fiscal responsibility principle.

Figure 6: Expenditure Proportions FY2020/21



Source: Kilifi County Treasury

3.0 CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK PERFORMANCE

3.1 OVERVIEW

24. According to a consensus of forecasts, the economic downturn in 2020 was not as negative as initially estimated, due in part to the fiscal and monetary policies governments adopted in 2020. Generally, economic growth forecasts captured the decline and subsequent rebound in economic growth over the second and third quarters of 2020, but have been challenged since by the prolonged nature of the health crisis and its continuing impact on the global economy. As some developed economies start recovering, central banks and national governments are considering the impact of tapering off monetary and fiscal support as a result of concerns over potential inflationary pressures, weighed against the prospect of slowing the pace of the recovery
25. The economic impact of the pandemic is expected to lessen in developed economies where vaccinations are facilitating a return to pre-pandemic levels of activity. In developing countries, however, outbreaks of new viral variants could prolong the pandemic and dampen prospects of a recovery.
26. The pandemic has dealt a major blow to the economy, but the government's quick policy responses have helped to cushion the impact, and a partial recovery is underway. The economy is expected to continue to recover and gradually return to growth of above 5 percent. Real GDP growth is projected to reach 4.5 percent in 2021 and to be over 5 percent on average in 2022-23. The growth outlook is predicated on an upturn in industry supported by reopening of the economy and strong capital spending, a moderate recovery in services as vaccination rollout steadily progresses, and adequate agricultural harvests and sales, helped by rising external demand from the recovering global economy.
27. The county's economic performance has been greatly affected by the pandemic too since its dependent on the country's performance as a whole. But with the easing of the measures and an expected growth in the country's economy then we expect a gradual recovery of our county's economy.

3.2 RECENT ECONOMIC DEVELOPMENTS

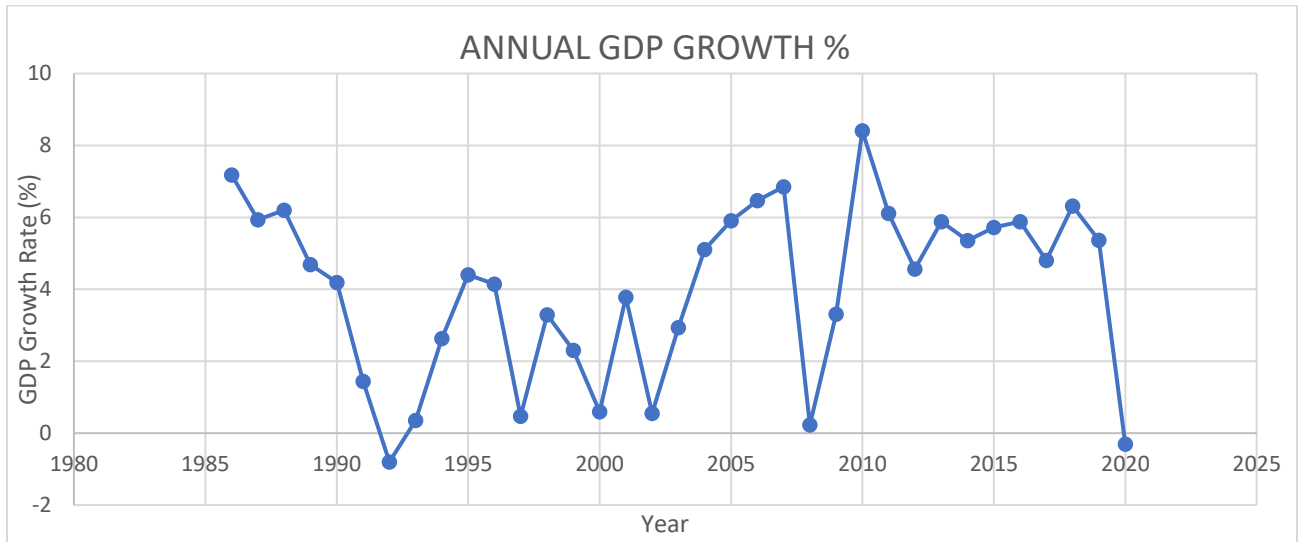
28. According to the most recent IMF World Economic Outlook, global output growth will rebound strongly to 6 percent in 2021, before slowing to 4.9 percent in 2022. The projections for 2021 and 2022 are 0.8 and 0.2 percentage points higher, respectively, than in the October 2020 WEO, reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year. However, the global output growth path is expected to moderate to 3.3 percent in the medium term, reflecting projected damage to supply potential and pre-pandemic forces such as prolonged weakness in labor markets in advanced economies and some emerging market economies.

29. Africa suffered its worst recession in more than 50 years in 2020 due to the COVID-19 pandemic, as its GDP declined by 2.4 percent. In 2021, the region's economy is expected to resume expansion at 3.4 percent, weaker than the 6 percent for the rest of the world, amid a continued lack of access to vaccines and limited policy space to support the crisis response and recovery. Macroeconomic policies will in many countries entail some difficult choices. Saving lives remains the first priority, which will require access to affordable vaccines, ensuring that the logistical and administrative prerequisites of a vaccination rollout are in place, targeted containment efforts, and added spending to strengthen local health systems. The next priority is to unlock the region's potential by creating more fiscal space and implementing transformative reforms. These include mobilizing domestic revenue, strengthening social protection, promoting digitalization, and improving transparency and governance. Countries will also have to consolidate their fiscal positions to bring debt back on a sustainable footing.
30. The COVID-19 shock has hit Kenya's economy hard through supply and demand shocks on both the external and domestic fronts and caused activity to slow sharply in 2020. Agricultural output grew robustly, but manufacturing and many services subsectors (e.g., tourism, education) were severely disrupted. As Kenya looks to stage a recovery from the market disruption wrought by COVID-19, it finds itself at an especially challenging moment as presidential elections loom in 2022. Nevertheless, a significant economic recovery has been underway, although it remains highly uneven across sectors (with some, such as tourism, remaining under severe pressure), and there continues to be elevated uncertainty regarding the outlook. A sectoral analysis of Kenya's economy is done through an analysis of the domestic output, which is comprehensively done in the Gross Domestic Product as follows:

3.3 GROSS DOMESTIC PRODUCT

31. Kenya's Real GDP declined by 0.3% during the review period (2020) compared to 5.4 per cent growth in 2019. Though Kenya was somewhat spared the brunt of the COVID-19 pandemic in the first quarter of 2020, the economy was affected by the resultant uncertainty that was already slowing economic activity in some of the country's major trading partners.

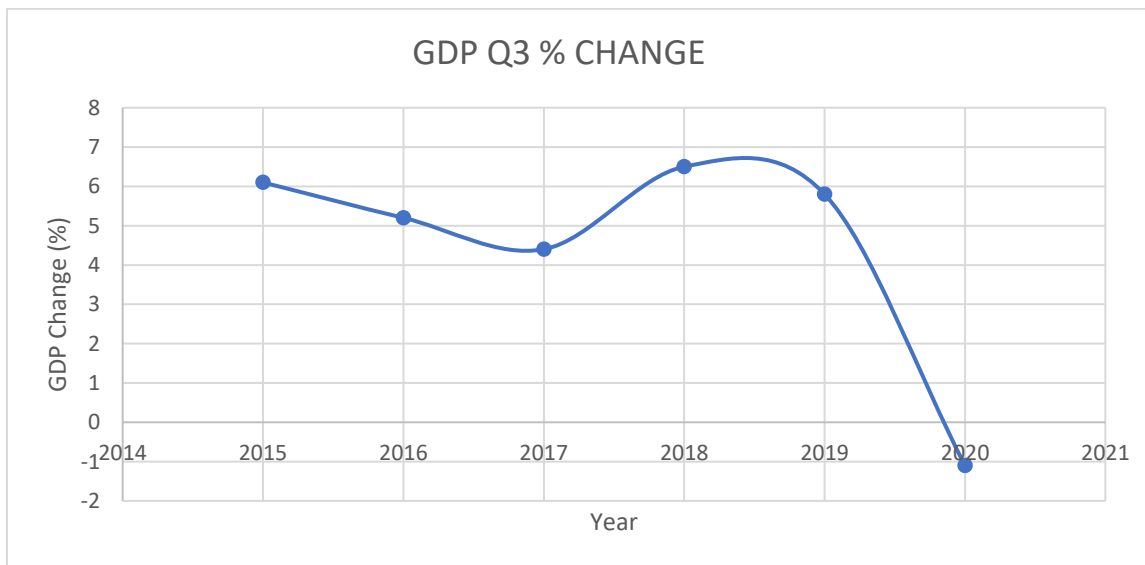
Figure 7: Annual GDP Growth (%), 1986-2020



Source: Kenya National Bureau of Statistics

32. Economic performance in the third quarter of 2020 remained depressed but relatively better compared to the second quarter of 2020. Real GDP is estimated to have contracted by 1.1% in the quarter compared to a growth of 5.8 per cent in the corresponding quarter of 2019. Looking at the details of the release, growth rate was identified according to years as represented below.

Figure 8: GDP Q3 % Change, 2015-2020



Source: Kenya National Bureau of Statistics

33. According to Kenya’s Statistical Institute, GDP shrank 1.1% year-on-year (yoy) in Q3 of 2020, moderating from Q2’s 5.5% contraction, which had been the first in at least a decade (previously reported: -5.7% year-on-year).

34. A sectoral analysis of the economic output is as follows:

- The mining and quarrying sector where in Q3 there was an increase of 18.2% and in Q2 an increase of 10.0% was experienced.
- The construction sector had an increase of 16% in Q3 compared to 3.9% in Q2. The growth was evidenced in the volume of cement consumed which increased by 23.5 per cent
- The information and communication sector (Q3: +7.3%; Q2: +4.6%) accelerated in the quarter. Moreover, the transport and storage sector clocked 2.9% annual growth, swinging from the previous quarter's 11.4% dive, likely due to the easing of Covid-19 restrictions in July–September before the second wave emerged.
- The manufacturing (Q3: -3.2% ; Q2: -3.9%), The contraction was shown in the various food sub-sectors such as; manufacture of meat and meat products, manufacture of liquid milk, manufacture of wheat flour, manufacture of beverages and manufacture of grain mill products.
- The sector expanded by 4.7 per cent in the period under review compared to 6.4 per cent growth in the third quarter of 2019. Total volume of electricity produced increased marginally by 0.8 per cent in the third quarter of 2020 compared to 2.1 per cent growth the third quarter of 2019.
- Accommodation and restaurants (Q3: -57.9%; Q2: -83.2%). Activities related to accommodation and food service were adversely affected by COVID-19 pandemic which saw implementation of containment measures. This led to either complete closure of businesses in accommodation and food service sector or significantly scaled down operations.
- Retail and trade (Q3: -2.5%; Q2: -7.0%) while education (Q3: -41.9%; Q2: -56.2%). These sectors all decreased at softer rates in the third quarter, due to the gradual resumption of economic activity as restrictions were lifted. However, tourism-related activities remained depressed as restrictions abroad continued to curb foreign arrivals.
- Lastly, growth in the all-important agricultural sector slowed in the quarter (Q3: +6.3%; Q2: +7.3%). While it was supported by good weather and an increase in tea and sugarcane production, coffee and vegetable exports declined, hampering the sector's overall performance. Meanwhile, the health sector grew at a more moderate rate in the period (Q3: +5.6%; Q2: +10.3%).
- Economic performance should have improved further in the final stretch of last year. However, looking ahead, the tourism sector will remain downbeat as renewed restrictions to curb further waves and new variants of the virus continue to inhibit international travel. Nevertheless, the continuity of accommodative monetary policy should support activity and cushion the downturn somewhat.
- Kenya's GDP is estimated to contract by 0.5% in 2021, as an effect of the COVID-19 pandemic. The projection assumed that the corona-virus crisis weakens during the first half of 2021, with the emergence of vaccines. Considering the same scenario, the forecasts pointed out a strong rebound for the Kenyan economy in 2021, with an expected 6.8 percent growth of the Gross Domestic Product. Besides being an economic powerhouse in East

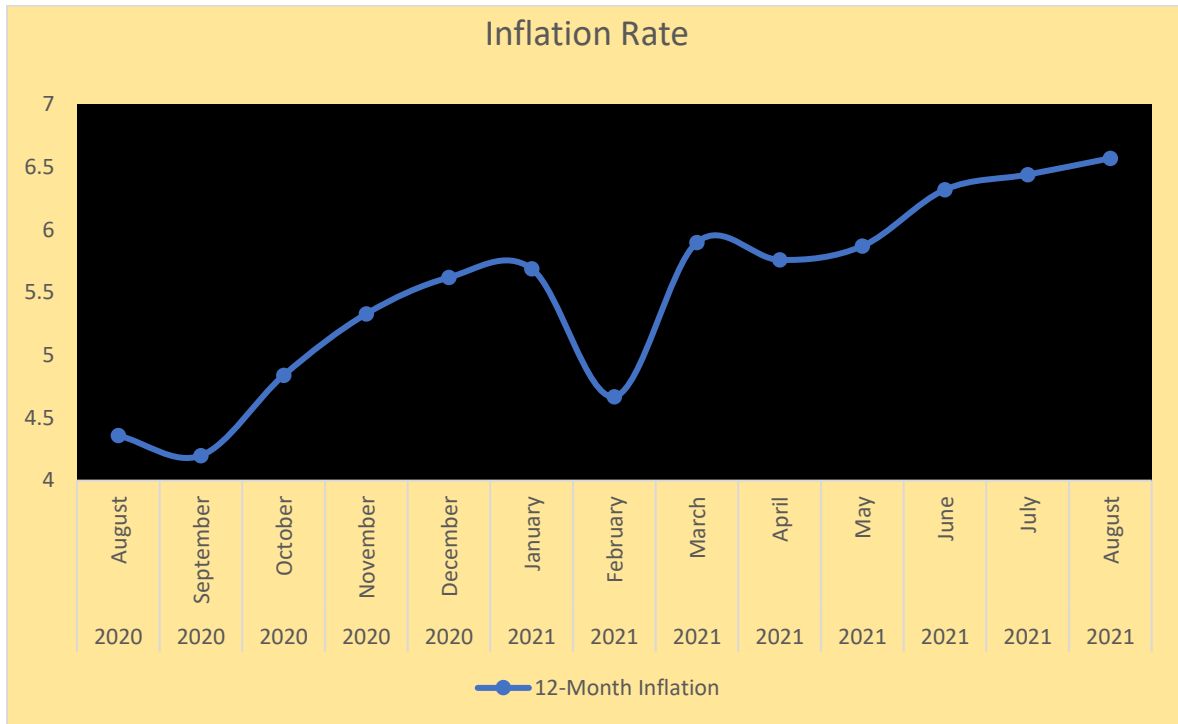
Africa, Kenya is also one of the countries with more COVID-19 cases in the region. As of May 27, 2021, more than 169.7 thousand people were already infected by the virus in the country.

- According to governmental data, the strongest impact of the corona-virus crisis on the Kenyan economy was felt in the second quarter of 2020. Within this period, the country's GDP decreased by 5.5 percent, the first negative growth in recent years. The third quarter of 2020 followed the negative tendency but already showed a recovery, with the GDP growth rate measured at minus 1.1 percent. A sectoral strong performance contributed to the rebound. Mining and quarrying, and construction grew by 18 % and 16 %, respectively, while favorable weather conditions supported robust growth in agricultural activities. Other macroeconomic indicators performed as follows:

3.4 INFLATION RATE

35. Overall annual growth in inflation was by 17.85 per cent. In August, inflation was recorded at 6.57 percent compared to 6.44 percent in July exhibiting a 200 basis points growth. Month on month analysis shows an increase from a revised index of 115.446 in July 2021 to 115.710 in August 2021. Year on year analysis shows a growth by 5000 basis from 4.36 in August 2020. Both analysis point to a relatively high inflation rate compared to the approved international standard of 2 per cent.
36. The month to month Food and Non-Alcoholic Drinks' Index increased by 0.46 per cent between July 2021 and August 2021. This was mainly attributed to increase in prices of some food items, which outweighed the decrease in prices of others.
37. The Housing, Water, Electricity, Gas and Other Fuels' Index, increased by 0.32 per cent between July 2021 and August 2021. This was mainly attributed to increase in prices of cooking fuel and house rent in spite of the slight decrease in the price of electricity.
38. Transport Index decreased by 0.32 per cent mainly due to decreases in bus fares of country and city public service vehicles. This is mainly as a result of the return to carrying of full capacity for public service vehicles in the month of August, 2021. The lowest inflation rates were registered between June and October 2020, and those remained below five percent.
39. The overall inflation is projected at 6.68 in September 2021.

Figure 9: Overall Inflation Rate (%), FY 2020/2021



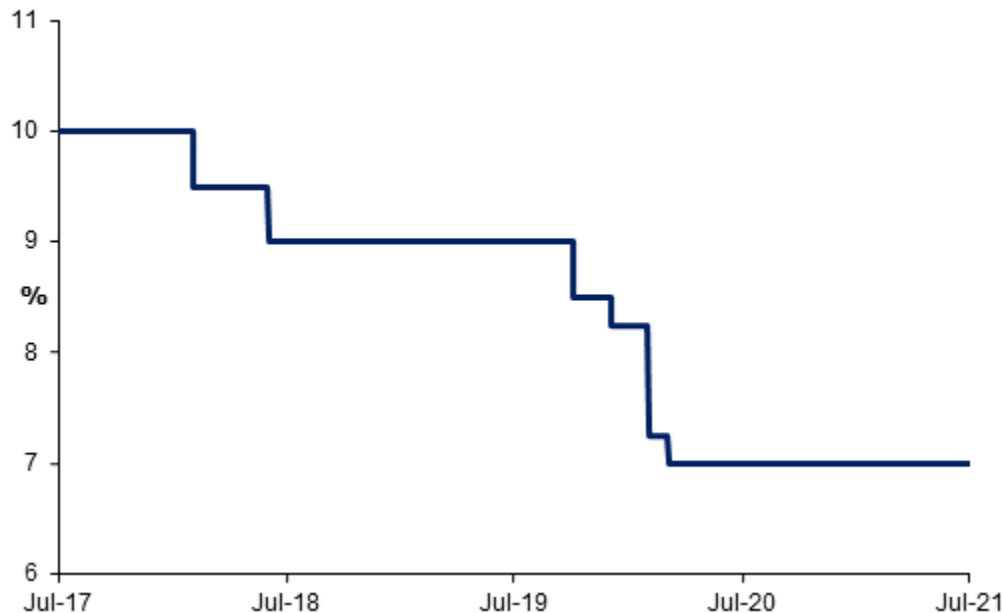
Source: Kenya National Bureau of Statistics

3.5 INTEREST RATES

40. The Central Bank Rate was retained at 7.00% in the last MPC meeting marking the ninth consecutive hold, after having cut it by 125 basis points during March–April 2020, The CBR has been constant at 9 percent between July, 2018 and September, 2019, it then dropped to 8.5 percent in November, 2019 due to the repeal of the interest caps on commercial bank loans. The MPC kept on lowering the Central Bank Rate (CBR up to 7.00 percent in April, 2020 from 7.25 percent as of March, 2020). The decision came amid high-frequency data pointing to a recovery in GDP in the first half of this year, and a bounce-back in 2021 overall as restrictions are further rolled back and activity fully resumes. That said, the Bank noted the economy is still underperforming and an output gap remains. Moreover, it pointed out the uneven global recovery and the still-heightened uncertainty over the evolution of the pandemic amid new strains of the virus, suggesting a rate hike would have been premature. Meanwhile, the Bank expects inflation to be elevated in the short term—due to higher prices for fuel and food and higher taxes—but it will remain well within the 2.5%–7.5% target band, kept in check by muted demand.

41. A reduction of the CBR signals an easing of monetary policy and a desire for market interest rates to move downwards. Therefore lower interest rates leads to growth in economic activity due to the increase in demand of credit hence leading to injection of funds to the economy for investment.

Figure 10: Analysis of Trends in Interest Rates (%), FY 2017/18, 2018/19, 2019/20, 2020/2021



Note: Central Bank rate in %.

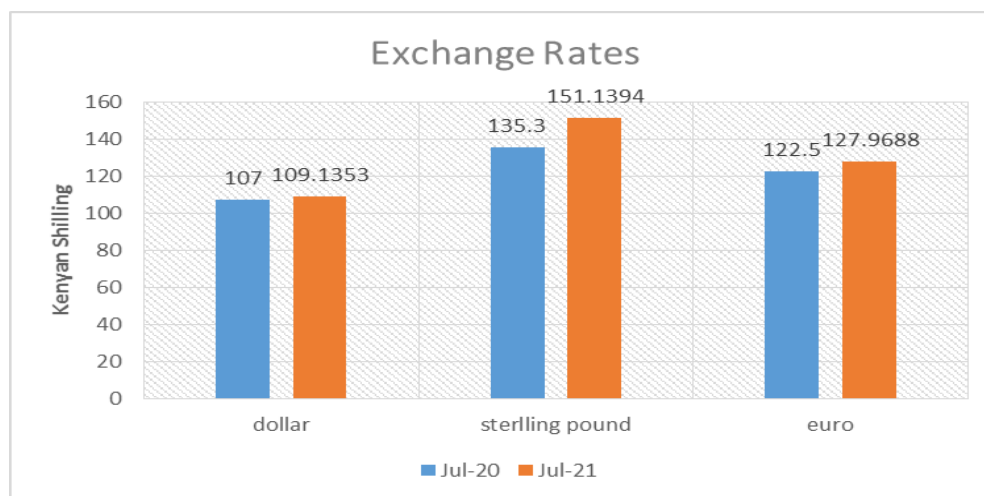
Source: Central Bank of Kenya.

3.6 EXCHANGE RATES

42. The Kenyan shilling (KES) plummeted against the U.S. dollar as fears over the impact of the spread of the Covid-19 pandemic rattled markets. The foreign exchange market has experienced some volatility, largely due to uncertainties with regard to the impact of Covid-19 Pandemic and a significant strengthening of the US Dollar in the global markets.

43. However, the Kenya Shilling remained competitive supported by a stable current account deficit. The Shilling depreciated against the US Dollar, Sterling pound and the Euro exchanging at an average of Kshs 109.1353, Kshs 151.1394 and Kshs 127.9688 in July 2021 from Kshs 107, Kshs 135.3 and Kshs 122.5 in July 2020, respectively. The depreciation was driven by the decline in dollar receipts from dollar earning sectors such as tourism and horticulture in addition to high demand for hard currency from investors. In comparison to most Sub-Saharan Africa currencies the Kenya Shilling has remained relatively stable. The figure below presents the exchange rates of hard currencies against Kenyan shilling for 2020 and 2021.

Figure 11: Average exchange rates for 2020 and 2021



Source: Central Bank of Kenya

3.7 MEDIUM TERM FISCAL FRAMEWORK

44. The County Government will continue to pursue prudent fiscal policy as it puts effort into bolstering economic recovery in the county and sustainably utilizing public finances. Allocation and utilization of resources in the medium term will be guided by the priorities outlined in County Integrated Development Plan (CIDP) and other County plans; and in accordance with section 107 of the PFM Act 2012. For effective utilization of public finances for enhanced expenditure productivity, the County Government will prioritize expenditures within the overall sector ceilings and strategic sector priorities. This will help to ease pressure on expenditure and to provide adequate cushion against unforeseen events.

45. The County Government will continue to pursue prudent fiscal policy to ensure stability. In addition, our fiscal policy objective will provide an avenue to support economic activity while allowing for sustainable management of public finances. As such, the CG has committed to a repayment of the pending bills with an intention of offsetting all the pending bills in the shortest period possible and ensuring expenditure is strictly done guided by availability of funds going forth.

46. Fiscal policy will continue to support County development economic activities while providing platform for the implementation of the CIDP within a context of sustainable public financing. Over the FY2021/22, the County Government has reoriented expenditure towards completion of ongoing and stalled projects over the medium-term expenditure framework (MTEF). This process will be strengthened by encouraging more private-sector engagement through the Public Investment Forum in order to build concrete Public Private Partnership in pursuit of new economic opportunities.

47. The County Government will rationalize expenditure to improve efficiency and reduce wastage by strengthening implementation of the Integrated Financial Management Information System (IFMIS) across departments. Moreover, the improved conformation to PFM Act, 2012 is expected to accelerate reforms in expenditure management system.
48. On matters revenue, the government will maintain a strong revenue effort by incorporating measures essential in achieving a significant growth rate. Efforts will be centered on simplification of the Revenue codes in line with international best practices and improved fees and charges collection with enhanced administrative measures.

3.8 RISKS TO ECONOMIC AND FISCAL OUTLOOK

49. Risks from the global economies relate to the risks of a pandemic resurgence, vaccine resistant strains, and operational threats such as vaccine development and delivery delays, COVID-19 vaccine inequity and its impact on socio-economic recovery in low- and lower-middle income countries, the emergence of COVID-19 Vaccine Passports, high price per COVID-19 vaccine dose relative to other vaccines.
50. Nationally, there still remains unusual uncertainties and contingent on the course of the pandemic. Kenya's economy is expected to continue its recovery, albeit unevenly and for some sectors only gradually, supported by the government's plan to vaccinate the entire adult population by mid-2022.
51. Domestic risks will emanate from a slower deployment of vaccines due to supply challenges, logistical impediments to domestic distribution, and vaccine hesitancy, could weaken the recovery. Furthermore, external factors such as setbacks to the global economy due to a resurgence in infection rates could adversely impact the projected recovery in Kenya's goods exports, tourism, and capital inflows. A slower than anticipated vaccination rollout, fiscal slippages, adverse weather conditions, and a weaker global economic backdrop could all challenge the projected recovery.
52. At the County level, other than the frequent late disbursement of exchequer issues, the main challenges that continue to be experienced relate to unrealized projected local revenue collection, bloated wage bill and huge pending bills some of which are statutory deductions that accrue huge interests. Non timely disbursement of funds by the national government continues to be a challenge as this leads to delay in execution of planned activities of the County thus compromising service delivery.
53. Going forward, due to revenue shortfalls, the ever-increasing pending bills and a high wage bill, continues to pose a threat of a budget deficit. Systems are being put in place to improve local revenue performance, following revenue collection reforms and moderation in recurrent expenditure, so as to increase the revenue bases and the fiscal position in the medium term.

54. The Government will monitor the above risks and take appropriate measures to safeguard macroeconomic stability including preparation of supplementary budgets to regularize and align any emerging issues.

4.0 CHAPTER FOUR: RESOURCE ALLOCATION FRAMEWORK

4.1 OVERVIEW

55. This section outlines how the County Government of Kilifi intends to utilize its limited resources to deliver on its mandate. It shows the total revenue expected and allocates these resources across the County's departments and agencies through expenditure projections of each department.
56. Own Source Revenue (OSR) collection was lower than the projected amount; with only Ksh 832,361,953 collected out of the projected 1,205,616,156 shillings, marking a 69% attainment, compared to a 72% attainment in FY 2019/20. Though not equal to the projected amount, this was a significant improvement as compared to FY 2019/20, where the revenue collected was 794,390,255. Specific revenue streams of billboards and signage, HSIF, Stall Rents, Refuse Collection, Food Hygiene Fees and Building plans approval and inspection all surpassed their target amounts. A significant improvement was also noted in business permits stream although it was not sufficient to meet its target. All other streams had negative deviations from the projected amounts.
57. The Division of Revenue Bill, 2021 provides for more budget allocation to the county governments compared to the last financial year. Allocation to counties stands at KSHS 370 billion for FY 2021/22 which is an improvement from the KSHS 316.5 billion if the previous financial year. This means an increased allocation of equitable share to Kilifi County where such incremental resources will be allocated towards completion of the ongoing projects and the priority areas set out in CFSP 2021, subject to adherence to fiscal responsibility principles.

4.2 ADJUSTMENTS TO THE FY 2021/22 BUDGET

58. In the FY 2020/21, expenditure was rationalized to prioritize COVID-19 containment and mitigation measures and completion of ongoing projects; while cutting down on discretionary recurrent expenditure and trading off non-priority development projects. In addition to this, the County Treasury appropriated monies to offset pending bills as a priority and in compliance to the national government directives.
59. Therefore, the prevailing macroeconomic conditions, the finalization of the current regime as well as the projected economic growth formed the basis of the FY2021/22 budget preparation. The expenditure options for FY 2021/22 will be mostly based on conclusion of ongoing as well as flagship projects to ensure prudent utilization of resources as well as check on stalled projects as that is the last year of the CIDP 2018-22 life span.
60. The FY 2021/22 Budget emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities, mitigate the adverse

impact of COVID -19 pandemic on the economy and re-position the economy on a steady and sustainable growth trajectory.

61. With an increasingly constrained fiscal space, the County treasury is putting in place measures to enhance collection of own source revenue to increase the resource basket to meet the expected FY 2021/2022 target of KSHS 925,000,000 compared to the previous FY 2020/21 where the target was KSHS 1,205,616,156. In order to meet the set revenue target, the county government is pursuing the following strategies, which include;
- The full automation of revenue collection and the opening of new and refurbished markets, This will increase revenue through market fees and stall rents.
 - The integration of agricultural services particularly the Agricultural Training College (ATC), Agricultural Mechanization Servicers (AMS), Livestock and Fisheries services and the county slaughter house with the county revenue management system will strengthen process controls enhance revenue growth in these revenue streams.
 - The County Government of Kilifi, in partnership with the IFC-World Bank is implementing the Kilifi Electronic Development Applications Management System (Kilifi eDAMS). The system will strengthen controls in development control and lands management processes as well as enhancing ease of doing business.
 - County Treasury will collaborate with the county department of Lands in strengthening the business processes involving land subdivision, consolidation, transfer and payment of land rates. In order to strengthen enforcement efforts, the County Treasury will ensure the issue land rates clearance certificates is undertaken by the Department of Lands.
62. On the expenditure side, the County utilized a total of Ksh. 12,356,137,617 out of the total appropriated revenue of Ksh. 14,661,031,386. This marked an 84% absorption rate of the county funds. It is expected that the revision of the budget will be done to provide for pending bills and completion of ongoing projects.

4.3 BUDGET FRAMEWORK FY 2021/22

63. The budget framework is set by the Constitution of Kenya, the PFM Act, 2012, and the County Government Act, 2012 among other legislations. The County Government will continue to emphasize on the implementation of policy measures that are aimed at economic recovery post COVID-19 to implement the COVID-19 mitigation and economic recovery strategy in addition to expenditure rationalization and revenue mobilization programs that the County has to put in place to ensure a steady and sustainable growth trajectory.
64. The budget framework FY 2022/23 will continue to emphasize on the completion of ongoing projects, adoption of the “no new projects” policy, continued realignment of the county programs with the Big Four Agenda, focusing spending on emerging priorities and finalization of the County Integrated Development Plan of 2018-2022.

65. The resource envelope of the County comprises of equitable share, conditional grants and locally collected revenues. Equitable share estimates are projected based on the National Treasury Budget Policy Statement (2021) that it is expected to hold at Ksh. 370 billion in FY 2022/23 and increase to Ksh. 375 billion in FY 2023/24. Kilifi County government will receive her share in accordance with the third basis formula for equitable sharing of revenue which is recommended by the Commission on Revenue Allocation (CRA), this is projected at KSHS 11,641,592,941 in FY 2022/23 and then increase to KSHS 11,798,911,765 in FY 2023/24 as a result of the increase projected by the BPS 2021.
66. In the 2022/2023 financial year, the County projects to mobilize resources amounting to KSHS 830,500,000 as own source revenue. This is a slight decrease from the projected OSR in the FY 2021/22 because of the adverse effects of the electioneering period that the country will go through at the time. Revenue streams such as business permits, Rent/stall rents are likely to experience a negative shift. Strict enforcement measures put in place, the automation of collection systems, the boom in construction projects experienced in the COVID-19 period where most people were working from home and the formal upgrading of squatter schemes has resulted in the increased revenue from the Building Plan approval and Inspection stream. This stream is expected to go back to normal collection levels hence the anticipated decrease. The revenue will be expected to stabilize in the FY 2023/24 and continue growing steadily thereafter.
67. The revenue streams performance from FY 2017/18 to FY 2020/2021 was used to make the revenue projections. The table below presents projections for equitable share and own source revenue for FY 2022/23 to FY 2024/25.

Table 15: Projections for Equitable Share and Own Source Revenue for FY 2022/23 to FY 2024/25

REVENUE					
DESCRIPTION	ACTUAL REVENUE FY 2020/21	APPROVED ESTIMATES FY 2021/22	PROJECTIONS		
			FY 2022/23	FY 2023/24	FY 2024/25
Equitable Share	10,444,500,000	11,641,592,941	11,641,592,941	11,798,911,765	11,956,230,588
Land Rates and other Land Revenue	170,329,040	195,000,000	180,000,000	200,000,000	215,000,000
Cess on natural resources	273,840,434	315,000,000	280,000,000	300,000,000	310,000,000
Business Permits	57,731,023	105,000,000	70,000,000	100,000,000	115,000,000
Parking Fees	25,515,572	50,000,000	35,000,000	45,000,000	60,000,000
Market Fees	9,285,225	25,000,000	20,000,000	25,000,000	30,000,000
Bill Boards and signage	29,147,422	30,000,000	35,000,000	37,000,000	40,000,000

Building Plan approval and Inspection	51,174,860	25,000,000	35,000,000	45,000,000	55,000,000
Rent/Stall rents	7,432,190	15,000,000	10,000,000	15,000,000	20,000,000
Survey fees and plot rents	537,730	1,266,000	1,000,000	1,500,000	2,000,000
Plot ground rent	5,686,017	10,000,000	15,000,000	10,000,000	13,000,000
House rent	2,677,814	40,000,000	40,000,000	40,000,000	45,000,000
Refuse Collection	2,267,500	1,262,000	2,500,000	3,500,000	4,500,000
Food Hygiene Fees	5,035,910	10,000,000	11,000,000	13,000,000	15,000,000
Liquor License		6,000,000	7,000,000	8,500,000	10,000,000
AMS&ATCs		25,000,000	27,000,000	30,000,000	33,000,000
Leasing of Plants and Equipment		20,000,000	22,000,000	25,000,000	27,500,000
Slaughter House and Livestock sale Yards	1,045,190	10,000,000	5,000,000	6,500,000	8,000,000
Others	28,138,992	41,472,000	35,000,000	40,000,000	45,000,000
TOTAL	11,114,344,919	12,566,592,941	12,472,092,941	12,743,911,765	13,004,230,588

4.4 MEDIUM TERM EXPENDITURE FRAMEWORK

68. The expenditure projections for the FY 2022/23 budget comprise both recurrent and development expenditures. In the next MTEF period, County total expenditures including the County Assembly for FY 2022/2023 is projected at Ksh.12,472,092,941, Ksh.12,743,911,765 in FY 2023/24 and Ksh.13,004,230,588 in FY 2024/25.

In 2022/2023, the overall recurrent and development expenditures are projected to be Ksh.8,884,269,105 and Ksh.3,587,823,836 respectively. This translates to 71% and 29% recurrent and development expenditures respectively. The projected expenditure does not include grants which when factored in will ensure the county adheres to the fiscal responsibility principle that sets the minimum allocation on development at 30 percent of the county's budget. The intended growth in expenditure corresponds to the projected and anticipated increase in the total revenue basket.

69. The fiscal framework entails a deliberate effort to continue exercising prudence in public expenditure management with the principal goal of containing fiscal risks, gradually lowering the fiscal deficit, and adopting austerity measures to deter increase of recurrent expenditures in favor of productive capital spending.

70. Priority in allocation of resources will be on the flagship, ongoing and stalled projects as the CIDP is in its sunset year. The allocation of resources will be based on;

- Ongoing activities of the county government flagship projects and programmes will be accorded priority.
- Linkage of the programme with the objectives of the CIDP 2018-2022.
- The degree to which the programme is addressing the core mandate of the County department will be given appropriate consideration.

71. Resource allocation will continue to be aligned to the transformation agenda of the County Government as highlighted in the County Fiscal Strategy Paper, 2021. The FY 2021/22 medium term expenditure framework will focus on the following key issues:

- The upcoming regime change that is due in a year's time hence need to complete ongoing and flagship projects;
- The impending expiry of the five-year term of the 2018-2022 CIDP – hence need to conclude on the five-year plans set out in the CIDP
- Resource reallocation to high priority areas
- Allocation of resources to projects that have been fully processed including feasibility studies done, with detailed designs, necessary approvals and land secured as well as pay attention to the estimated requirements for each of the stages of the project cycle;

72. The MTEF budgeting will thus entail adjusting non-priority expenditures to cater for the priority ones. The priority social sectors, education and health, will continue to receive adequate resources though they are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors.

73. The economic sectors such as agriculture will receive increasing share of resources to boost agricultural productivity and initiating value addition ventures as the county deals with threats of food insecurity and poor market returns for agricultural produce. For expansion of agricultural activities, irrigation subsector will receive a large share of resources in the medium term period. Another sector that will receive a sizable share of resources is Trade, Tourism & Co-Operative Development. This will aid the county to tap into its tourism potential.

74. With the County Government's commitment to improving infrastructure across the county, the share of resources going to priority physical infrastructure sector, such as roads and water, will rise over the medium term. This will spur the county's economic growth because no meaningful economic activity can be carried out without reliable physical infrastructure. Further, implementation by the spending units will be monitored closely especially with regard to the development expenditures and uptake of resources. This requires a highly efficient and effective monitoring and evaluation by the county government.

75. All the other sectors will continue to receive adequate resources in line with our county's commitment to a balanced sector development so as to ensure socio-economic welfare and enhanced quality of life for the residents of the county. Reflecting the above medium-term expenditure framework, the table below provides the tentative projected baseline ceilings for the 2022 MTEF, classified by Departments.

Table 16: Medium Term Expenditure Framework

EXPENDITURE					
DEPARTMENT		APPROVED	PROJECTIONS		
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
3111 County Assembly	Sub-total	1,000,000,000	980,518,868	1,001,888,456	1,022,353,948
	Recurrent	901,500,000	883,937,760	903,202,443	921,652,084
	Development	98,500,000	96,581,108	98,686,013	100,701,864
3112 Office of the Governor	Sub-total	196,930,782	193,094,347	197,302,677	201,332,962
	Recurrent	196,930,782	193,094,347	197,302,677	201,332,962
	Development	-	-	-	-
3124 County Attorney	Sub-total	129,193,400	126,676,566	129,437,376	132,081,383
	Recurrent	129,193,400	126,676,566	129,437,376	132,081,383
	Development	-	-	-	-
3113 County Division for Finance	Sub-total	2,593,425,954	430,856,990	440,247,157	449,240,049
	Recurrent	420,417,337	412,227,131	421,211,277	429,815,324
	Development	2,173,008,617	18,629,858	19,035,881	19,424,725
3125 County Division for Economic Planning	Sub-total	110,593,609	108,439,120	110,802,460	113,065,813
	Recurrent	110,593,609	108,439,120	110,802,460	113,065,813
	Development	-	-	-	-
3114 County Division for Agriculture	Sub-total	119,688,689	117,357,018	119,914,716	122,364,204
	Recurrent	60,411,065	59,234,189	60,525,149	61,761,491
	Development	59,277,624	58,122,829	59,389,567	60,602,713
3126 County Division for Livestock	Sub-total	51,966,883	50,954,509	52,065,020	53,128,548
	Recurrent	28,182,695	27,633,664	28,235,917	28,812,689
	Development	23,784,188	23,320,845	23,829,103	24,315,858
3127 County Division for Fisheries	Sub-total	131,114,426	128,560,169	131,362,030	134,045,351
	Recurrent	31,364,426	30,753,411	31,423,656	32,065,545
	Development	99,750,000	97,806,757	99,938,373	101,979,806
3115 County Division for Water & Sanitation	Sub-total	372,920,223	365,655,315	373,624,466	381,256,462
	Recurrent	13,091,348	12,836,314	13,116,070	13,383,991
	Development	359,828,875	352,819,001	360,508,396	367,872,471

EXPENDITURE					
DEPARTMENT		APPROVED	PROJECTIONS		
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
3128 County Division for Environment, Natural Resources & Wildlife	Sub-total	152,828,466	149,851,194	153,117,076	156,244,786
	Recurrent	152,828,466	149,851,194	153,117,076	156,244,786
	Development	-	-	-	-
3116 County Division for Education	Sub-total	509,838,177	499,905,952	510,800,984	521,235,073
	Recurrent	426,338,177	418,032,627	427,143,298	435,868,518
	Development	83,500,000	81,873,325	83,657,686	85,366,555
3129 County Division for Information, Communication & Technology	Sub-total	28,182,695	27,633,664	28,235,917	28,812,689
	Recurrent	28,182,695	27,633,664	28,235,917	28,812,689
	Development	-	-	-	-
3117 County Division for Medical Services	Sub-total	1,988,636,220	1,949,895,336	1,992,391,672	2,033,090,091
	Recurrent	918,877,517	900,976,743	920,612,777	939,418,057
	Development	1,069,758,703	1,048,918,593	1,071,778,895	1,093,672,033
3130 County Division for Public Health	Sub-total	109,629,238	107,493,536	109,836,268	112,079,884
	Recurrent	89,129,238	87,392,900	89,297,555	91,121,628
	Development	20,500,000	20,100,637	20,538,713	20,958,256
3118 Roads, Transport & Public Works	Sub-total	1,521,984,625	1,492,334,642	1,524,858,826	1,556,006,990
	Recurrent	270,184,625	264,921,123	270,694,857	276,224,318
	Development	1,251,800,000	1,227,413,519	1,254,163,969	1,279,782,672
3119 County Division for Lands & Energy	Sub-total	467,429,238	458,323,187	468,311,957	477,878,127
	Recurrent	213,300,000	249,178,513	254,609,150	259,810,030
	Development	254,129,238	209,144,675	213,702,808	218,068,097
3131 County Division for Physical Planning, Urban Development and Housing	Sub-total	100,835,887	98,871,490	101,026,311	103,089,967
	Recurrent	19,727,887	19,343,565	19,765,142	20,168,883
	Development	81,108,000	79,527,924	81,261,169	82,921,084
3120 Gender, Culture, Social Services and Sports	Sub-total	135,907,643	133,260,009	136,164,299	138,945,716
	Recurrent	80,407,643	78,841,211	80,559,490	82,205,072

EXPENDITURE					
DEPARTMENT		APPROVED	PROJECTIONS		
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
	Development	55,500,000	54,418,797	55,604,809	56,740,644
3121 County Division for Trade, & Tourism	Sub-total	283,137,504	277,621,665	283,672,197	289,466,745
	Recurrent	76,637,504	75,144,519	76,782,231	78,350,655
	Development	206,500,000	202,477,146	206,889,966	211,116,090
3132 County Division for Cooperative Development	Sub-total	14,091,348	13,816,833	14,117,959	14,406,345
	Recurrent	14,091,348	13,816,833	14,117,959	14,406,345
	Development	-	-	-	-
3122 County Public Service Board	Sub-total	35,546,156	34,853,676	35,613,283	36,340,753
	Recurrent	35,546,156	34,853,676	35,613,283	36,340,753
	Development	-	-	-	-
3133 Devolution, Public Service and Disaster Management	Sub-total	179,391,810	175,897,054	179,730,584	183,401,925
	Recurrent	162,391,810	159,228,234	162,698,480	166,021,908
	Development	17,000,000	16,668,821	17,032,104	17,380,017
3123 Public Service Management	Sub-total	4,640,626,456	4,550,221,800	4,649,390,074	4,744,362,778
	Recurrent	4,640,626,456	4,550,221,800	4,649,390,074	4,744,362,778
	Development	-	-	-	-
Total	Total	14,873,899,430	12,472,092,941	12,743,911,765	13,004,230,588
	Recurrent	9,060,783,423	8,884,269,105	9,077,894,312	9,263,327,702
	Development	3,659,107,390	3,587,823,836	3,666,017,453	3,740,902,886

5.0 CHAPTER FIVE: CONCLUSION

76. The fiscal outcome for FY 2020/21 had implication on the financial objectives contained in the last County Fiscal Strategy Paper (CFSP) submitted to the County Assembly in February 2021. The County is making progress in addressing some of the challenges previously identified as affecting budget implementation.
77. Despite the progress made, the following challenges continue to hamper effective budget implementation;
- Delay in submission of budget implementation/performance and expenditure reports by departments to the County Treasury.
 - In most cases, submitted reports are not in the desired prescribed formats.
 - Off-budget, off-plan expenditures.
 - Pending bills which affect the resource allocation.
78. The County should implement the following recommendations in order to improve budget execution;
- The county Government (departments) should adhere to Section 0166 of the PFMA, 2012 in submission of quarterly reports in the desired format.
 - The County Government should devise strategies to enhance local revenue collection, mainly through automation of revenue collection and civic education on the importance of OSR to the public through the proposed 2021 Finance Bill.
 - The county should spend within its means and avoid any leakages.
79. Going forward, the set of policies outlined in this CBROP reflect the dynamic circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM Act, 2012. They are also consistent with the county strategic objectives being pursued as a basis of allocation of public resources.