

# **COUNTY GOVERNMENT OF KIRINYAGA**



**DEPARTMENT OF FINANCE & ECONOMIC PLANNING**

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## **COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP) 2021**

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**SEPTEMBER 2021**

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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 2020/21 and makes comparisons to the budget appropriations of the same year. 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 2020/21. It has included the total revenue collected and made comparison to projected revenue for the same year.

The fiscal performance of the FY 2020/21 budget was below target on particularly on own source revenue shortfalls. COVID-19 pandemic and containment measures have negatively impacted economic growth in the county leading to job losses.

The County Government's total approved budget as contained in Supplementary 3 for 2020-21 FY amounts to KShs 6.795 Billion with a recurrent allocation of 4.237 Billion and development allocation of 2.558 Billion.

In the period under review, recurrent expenditure amounted to KShs 4,068,008,521 (absorption rate of 96%) while Development expenditure amounting to Kshs 1,444,983,610 representing absorption rate of 56.5%.

Own Source revenue collected in 2020-21FY amounted to 346,521,599 (86% of the annual revenue target).

Preparation of 2022-23FY budget is under revised budget calendar that takes into account the preparations for the 2022 General Elections. It is projected that implementation of 2022/23 and Medium Term will be 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 at sparking and sustaining economic growth in the county. Enabling interventions in the infrastructure will also be given priority to support growth in 2022-23 and Medium term. In the social sector, affordable and high quality health services will be improved as we look to operationalize 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, Mr. Lawrence Karuoya, Director, Budget, Mr. J.N. Mbugua, Director, Economic Planning, Mr. Patrick Gichobi, Deputy Director, Budget 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.

**JOHNSON WAWERU**

**CHIEF OFFICER- FINANCE AND ECONOMIC PLANNING**

## **Abbreviations/Acronyms**

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

## **1.0 INTRODUCTION**

### **1.1 Background**

Preparation of this CBROP is an indication of Kirinyaga County continued adherence to Section 118 of the Public Finance and Management Act (PFMA), 2012. The CBROP contains a review of budget implementation performance during the financial year 2020/21, updated macroeconomic forecast, and the experiences in the implementation of the budget for the financial year 2020/21.

### **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 2020/21 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 2022/23 FY budget.

## 2.0 REVIEW OF FISCAL PERFORMANCE FOR 2020/21 FINANCIAL YEAR

### 2.1 Revenue Analysis

The approved resource envelope for Approved 2020/21 FY Kirinyaga County Budget amounts to KShs. 6,795,605,668 financed as per the below resource envelope.

<b>DESCRIPTION</b>	<b>APPROVED SUPPLEMENTARY BUDGET 3</b>
Equitable Share	4,241,100,000
Allocation - User Fees Foregone	11,282,570
Conditional Allocation financed by a Grant from National Government for COVID-19 Emergency Response	116,356,000
Transforming Healthcare Systems for Universal Care Project (THSUCP)	26,720,000
Allocation of Roads Maintenance Fuel Levy Fund for Repair and Maintenance of County Roads	127,349,086
Savings from Roads Maintenance Levy Fund for FY 2018-2019	24,400,000
Delayed Exchequer May/June 2020	364,734,600
Allocation Financed by Grant from Government of Denmark to Supplement Financing of County Health facilities (DANIDA)	12,060,000
Additional Allocation Financed by Grant from Government of Denmark to Supplement Financing of County Health facilities (DANIDA)	4,585,000
Local Revenues	405,000,000
IDA (World Bank)-Kenya Devolution Support Programme Grant (KDSP) Level 1 Grant (Roll-Over FY 2018/2019)	41,078,830
IDA (World Bank)-Kenya Devolution Support Programme Grant (KDSP) Level 1 Grant (Roll-Over FY 2019/2020)	30,000,000

IDA (World Bank)-Kenya Devolution Support Programme Grant (KDSP) Level 1 Grant	45,000,000
IDA-(World Bank ) Kenya Devolution Support Programme Grant (KDSP) Level 2 Grant	146,608,512
Receipt from National Government's Ministry of Health for allowances to be paid to frontline health care workers for COVID-19	43,740,000
National Government- Grant for Youth Polytechnics	26,899,894
Grant for Youth Polytechnics (Carried forward from FY 2018/2019	-
IDA-(World Bank) Kenya Urban Support Project (KUSP) UDG	71,302,200
IDA- (Kenya Urban Support Project (KUSP)-UIG	8,800,000
IDA- (World Bank)Credit National Agricultural and Rural Inclusive Growth Project (NARIGP)	199,748,243
KRB Savings - for 2018/19 and 2019/20 Fys	27,335,647
Sweden- Agriculture Sector Development Support Programme (ASDSP II)	11,509,004
Rolled over Funds	809,996,082
<b>TOTAL REVENUES</b>	<b>6,795,605,668</b>

Source: County Treasury

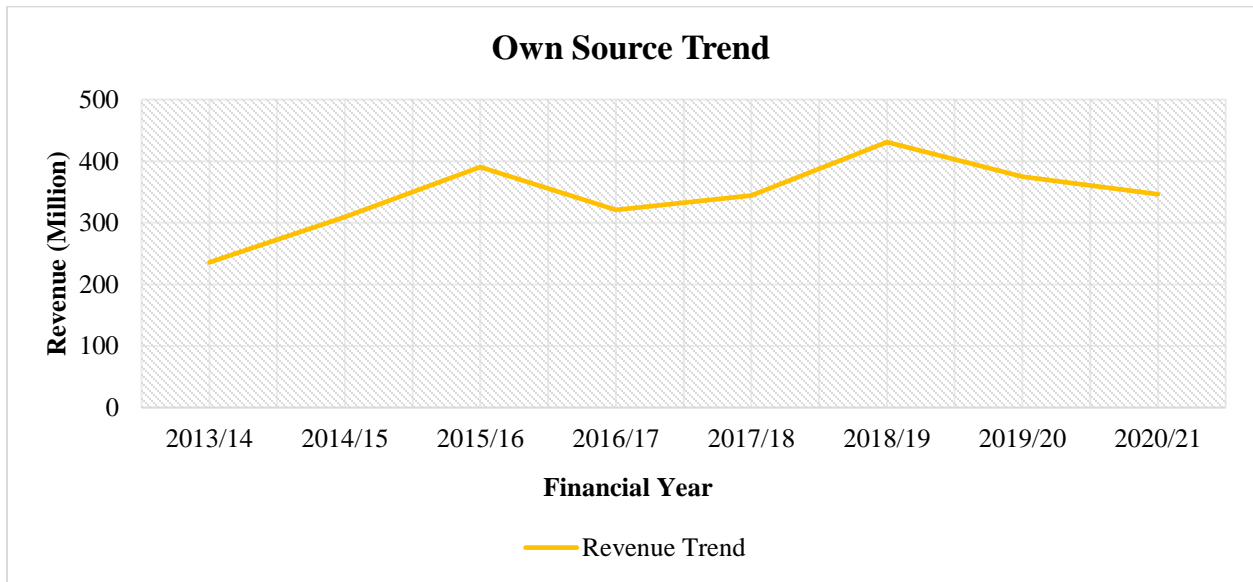
### 2.1.1 Own Source Revenue

The County has a projected revenue target of KShs. 405 Million in the FY 2020/21. During the 2020-21FY the actual Own Source Revenue collected amounted to Kshs 346,521,599 against a Revenue Target of KShs 405,000,000. This indicates own source revenue performance of 86%.

<b>REVENUE SOURCE</b>	<b>ANNUAL TARGET</b>	<b>REVENUE COLLECTED</b>
Business Permits	69,998,560	57,760,450
Market Entrance/Gate Fee	35,000,000	24,777,510
Quarry Cess/Fee	3,000,000	2,523,400
Parking Fee	22,000,000	16,177,700
Land, Ground Rates & Arrears	25,484,928	5,938,868
Liquor License	24,000,000	7,080,750
Health(Hospitals)	140,000,000	162,263,678
Veterinary Services	5,141,255	3,521,903
Buildings Plans	12,120,200	12,399,928
Public Health	24,000,000	13,814,407
Sub Division Fee	1,000,000	169,900
Transfer Fee	1,350,226	1,385,200
House Rents	2,649,600	2,530,225
Market Stall	2,500,000	2,276,614
Survey Fee	1,000,000	1,274,800
Sale Of Minutes	1,178,763	757,885

Advertisement	9,500,000	9,467,945
Produce Cess	6,000,000	4,391,748
Trade-Weights	980,000	2,085,202
Coop Audit	600,000	156,588
Group Registration	1,400,000	820,200
Refuse Collecton	8,485,151	7,715,503
Kamweti	3,801,935	3,444,778
Administrative Charges	3,809,383	3,786,416
<b>TOTAL (FY 2020/2021)</b>	<b>405,000,000</b>	<b>346,521,599</b>
<b>TOTAL (FY 2019/2020)</b>	<b>480,000,000</b>	<b>374,724,257</b>
<b>VARIANCE</b>	<b>-75,000,000</b>	<b>-28,202,658</b>

Source: County Treasury



## 2.2 Expenditure Analysis

The County Government total approved 2020/21 FY budget amounts to KShs. 6.795 Billion.

### 2020/21 FY Approved Budget Estimates

		<i>Approved Supplementary 3 Budget 2020/21FY Recurrent</i>	<i>Approved Supplementary 3 Budget 2020/21FY Development</i>	<b>TOTAL</b>
	<b>ENTITY</b>			
3961	County Assembly	669,393,333	428,860,717	1,098,254,050
3962	County Executive	465,241,039	109,097,638	574,338,677
3963	Finance and Economic Planning	557,961,866	152,672,520	710,634,386
3964	Agriculture, Livestock and Fisheries	190,701,097	546,599,715	737,300,812
3965	Environment, Water and Natural Resources	102,589,239	105,800,000	208,389,239
3966	Education	246,044,623	54,538,344	300,582,967
3967	County Health Services	1,779,789,586	556,554,955	2,336,344,541
3968	Lands, Housing and Urban Development	37,768,028	164,999,831	202,767,859
3969	Transport and Infrastructure	79,578,285	391,680,630	471,258,915
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	42,839,441	19,585,934	62,425,375
3971	Gender and Youth	46,168,210	9,733,421	55,901,631
3972	Sports, Culture and Social Services	19,345,017	18,062,200	37,407,217

	<b>TOTAL</b>	<b>4,237,419,764</b>	<b>2,558,185,904</b>	<b>6,795,605,668</b>
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Source: County Treasury

### 2.2.1 Recurrent Expenditure

Total cumulative recurrent expenditure for 2020/21 FY amounted to KShs. 4,068,008,521 which represents 96% of the total recurrent budget estimates. The major contributor to this expenditure is the County Health services sector. Recurrent expenditure for this sector amounts to KShs. 1,727,749,123. This indicates a 42% of the recurrent expenditure in the county. This also represents a 97% expenditure against total approved recurrent expenditure for this sector.

#### Recurrent Expenditure per Department 2020/21 FY

		<i>Approved Supplementary 3 Budget 2020/21FY Recurrent</i>	<i>Annual Expenditure</i>
	<b>ENTITY</b>		
3961	County Assembly	669,393,333	662,451,112
3962	County Executive	465,241,039	456,591,005
3963	Finance and Economic Planning	557,961,866	473,331,086
3964	Agriculture, Livestock and Fisheries	190,701,097	188,701,445
3965	Environment, Water and Natural Resources	102,589,239	101,747,655
3966	Education	246,044,623	244,964,375
3967	County Health Services	1,779,789,586	1,727,749,123
3968	Lands, Housing and Urban Development	37,768,028	28,585,928
3969	Transport and Infrastructure	79,578,285	77,933,952

3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	42,839,441	42,062,897
3971	Gender and Youth	46,168,210	45,506,659
3972	Sports, Culture and Social Services	19,345,017	18,383,284
	<b>TOTAL</b>	<b>4,237,419,764</b>	<b>4,068,008,521</b>

Source: County Treasury

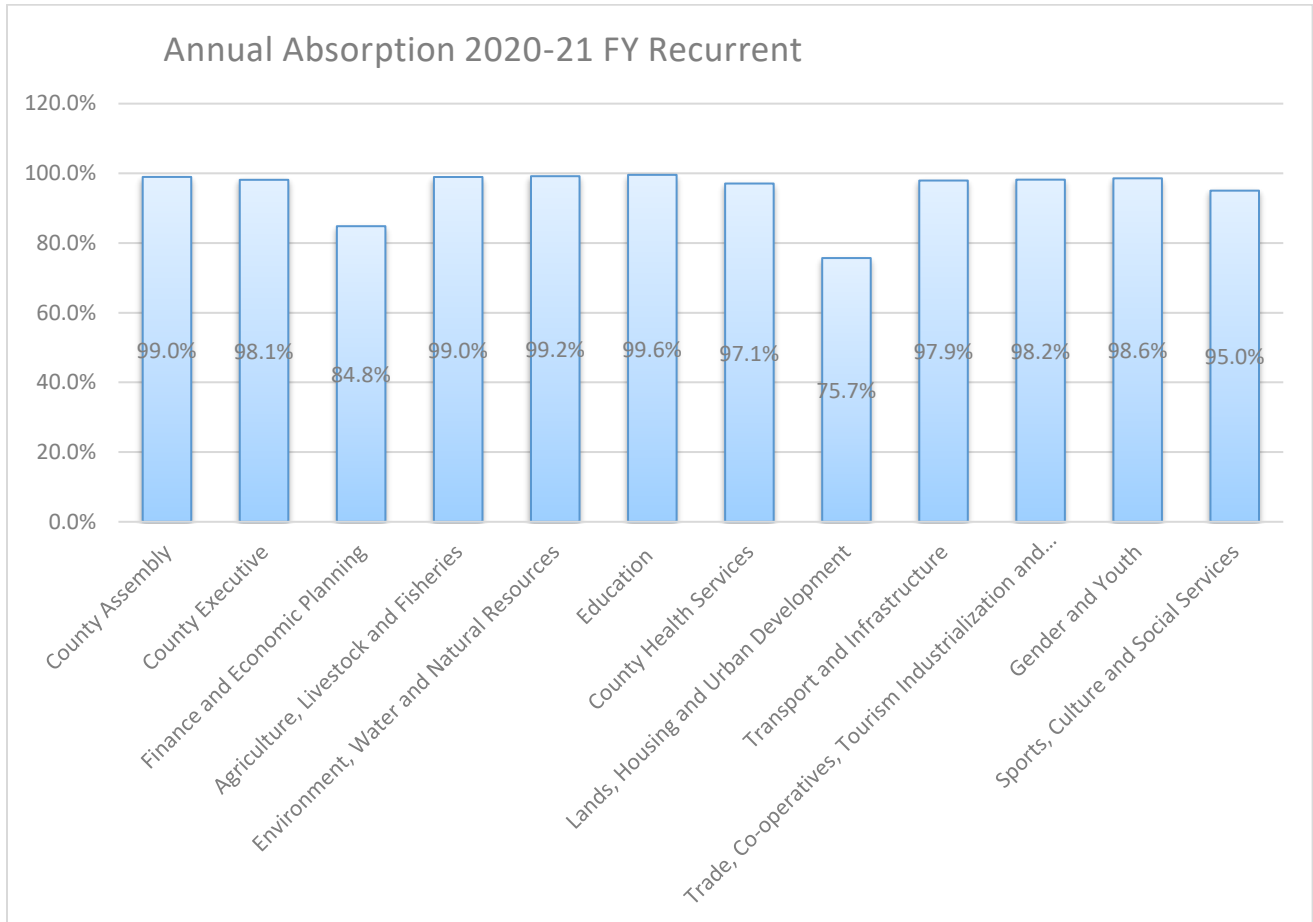
### Budget Utilization 2020-21FY

		<i>Approved Supplementary Budget 2020/21FY Recurrent</i>	<i>Annual Expenditure</i>	% Share of Annual Expenditure	Annual Absorption
	<b>ENTITY</b>				
3961	County Assembly	669,393,333	662,451,112	16.3%	99.0%
3962	County Executive	465,241,039	456,591,005	11.2%	98.1%
3963	Finance and Economic Planning	557,961,866	473,331,086	11.6%	84.8%
3964	Agriculture, Livestock and Fisheries	190,701,097	188,701,445	4.6%	99.0%
3965	Environment, Water and Natural Resources	102,589,239	101,747,655	2.5%	99.2%
3966	Education	246,044,623	244,964,375	6.0%	99.6%
3967	County Health Services	1,779,789,586	1,727,749,123	42.5%	97.1%
3968	Lands, Housing and Urban Development	37,768,028	28,585,928	0.7%	75.7%
3969	Transport and Infrastructure	79,578,285	77,933,952	1.9%	97.9%
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	42,839,441	42,062,897	1.0%	98.2%
3971	Gender and Youth	46,168,210	45,506,659	1.1%	98.6%



3972	Sports, Culture and Social Services	19,345,017	18,383,284	0.5%	95.0%
	<b>TOTAL</b>	<b>4,237,419,764</b>	<b>4,068,008,521</b>	100.0%	96.0%

Source: County Treasury



### 2.2.2 Development Expenditure

Development expenditure for the period under review amounted to Kshs. 1,444,983,610. This show an absorption rate of 56.5% of total approved Development budget.

		<i>Approved Supplementary 3 Budget 2020/21FY Development</i>	<i>Annual Expenditure 2020/21 FY</i>
	<b>ENTITY</b>		
3961	County Assembly	428,860,717	169,292,492
3962	County Executive	109,097,638	106,467,302
3963	Finance and Economic Planning	152,672,520	17,853,506
3964	Agriculture, Livestock and Fisheries	546,599,715	169,446,425
3965	Environment, Water and Natural Resources	105,800,000	83,902,956
3966	Education	54,538,344	30,936,429
3967	County Health Services	556,554,955	462,861,490
3968	Lands, Housing and Urban Development	164,999,831	42,716,526
3969	Transport and Infrastructure	391,680,630	326,443,068
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	19,585,934	11,011,599
3971	Gender and Youth	9,733,421	8,642,450
3972	Sports, Culture and Social Services	18,062,200	15,409,367
	<b>TOTAL</b>	<b>2,558,185,904</b>	<b>1,444,983,610</b>

Source: County Treasury



## Development Absorption 2020-21FY

		<i>Approved Supplementary 3 Budget 2020/21FY Development</i>	<i>Annual Expenditure 2020/21 FY</i>	% Share of Annual Expenditure	Annual Absorption
	<b>ENTITY</b>				
3961	County Assembly	428,860,717	169,292,492	11.7%	39.5%
3962	County Executive	109,097,638	106,467,302	7.4%	97.6%
3963	Finance and Economic Planning	152,672,520	17,853,506	1.2%	11.7%
3964	Agriculture, Livestock and Fisheries	546,599,715	169,446,425	11.7%	31.0%
3965	Environment, Water and Natural Resources	105,800,000	83,902,956	5.8%	79.3%
3966	Education	54,538,344	30,936,429	2.1%	56.7%
3967	County Health Services	556,554,955	462,861,490	32.0%	83.2%
3968	Lands, Housing and Urban Development	164,999,831	42,716,526	3.0%	25.9%
3969	Transport and Infrastructure	391,680,630	326,443,068	22.6%	83.3%
3970	Trade, Co- operatives, Tourism Industrialization and Enterprise Development	19,585,934	11,011,599	0.8%	56.2%
3971	Gender and Youth	9,733,421	8,642,450	0.6%	88.8%

3972	Sports, Culture and Social Services	18,062,200	15,409,367	1.1%	85.3%
	<b>TOTAL</b>	<b>2,558,185,904</b>	<b>1,444,983,610</b>	100.0%	<b>56.5%</b>

Source: County Treasury

Departments of Gender & Youth recorded 88% absorption rates. Others with high absorption includes; Health services and Transport with 83.2% and 83.3% respectively.

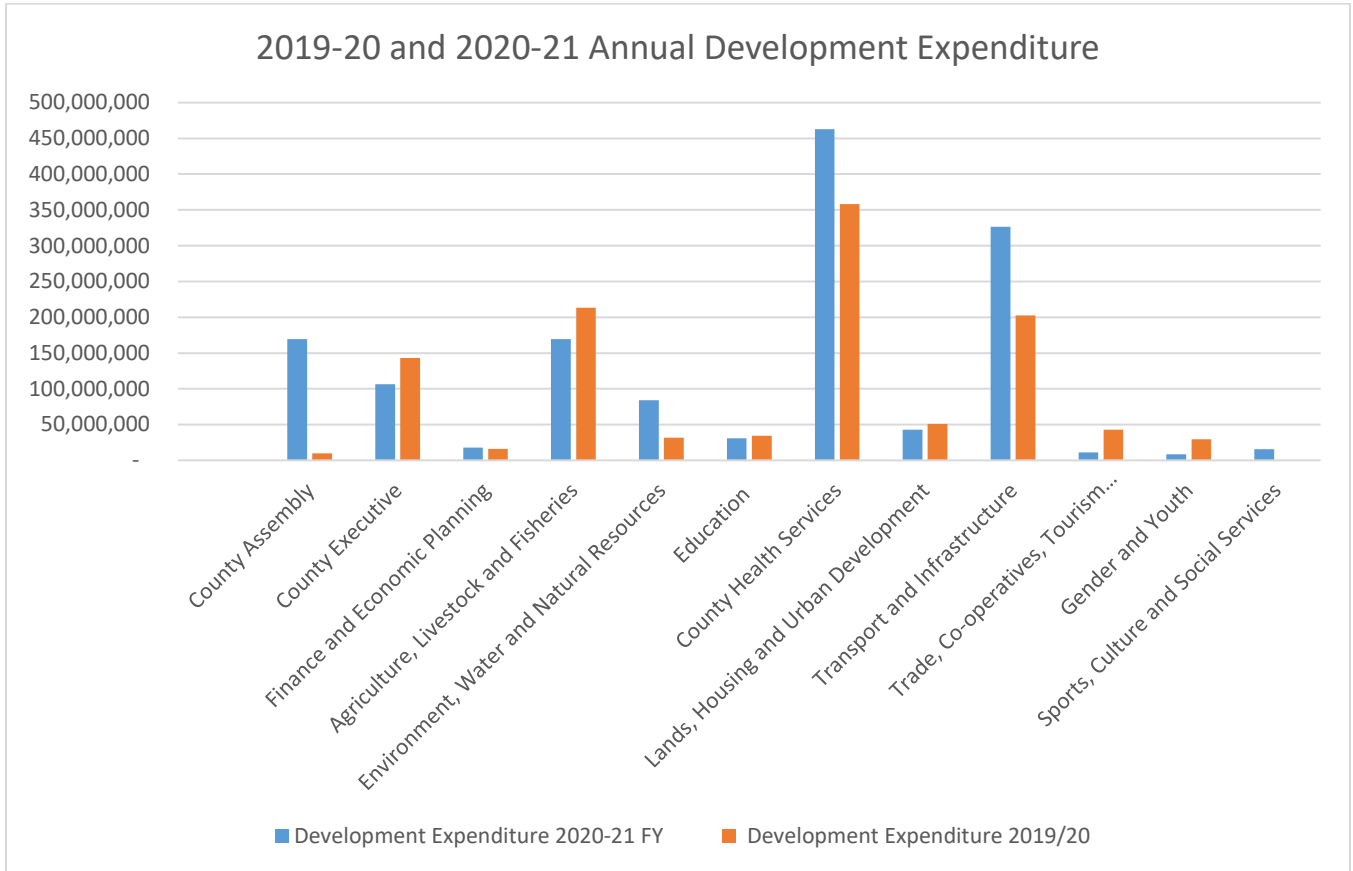
Development Absorption comparison between 2019-20 and 2020-21 Financial Years

		<b>Development Expenditure 2020-21 FY</b>	<b>Development Expenditure 2019/20FY</b>
3961	County Assembly	169,292,492	10,031,216
3962	County Executive	106,467,302	143,161,479
3963	Finance and Economic Planning	17,853,506	15,957,328
3964	Agriculture, Livestock and Fisheries	169,446,425	213,385,972
3965	Environment, Water and Natural Resources	83,902,956	31,555,188
3966	Education	30,936,429	34,503,298
3967	County Health Services	462,861,490	358,388,337
3968	Lands, Housing and Urban Development	42,716,526	50,998,100
3969	Transport and Infrastructure	326,443,068	202,383,029
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	11,011,599	42,912,130
3971	Gender and Youth	8,642,450	29,388,181
3972	Sports, Culture and Social Services	15,409,367	-

	<b>TOTAL</b>	<b>1,444,983,610.00</b>	<b>1,132,664,258</b>
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Source: County Treasury

2020-21FY has posted an increased overall absorption in development expenditure by 27% compared to same period in 2019-20FY.



## **3.0 RECENT ECONOMIC DEVELOPMENT AND OUTLOOK**

### **3.1 Recent Economic Development**

Kenyan economy has been adversely affected by the outbreak of COVID-19 pandemic in 2020/21 and the swift containment measures, which disrupted economic activities.

In the first three quarters of 2020 the economy contracted by an average of 0.4 percent compared to an average growth of 5.3 percent over the same period in 2019. The decline was largely characterized by contractions in the services sector especially Accommodation and Restaurant (45.1 percent), Education (31.2 percent), Wholesale and Retail trade (1.3 percent) and Transport and Storage (0.9 percent) subsectors. However, the performance in the third quarter of 2020, albeit constrained, was relatively better compared to the second quarter of 2020 due to partial easing of COVID-19 containment measures.

The overall performance of the economy during the first three quarters of 2020 was cushioned from a deeper slump by improved growth in Mining and Quarrying activities (12.6 percent); Construction (8.6 percent); Health Services (7.3 percent) and Agriculture, Forestry and Fishing activities (6.4 percent). Other sectors of the economy that supported growth in the first three quarters of 2020 are Information and Communication (7.5 percent); Financial and Insurance activities (5.3 percent); Real Estate Activities (4.0 percent) and Electricity and Water supply (3.3 percent).

#### **3.1.1 Agricultural Sector**

The Agriculture sector recorded an improved growth at an average of 6.4 percent in the first three quarters of 2020 compared to a growth of 3.6 percent in the corresponding period of 2019. The sector's performance was supported by a notable increase in tea production, exports of fruits and sugarcane production.

#### **3.1.2 Service and Industry Sectors**

The Service and Industry sectors were adversely affected by the COVID-19 pandemic. As a result, the sectors contracted by an average of 2.1 percent in the first three quarters of 2020 down from an average growth of 6.1 percent in a similar period in 2019.

#### **3.1.3 Inflation**

Food inflation remained the main driver of overall inflation in July 2021, contributing 3.5 percentage points, an increase, compared to a contribution of 2.4 percentage points in July 2020. The increase is on account of a rise in prices of key food items particularly tomatoes, white bread, cabbages, spinach, sukuma-wiki and cooking oil. Fuel inflation contributed 1.9 percentage points

to overall inflation in July 2021 compared to 1.2 percentage points in July 2020 following a pickup in international oil prices. Fuel inflation in July 2021 is reflected in higher electricity costs and increased fares attributed to a rise in petrol prices

### **3.1.4 Economic Recovery**

Economic indicators by sector for the fourth quarter of 2020 point to strong recovery. Agriculture sector is expected to have performed well following favorable weather conditions which prevailed during the fourth quarter of 2020, resulting in improved production of key crops. Industrial activity is also expected to have recovered strongly as reflected in the economic indicators of the following sectors; Construction (cement consumption), Manufacturing (cement production), and Electricity and Water supply (electricity generation). However, performance of some Service sectors (Accommodation and Restaurant and, Transport and Storage) are likely to remain subdued due to the COVID-19 containment measures which prevailed during the quarter under review.

Leading indicators point to a relatively strong recovery in the first quarter of 2021, supported by strong performance of Agriculture, Construction, Information and Communication, Real Estate, and Finance and Insurance sectors.

Kenya's economy is projected to rebound in 2021 to 6.6 percent from an earlier projection of 7.0 percent in the 2021 BPS. The downward revision was 29 due to the impact of containment measures between March and July period as a result of the third wave of the COVID-19 pandemic.

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

Similar to the national economic development, Kirinyaga County's economic development has also continued to be negatively impacted by the outbreak and consequent containment measures of COVID-19. The services 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 containment measures leading to some permanent business closures in various sectors. Others reduced employees due to reduction in operating hours and slowing down of business activity. Further, suspension of the school calendar led to job losses to some employees of private schools.

Key findings by Kenya National Bureau of Statistics in its survey *FinAccess MSE COVID-19 Tracker*, indicated that by March 2021, about 20 percent of businesses had closed, of which 11 percent closed during the 2020 lockdown period, while 9 percent closed between November 2020



and March 2021, citing reduced sales and lack of operating capital. Only 27 percent of businesses, which closed during lockdown in 2020, had reopened by March 2021.

The data from the first two rounds of the *FinAccess MSE COVID-19 Tracker* survey indicate that firms have suffered from reduced demand across the economy, compromising their revenue and undermining their resilience. During the lockdown, the government put in place a number of measures to support MSMEs including provisions for bank loan restructuring, waivers on VAT and turnover tax and suspension of credit bureau reporting. Recognizing the role that the financial sector can play in providing solutions, the Government established the MSME Credit Guarantee Scheme (CGS) to support access to finance for MSMEs impacted by the pandemic. However, micro firms are largely outside the purview of these measures due to their informality and size.

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**

#### **3.3.1 National Outlook**

Kenya's economy was not spared from the adverse impact of the Pandemic in FY 2020/21. As such, economic growth is estimated to have slowed down in FY 2020/21. However, growth is expected to rebound to 6.2 percent in FY 2021/22 and above 6.0 percent over the medium term. This outlook will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and Economic Recovery Strategy. Weather conditions are expected to be favorable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth.

#### **3.3.2 County Outlook**

The County's economic growth will largely take into account the national outlook. Recovery in national and global economies will ensure 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 under Wezesha Program in agriculture value chain development in the Prioritized Value Chains namely; dairy, poultry, avocado and Tomato. The county government through Kirinyaga Investment Development Authority is playing key roles to consolidate investment and marketing opportunities in the agribusiness sector to guarantee good 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, buoyant services sector.

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

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

Emergence of new COVID-19 variants that may require broader reinstatement of containment measures, in the country and its trading partners could lead to renewed disruptions to trade and tourism.

Reliance on rain fed agriculture also poses a risk to this outlook. Potential risk of prolonged drought can result to 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.

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

## **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 2022/23 FY and MTEF.

### **4.2 Implementation of 2021/22FY Budget**

Implementation of 2021/22FY budget has been delayed due to delays in budget approval. The budget has allocated resources to key areas to unlock economic growth by supporting growth in agriculture sector through value chain development, major investments in key infrastructural development, huge investments towards improvement of health services infrastructure.

Total Budget for 2021-22FY amounts to Kshs. 7,705,332,107. This includes recurrent allocation of Kshs. 4,531,059,121 (59%) and development allocation of Kshs.3, 174,272,986 (41%).

### **4.3 FY 2022/23 Budget and Medium Term Expenditure Framework**

Resource allocations in various sectors will be anchored in the second County Integrated Development Plan (2018-2022). Resources will continue to be allocated towards sectors with potential for job and employment creation. Towards this end focus will be to build on the progress achieved especially in Agricultural value chain development, transport infrastructure development, 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, universal health coverage.

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

- Continue support economic growth through agricultural value chain development. The government will support the crop and animal value chains in the implementation of Wezesha Program. 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, resources will be channeled towards Infrastructure development. Upgrade of

access roads will continue to be implemented across the county, paving of areas and major towns will continue, rehabilitation of access roads will also be continued across the county.

- Provision of affordable health services. A lot of health infrastructure has been put in place adding to the services available in county health facilities. In addition, more progress is expected towards the ongoing development of Kerugoya Referral Hospital medical complex. Further, a lot of focus will also be given on efficiency in service delivery in other health facilities through provision of health equipment and systems to avail a wide range of services offered.
- Improvement of water distribution infrastructure by funding various water projects, ensuring clean and habitable environment. More effort will be put in building on the progress achieved on waste management and water connectivity and distribution.

#### 4.4 Revenue Projections

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

For this to be achieved, it is assumed that;

- There will be increased economic activities in the county 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 back bone of Kirinyaga county’ economy

#### *Medium Term Fiscal Projections*

	Projections		
	<i>2021-22 Approved Budget</i>	<i>2022-23 FY</i>	<i>2023-24 FY</i>
<b>Revenue (Total)</b>	<b>7,705,332,107.00</b>	<b>5,681,177,952.00</b>	<b>5,681,177,952.00</b>
Equitable Share	5,196,177,952.00	5,196,177,952.00	5,196,177,952.00
Own Source Revenue	485,000,000.00	485,000,000.00	485,000,000.00
Grants	573,638,600.00		

Rolled Over Funds	1,450,515,555.00		
<b>Expenditure (Total)</b>	<b>7,705,332,107.10</b>	<b>5,681,177,952.00</b>	<b>5,681,177,952.00</b>
<b>Recurrent</b>	<b>4,531,059,120.90</b>	<b>3,976,824,566</b>	<b>3,976,824,566</b>
Recurrent as percentage of Total budget	59%	70%	70%
<b>Development</b>	<b>3,174,272,986.20</b>	<b>1,704,353,386</b>	<b>1,704,353,386</b>
Development as percentage of Total budget	41%	30%	30%

Revenue projections excludes conditional grants which are appropriated annually by parliament through the County Allocation of Revenue Acts.

*Indicative Department Ceilings*

							<b>Projected allocations</b>	
	<b>Approved Budget 2021/22 FY Budget</b>						<b>2022-23 FY Budget</b>	
	<i>REC</i>	<i>% of Total REC</i>	<i>DEV</i>	<i>% of Total DEV</i>	<i>TOTAL Budget</i>	<i>% allocation of Total Budget</i>	<i>REC</i>	<i>DEV</i>
County Assembly	637,393,333	14.1%	369,568,225	11.6%	1,006,961,558	13.07%	13.3%	6.6%
County Executive	459,738,124	10.1%	143,630,336	4.5%	603,368,460	7.83%	12.7%	15.5%
Finance and Economic Planning	599,770,385	13.2%	2,080,010	0.1%	601,850,395	7.81%	9.7%	1.6%
Agriculture, Livestock and Fisheries	251,714,603	5.6%	795,882,159	25.1%	1,047,596,762	13.60%	5.2%	26.6%
Environment, Water and Natural Resources	102,589,239	2.3%	126,675,566	4.0%	229,264,805	2.98%	2.5%	2.7%
Education	299,814,623	6.6%	22,007,910	0.7%	321,822,533	4.18%	4.0%	2.6%
County Health Services	1,962,276,833	43.3%	958,745,445	30.2%	2,921,022,278	37.91%	47.0%	22.1%
Lands, Housing and Urban Development	28,968,028	0.6%	99,192,631	3.1%	128,160,659	1.66%	0.9%	3.9%
Transport and Infrastructure	77,078,285	1.7%	612,081,564	19.3%	689,159,849	8.94%	1.7%	12.4%
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	42,839,441	0.9%	19,471,788	0.6%	62,311,229	0.81%	1.2%	3.8%
Gender and Youth	46,168,210	1.0%	5,000,000	0.2%	51,168,210	0.66%	1.0%	1.6%
Sports, culture & Social Services	22,708,017	0.5%	19,937,353	0.6%	42,645,370	0.55%	0.8%	0.7%
<b>TOTAL</b>	<b>4,531,059,121</b>		<b>3,174,272,986</b>		<b>7,705,332,107</b>			

## **5.0 CONCLUSION AND WAY FORWARD**

The FY 2022/23 and the medium term budget will be prepared on background of a recovering of domestic economy. Kenya's economy is expected to rebound from effects of COVID-19 pandemic. The pandemic's containment measures led to contraction of the economy disrupting businesses including international trade and leading to loss of livelihoods for millions of people. The Pandemic and the containment measures have not only disrupted our ways of lives and livelihoods, but to a greater extent business.

The Government will continue to ensure proper prioritization of public expenditures to programs with high potential to job and wealth creation to support households and build resilience in the local economy.

Noting the tight resource envelop, the Government will continue with a strategy to ensure that the budget is strictly followed and service delivery is prioritized to achieve the set objectives. The resource ceilings projected in this document should guide the departments to prioritize the key productive activities contained in the Annual Development Plan to ensure consistency in the development interventions of the County.

In order for continued fiscal discipline, the County Government will continue to entrench the fiscal responsibility principles set out in the PFM Act 2012 in making forecasts realistic and reasonable. The county will also continue with prudent management of funds and delivery of expected output. Effective and efficient utilization of funds will be crucial in ensuring that the county deliver on its functions

The departmental ceilings annexed herewith will guide the departments in preparation of the 2022-23 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 2022/23-2024/25.