COUNTY GOVERNMENT OF KISII

FINANCE AND ECONOMIC PLANNING

MEDIUM TERM

FY 2022/23

COUNTY FISCAL STRATEGY PAPER

"Accelerating Economic Recovery for improved livelihood"

November, 2021

LEGAL BASIS

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

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

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

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

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

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

(a) The Commission on Revenue Allocation;

(b) The public;

(c) Any interested persons or groups; and

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

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

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

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

FISCAL RESPONSIBILITIES

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

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

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

FOREWORD

This County Fiscal Strategy Paper (CFSP) is the fifth and final one prepared in the implementation of the County Integrated Development Plan (CIDP) 2018-22 in realization of the County aspiration of "prosperity *for all*". It outlines the current state of the economy with respect to the County, provides macro-fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of Government spending plans, as a basis for the FY 2022/23 budget and medium term.

As we finalize budget for the FY 2022/23 and the medium term, I wish to emphasize that resources are limited while at the same time, the County Government is confronted with significant expenditure demands including financing the Post COVID-19 Recovery Strategies and the County priorities identified by the public during public participation exercise conducted between 15th and 18th November 2021 across the county. The priorities identified include: Health Services; Water Reticulation and Environmental Management; Road and Urban Infrastructure Development; Agricultural Productivity and Education. These priorities are aligned to the "Big Four" agenda of the National Government which are targeted towards the realization of the Kenya Vision 2030 and Sustainable Development Goals (SDGs).

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

Moses Onderi
County Executive Committee Member
FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGMENT

The FY 2022/23 County Fiscal Strategy Paper (CFSP) has been prepared in compliance with the provisions of the Public Finance Management Act, 2012. The preparation of this CFSP was a collaborative effort among various stakeholders. We are grateful for their inputs. We thank H.E the Governor Hon. James Ongwae for his leadership and guidance. We also thank all departments for timely provision of information.

We are grateful for the comments received from the National Treasury, Commission on Revenue Allocation, Office of the Controller of Budget, International Budget Partnership, the County Budget and Economic Forum (CBEF), and the general public during the public hearing conducted between November 16th and 18th, 2021 which help in finalizing this Paper. Finally, we are grateful to the core team from the Economic Planning Directorate under the guidance of Dr. Onchari Kenani (Economic Advisor) for tirelessly putting this document together and ensuring that it is produced in time while maintaining high quality standards.

Zablon Ongori

Chief Officer

ECONOMIC PLANNING AND DEVELOPMENT

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ABBREVIATIONS AND ACRONYM

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

CHAPTER ONE

RECENT ECONOMIC DEVELOPMENT AND MEDIUM-TERM OUTLOOK

1.1 Overview

This section discusses the performance of macroeconomic parameters namely Gross Domestic Product (GDP), inflation rates, exchange rate, interest rate, credit and foreign remittances. These variables are nationally computed but influence operation in all the 47 counties. Further, the section discusses the County fiscal performance in the first four months of FY 2021/22 in terms of revenue and expenditure. It also proposes the fiscal policy to guide expenditure in the FY 2022/23 and over the medium term. Finally, it presents the growth prospects (Economic Outlook) and outlines the risks to the growth prospects.

1.2 Recent Economic Development

1.2.1 Gross Domestic Product (GDP)

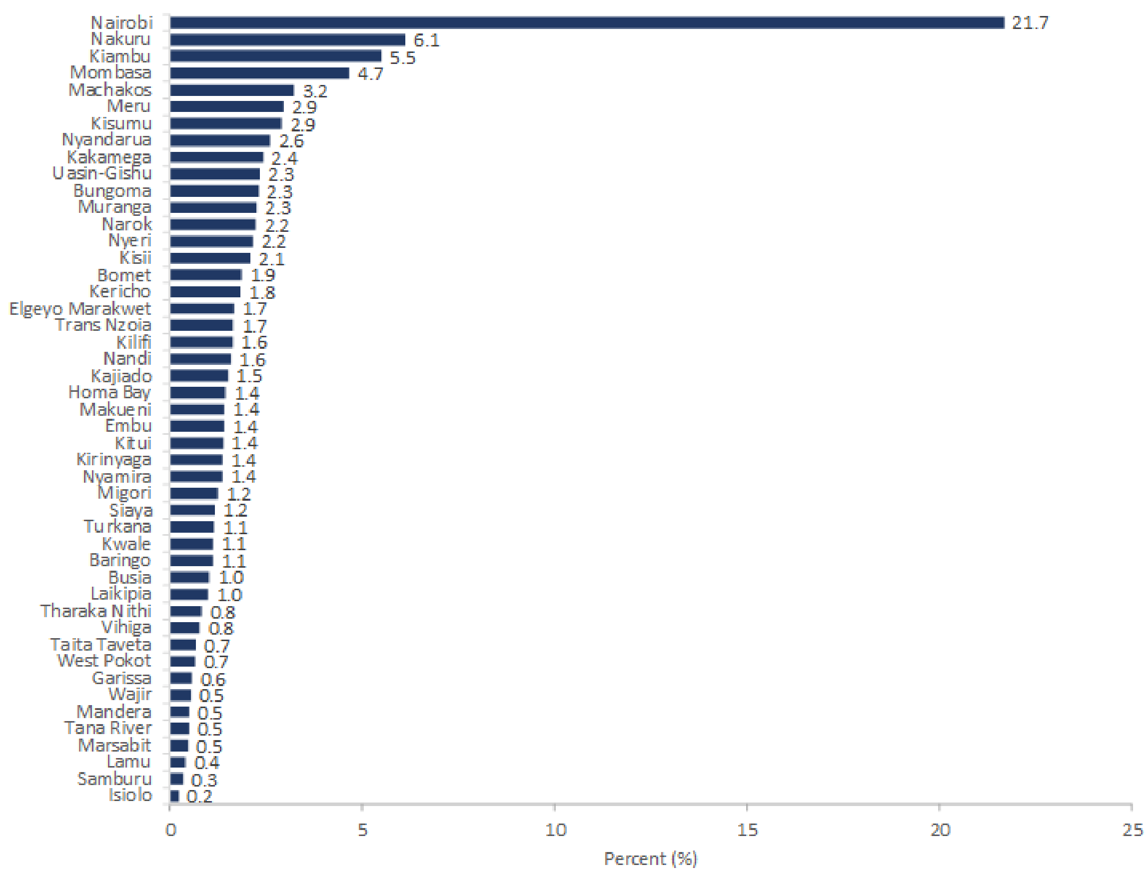
The Kenyan economy contracted by 0.3 percent in 2020 from a growth of 5.0 percent in 2019 following the adverse impact of COVID-19 pandemic and the resultant swift containment measures (BPS, 2022). Both the National government and County government priority was premised on the need to safeguard the lives of Kenyans and Kenyan residents while at the same time cushioning the economy from the effects of COVID-19 pandemic. Consequently, the health crisis required the introduction of temporal restrictive measures to curb the spread of the virus which resulted in negative impacts on some key sectors of the economy.

Many businesses, especially those related to tourism and educational activities closed down during the second quarter of 2020. Pick up of economic activities resumed in the third quarter of 2020 with further improvements in subsequent quarters as illustrated in Table 1.1.

The contraction was spread across all sectors of the economy but was more pronounced in accommodation and food services activities, education, and transport sectors. The three sectors are the main drivers in Kisii economy, hence their dismal performance impacted the overall performance in the county negatively. The overall performance of the economy in 2020 was cushioned from a deeper slump by accelerated growths in Construction activities (11.8 percent), Health services (6.7 percent), Mining and Quarrying (6.7 percent) and Agricultural production (4.8 percent). Kisii is an agricultural county, therefore, growth in the sector is a good sign of recovery.

In the first and second quarters of 2021, activities in Agriculture, Forestry and Fishing sector recorded a slowdown. The sector is estimated to have contracted by 0.9 percent in the second quarter of 2021 compared to a growth of 4.9 percent in the corresponding quarter of 2020 (Table 1.1). This was mainly on account of less than expected rainfall during the period with a significant decline in tea production in the second quarter of 2021. The sector's performance was cushioned from a steeper slump by a notable improvement in the production of milk, horticultural products and sugarcane. The volume of vegetables, cut flowers and fruit exports increased by 58.1 percent, 55.2 percent and 23.5 percent, respectively over the same period. Tea and sugarcane are the major cash crops in Kisii County, therefore, the county contributed to the national figure enormously. According to KNBS (2019) report, Kisii County's contribution to Kenya's GDP is estimated at 2.1 percent as presented in Figure 1.1.

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



Source: KNBS, 2019

The performance of the Industry sector improved to a growth of 7.9 percent in the second quarter of 2021 compared to a contraction of 0.5 percent in the second quarter of 2020. This was mainly on account of improved performance of the Manufacturing and, Electricity and Water supply sectors.

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Table 1. 1: Sectoral GDP performances in the recent past

Sectors	Sector Growth (%)												
	2019					2020					2021		
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q1-Q2
Primary Industry	**4.5**	**3.4**	**0.9**	**1.6**	**2.7**	**4.1**	**4.9**	**4.3**	**6.0**	**4.9**	**0.7**	**(0.1)**	**0.3**
Agriculture, Forestry and Fishing	4.8	3.2	0.7	1.3	2.6	4.3	4.9	4.2	5.8	4.8	(0.1)	(0.9)	(0.5)
Mining Quarrying	(1.2)	7.0	5.5	6.4	4.3	6.4	4.4	7.0	9.2	6.7	16.4	17.7	17.1
Secondary Sector (Industry)	**3.2**	**4.2**	**3.5**	**2.6**	**3.4**	**4.7**	**(0.5)**	**3.3**	**7.7**	**3.8**	**3.7**	**7.9**	**5.8**
Manufacturing	2.5	4.1	2.6	0.9	2.5	2.2	(4.7)	(1.7)	3.8	(0.1)	1.5	9.6	5.5
Electricity and Water supply	3.0	1.5	1.5	0.9	1.7	1.5	(4.7)	0.2	3.5	0.1	2.0	5.2	3.6
Construction	4.6	5.5	6.1	6.2	5.6	10.4	8.2	12.5	16.2	11.8	7.8	6.5	7.2
Tertiary Sector (Service)	**6.7**	**7.6**	**6.6**	**5.9**	**6.7**	**3.8**	**(6.7)**	**(4.6)**	**(1.0)**	**(2.2)**	**2.1**	**15.7**	**8.9**
Wholesale and Retail trade	4.6	6.4	5.3	4.8	5.3	4.9	(4.2)	(5.0)	2.6	(0.4)	7.4	9.5	8.4
Accommodation and Restaurant	15.6	11.7	11.9	17.6	14.3	(8.1)	(56.8)	(63.4)	(62.2)	(47.7)	(48.8)	9.1	(19.8)
Transport and Storage	6.8	8.8	4.6	5.2	6.3	2.2	(16.8)	(10.1)	(6.1)	(7.8)	(8.7)	16.9	4.1
Information and Communication	9.5	7.5	7.1	6.1	7.5	5.6	2.6	3.2	7.6	4.8	16.1	25.2	20.7
Financial and Insurance	6.1	8.0	9.3	4.4	6.9	7.5	4.4	3.0	7.4	5.6	9.4	9.9	9.7
Public Administration	9.0	10.8	10.2	9.7	9.9	4.0	2.7	6.3	8.4	5.3	9.1	13.0	11.0
Other	6.1	6.3	6.0	5.6	6.2	3.4	(7.9)	(5.6)	(3.2)	(3.5)	1.5	19.4	10.4
Real Estate	7.0	7.0	6.7	6.2	6.7	5.4	4.6	3.7	2.7	4.1	4.5	4.9	4.7
Education	3.8	3.4	5.6	6.2	4.7	1.8	(22.4)	(17.4)	(5.3)	(10.8)	10.0	67.6	38.8
Health	5.7	6.1	6.8	6.4	6.2	7.4	9.8	5.2	4.7	6.7	9.1	10.0	9.6
Taxes less subsidies	(1.5)	5.3	4.3	6.7	3.7	5.1	(20.8)	(8.5)	(6.4)	(7.9)	(14.5)	0.5	(7.0)
Real GDP	**4.8**	**5.9**	**4.8**	**4.4**	**5.0**	**4.4**	**(4.7)**	**(2.1)**	**1.2**	**(0.3)**	**0.7**	**10.1**	**5.4**
Of which Non-Agriculture	5.6	6.8	5.9	4.8	5.8	4.3	(5.5)	(2.8)	1.2	(0.7)	2.8	14.7	8.7

Source: 2022 BPS

Electricity and Water supply sector grew by 5.2 percent in the second quarter of 2021 compared to a 4.7 percent contraction in the second quarter of 2020. The increase in electricity generation was notable from all sources except geothermal. Electricity generated from both thermal and wind expanded by about 69.0 percent in the second quarter of 2021 compared to a contraction of 64.9 percent and 29.3 percent, respectively, in the same quarter of 2020. Electricity generated from hydro increased by 4.6 percent in the second quarter of 2021.

The Manufacturing sector grew by 9.6 percent in the second quarter of 2021 compared to a contraction of 4.7 percent in the same period of 2020. This was supported by an improvement in the manufacture of food (6.7 percent) and nonfood products (12.2 percent). The improved production of non-food products was evident in the assembly of motor vehicle (10.0 percent) and manufacture of galvanized iron sheets (34.5 percent) and, paper and paper products (13.5 percent).

The Construction sector relatively declined to a growth of 6.5 percent in the second quarter of 2021 compared to 8.2 percent in the second quarter of 2020. However, cement consumption increased by 29.3 percent in the second quarter of 2021, pointing to sustenance of performance in economic activities in the sector.

The activities in the Services sector improved significantly in 2021 due to the easing of the containment measures and the 2020 base effect. The sector grew by 15.7 percent in the second quarter of 2021, compared to a contraction of 6.7 percent in the second quarter of 2020. The contraction in 2020 was due to government measures put in place to combat the spread of the COVID-19 pandemic.

Accommodation and Restaurant sector grew by 9.1 percent in the second quarter of 2021 compared to a contraction of 56.8 percent in the second quarter of 2020. This was evident in the improvement of the number of visitor arrivals and hotel operations in the review period following relaxation of most of the restrictions related to the COVID-19 pandemic.

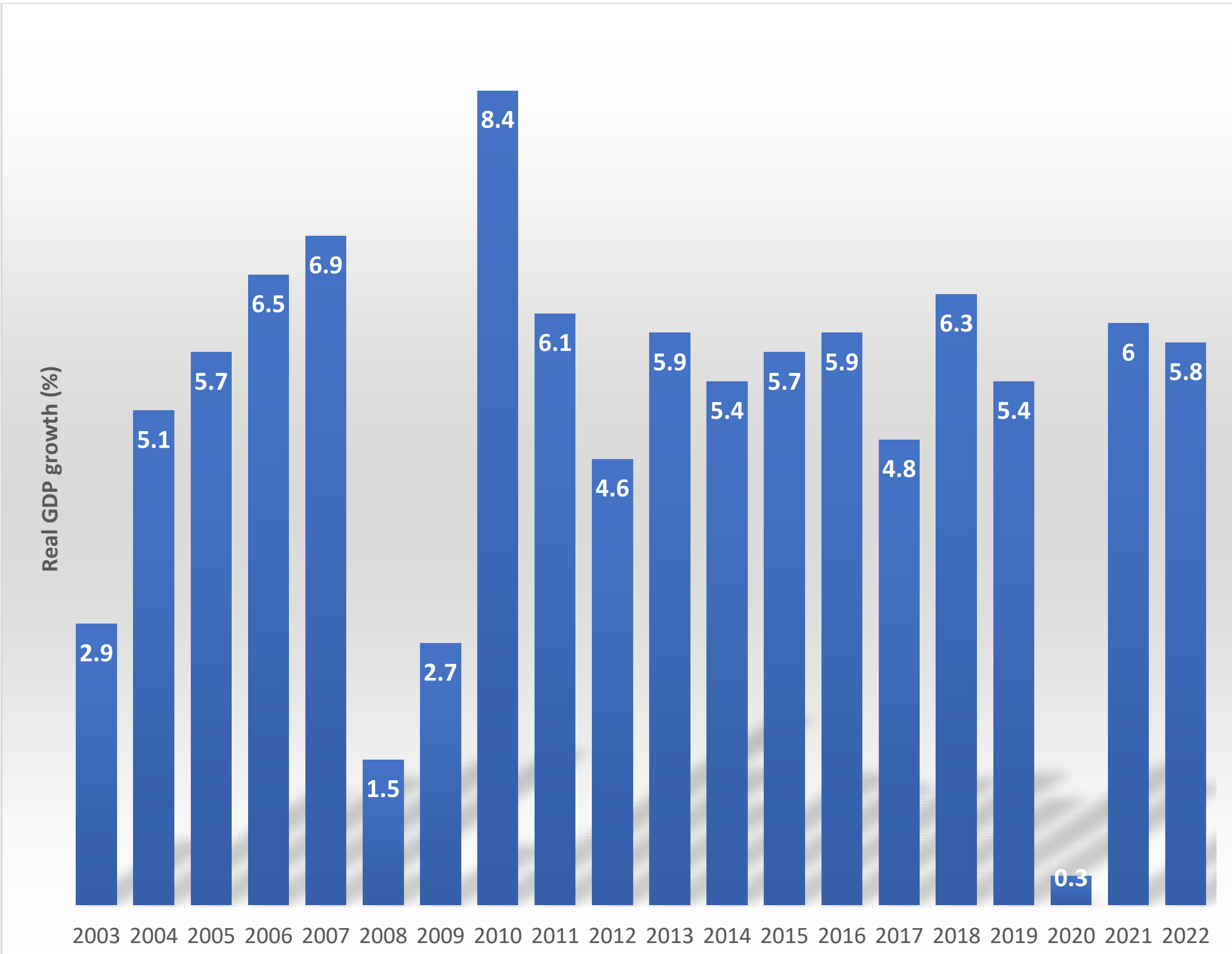
Transportation and Storage sector grew by 16.9 percent in the second quarter of 2021 compared to a contraction of 16.8 percent in the second quarter of 2020. The accelerated growth was as a result of lifting of restrictions on domestic and international movement which were in place in the second quarter of 2020. Freight movement, passenger transport and the number of visitors arrival through Standard Gauge Railway (SGR) increased in the second quarter of 2021 compared to the second quarter of 2020.

Similar to the global economy, Kenya's economy is projected to rebound in 2021 to 6.0 percent from an earlier projection of 7.0 percent in the BPS, 2022. The downward revision was due to the impact of containment measures between March and July period as a result of the third wave of the COVID-19 pandemic as illustrated in Figure 1.2.

The recovery in 2021 reflects the lower base of 2020 when most service sectors were adversely affected by the closure of the economy thereby recording negative growths. The outlook in 2021 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, Economic Recovery Strategy and other priority programmes as outlined in the Third Medium Term of Vision 2030 and CIDP 2018-2022 for National and County Governments respectively. Weather conditions are expected to be favourable supporting agricultural output. As a result, exports of goods and services will expand as global demand normalizes.

Figure 1. 2: Trends in Kenya's Economic Growth Rates, Percent



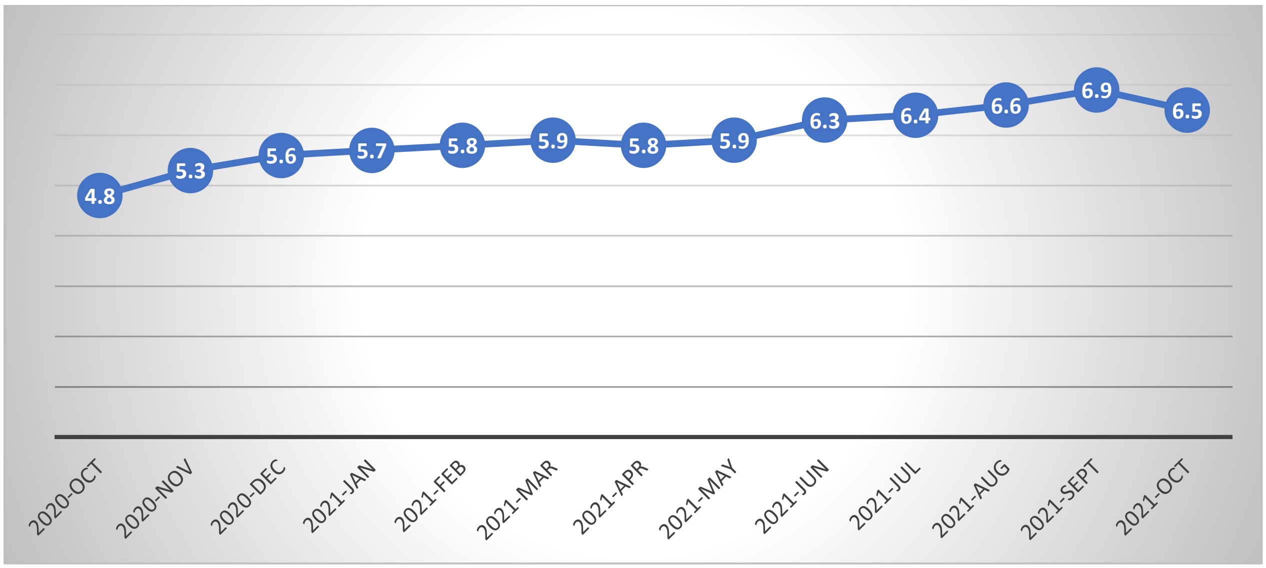
Source: National Treasury, 2021

Both levels of Governments are currently focusing on the implementation of the Economic Recovery Strategy (ERS) that aims at restoring the economy to a strong growth path, creating jobs and economic opportunities across all regions of the country with a view to tackling social and income inequalities. It is expected that the successful implementation of the Economic Recovery Strategy which is also aligned to the "Big Four" Agenda will promote inclusive growth and transform the lives of Kenyans.

1.2.2 Inflation rates

Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since end 2017. The year-on-year inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven by higher food prices. However, the inflation rate remained within the target range supported by muted demand pressures as illustrated in Figure 1.3.

Figure 1. 3: Inflation trend over the last 12 months.

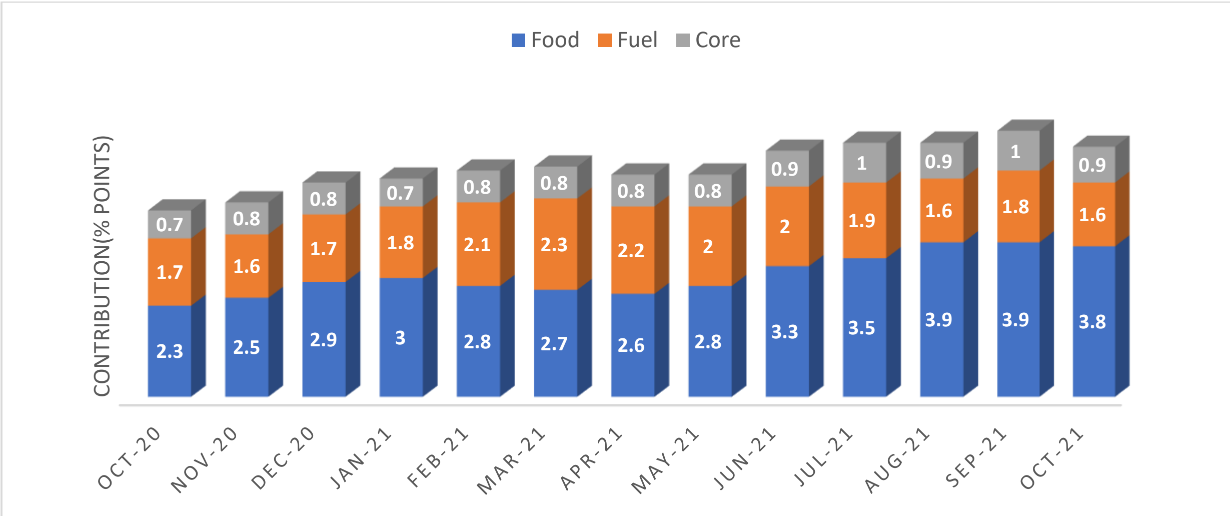


Source of data: KNBS, website

Food inflation remained the main driver of overall inflation in October 2021, contributing 3.8 percentage points, an increase, compared to a contribution of 2.3 percentage points in October 2020. The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly tomatoes, spinach, beef with bones, onions, oranges and Potatoes (Irish). Fuel inflation contributed 1.6 percentage points to overall inflation in October 2021 compared to 1.7 percentage points in October 2020 following relatively lower international oil prices largely on account of buildup of oil inventories amid concerns on supply growth.

The contribution of core inflation to overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies. The contribution of core inflation to overall inflation increased to 0.9 percentage points in October 2021 from 0.7 percentage points in October 2020, reflecting a pick-up in economic activity and the effects of the implemented tax measures as illustrated in Figure 1.4.

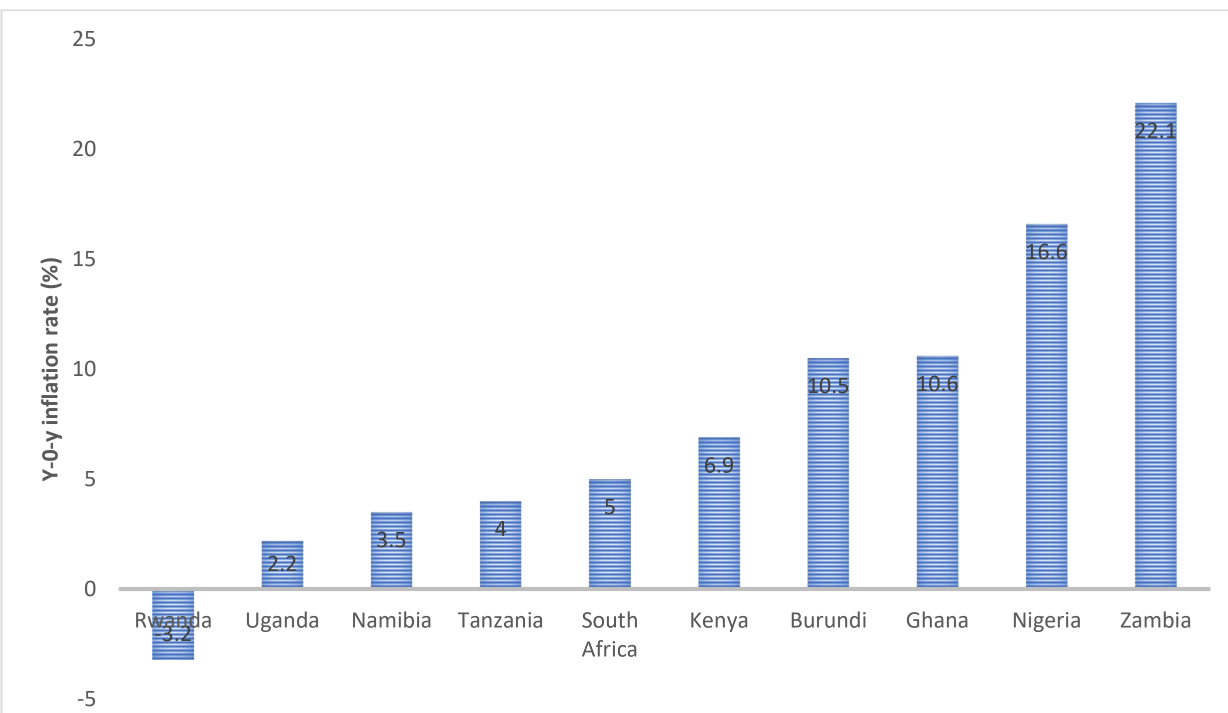
Figure 1. 4: Contributions to Inflation, Percentage Points.



Source of data: KNBS, website

Kenya's rate of inflation remained high in the recent past when compared to the rest of Sub-Saharan Africa countries. In September 2021, Kenya's inflation was higher when compared to most countries in the East Africa Community, but lower when compared to Ghana, Nigeria and Zambia as illustrated in Figure 1.5.

Figure 1. 5: Inflation Rates in selected African Countries (September, 2021)



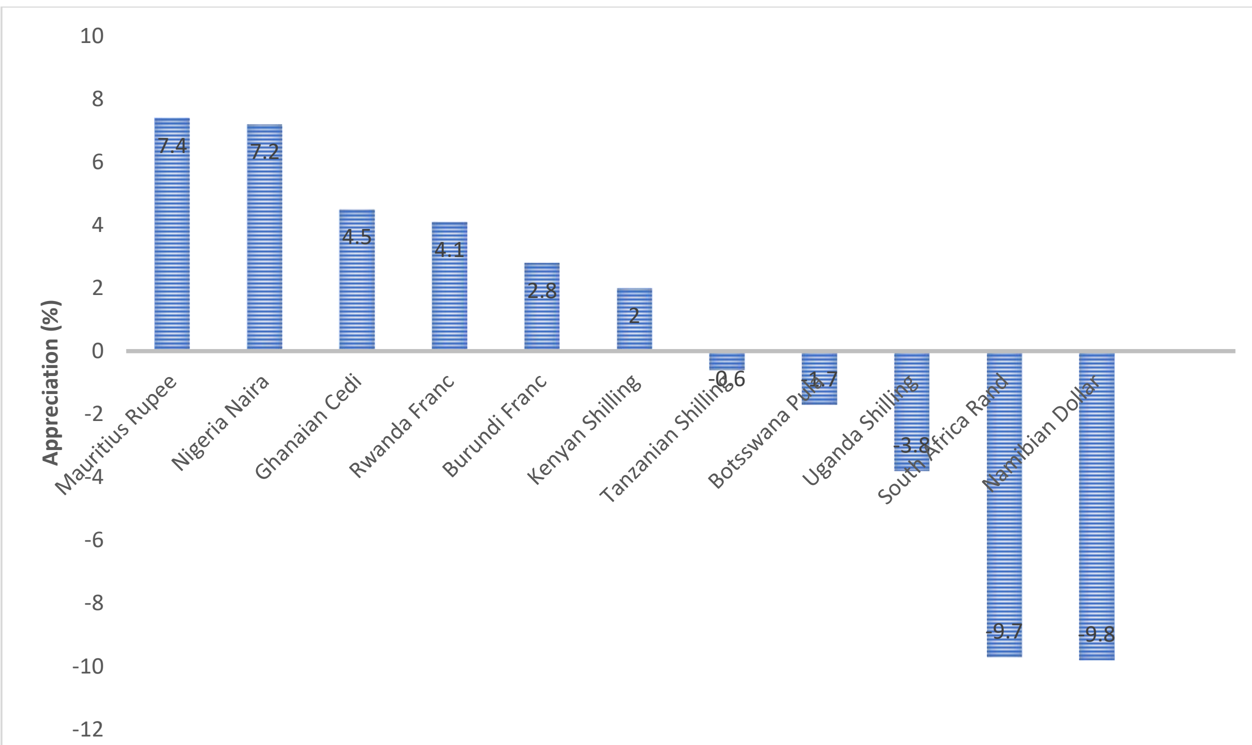
Source: Various National Central Banks.

1.2.3 Kenya Shilling Exchange Rate

The foreign exchange market has largely remained stable but was partly affected by tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic. In this regard, the Kenya Shilling to the US Dollar exchanged at KShs.110.9 in October 2021 compared to KShs.108.6 in October 2020.

In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 2.0 percent against the US Dollar in the year to October 2021 as illustrated in Figure 1.6.

Figure 1. 6: Performance of selected currencies against the US dollar (October 2020 to October 2021)



Source: Various National Central Banks.

1.2.4: Interest Rates

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.00 percent on 28th September 2021 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by COVID-19 pandemic. The money market was relatively liquid in October 2021 supported by Government payments. As such, the interbank rate remained low but increased slightly to 5.3 percent in October 2021 from 2.7 percent in October 2020.

Interest rates on the Treasury bills remained relatively stable in October 2021. The 91-day Treasury Bills rate was at 7.0 percent in October 2021 compared to 6.5 percent in October 2020. Over the same period, the 182-day Treasury Bills rate increased to 7.4 percent from 6.9 percent while the 364-day also increased to 8.3 percent from 7.8 percent.

The improved liquidity in the money market has resulted in unstable commercial bank rates. The average lending rate remained stable at 12.1 percent in August 2021 compared to 11.9 percent in August 2020 while the average deposit rates declined from 6.6 percent to 6.3 percent over the same period.

1.2.5 Credit

According to the 2022 BPS, the private sector reported a growth of 7.7 percent in the 12 months to September 2021 compared to a growth of 7.6 percent in the year to September 2020 as illustrated in Table 1.2. All economic sectors, except mining and quarrying, registered positive credit growth rates reflecting improved demand as economic activities picked up in the first three quarters of 2021. Strong credit growth was mainly observed in consumer durables (17.6 percent); finance and insurance (11.7 percent); transport and communication (10.9 percent); manufacturing (9.8 percent) and business services (7.6 percent).

The sectors in point are vibrant in Kisii County, hence, there is no doubt that the residents are the beneficiaries of the credit. According to the Central Bank of Kenya (CBK) records, Kisii County controls over 60 percent of money in circulation in the Nyanza region necessitating the establishment of the CBK currency hub in Kisii. The Credit Guarantee Scheme for the vulnerable Micro, Small and Medium Enterprises (MSMEs) that was launched in October 2020, continues to de-risk lending by commercial banks and is critical to increasing credit flow to the sector.

Table 1. 2: Growth in Credit over the years in KShs. Billion

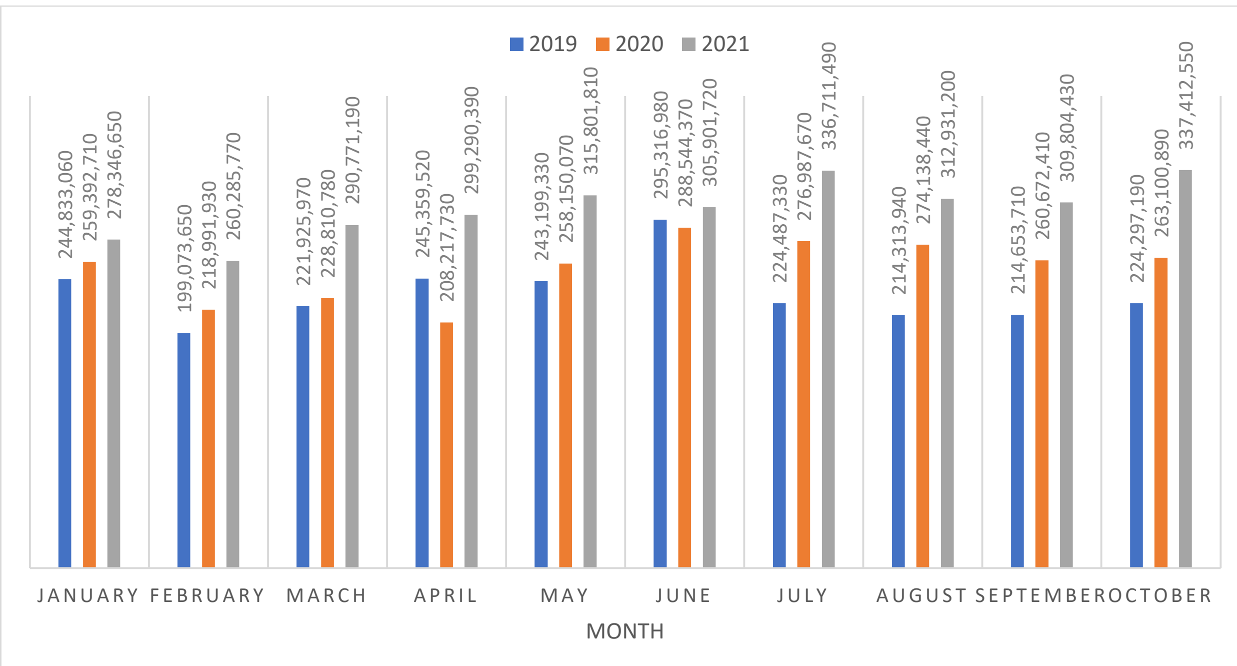
	2019 September	2020 September	2021 September
Domestic Credit	3,566.6	4,051.4	4,588.0
Government net	894.3	1,196.0	1,527.9
Other public sectors	99.8	88.7	80.8
Private sector	2,572.4	2,766.7	2,979.3

Source: CBK, 2021

1.2.6 Diaspora Remittances

Despite the global challenge, diaspora remittances have continued to register growth. For a period of ten months in 2021, diaspora remittance grew to USD 3 billion from USD 2.5 billion in the same period in 2020. Figure 1.7 presents the comparison between 2019, 2020 and 2021 over a period of ten months. Diaspora remittances are normally sent to support friends and relatives as well as for investment purposes. In most cases, investment by the diaspora is in the construction industry especially in real estate and this sector recorded growth. There are so many sons and daughters of Omogusii in America and Europe who normally send money home for investment and support due to strong ties at home. Therefore, there is no doubt that the bulk of the diaspora remittances get its way to Kisii County. This may partly justify the huge money in circulation in the county given that Kisii is not an industrial county.

Figure 1. 7: Comparison of diaspora remittances over the years.



Source: CBK website

1.3 Fiscal Performance

1.3.1 Revenue performance

A total of **KShs.2, 544,840,056** out of a budget of KShs.12, 590,694,978 had been disbursed to the County by 31st October, 2021 representing **20.2** percent of the approved budget. Table 1.3 presents the summary of revenue performance in the first four months of FY 2021/22.

Out of the funds received during the period under review, included KShs.128, 507.146 from World Bank under the Kenya Devolution Support Program “starter pack level II” representing 100 percent of the total budgeted amount.

Table 1. 3: Revenue performance in the first four months of FY 2021/22.

Revenue Stream	Approved Budget KShs.	Amount received as at 31st October 2021 KShs.	% of the amount budgeted.
Equitable Share	8,894,274,509	1,467,555,293	16.5
Leasing of Medical Equipment	153,297,872	0	0
Kenya Devolution Support Program " starter pack level II"	128,507,146	128,507,146	100
National Agricultural and Rural Inclusive Project (NAGRIP)	324,295,427	0	0
Agriculture Sector Development Support Programme-SIDA	26,370,204	0	0
Conditional Allocation-Health Systems for Universal Care	63,079,905	33,464,154	53.1
DANIDA	17,250,750	0	0
European Union Instruments for Devolution Advice and Support	16,140,145	0	0
Urban Development Grant	164,053,800	65,751,721	40.1
Unspent Balances FY 2020/2021	2,103,425,220	783,025,743	37.2
Own Source Revenue (OSR)	700,000,000	66,536,000	9.5
Total	12,590,694,978	2,544,840,057	20.2

Source of data: County Treasury.

Unspent balances accounted for 37.2 percent of the total revenue received in the quarter leaving a balance of **KShs.1, 320,399,477**. Basing on the performance of OSR and unspent balances, there is a need to revise the figures in the supplementary budget downward to avoid carrying over pending bills to the next FY.

The county raised **KShs. 66, 536,000** locally in the first quarter comprising 2.6 **percent** of the total revenue received. The Own Source Revenue (OSR) recorded a growth of **55.3 percent** when compared to the same period in 2020 as presented in Table 1.4. The growth was largely attributed to the easing of COVID-19 containment measures. In the same period in 2020, most sectors of the economy were not fully operational.

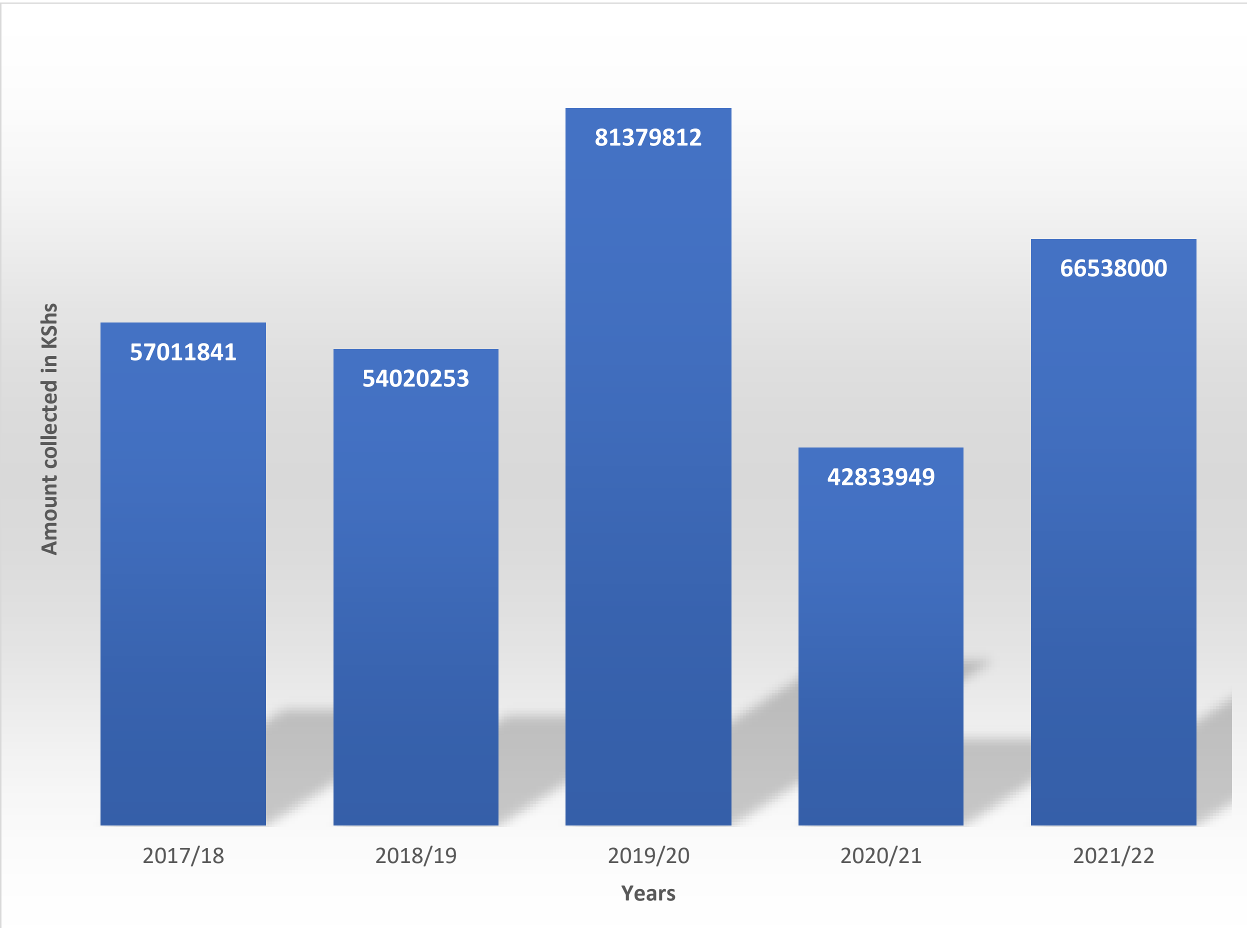
Table 1. 4: Comparison of Revenue in the first quarter over the last five years.

	2017	**2018**	**2019**	**2020**	**2021**
July	13,381,671	17,699,000	26,550,206	13,335,814	26,250,000
August	10,539,181	20,949,235	28,264,642	12,458,637	23,402,000
September	33,088,972	15,370,000	26,562,945	17,037,478	16,884,000
Total	**57,011,841**	**54,020,253**	**81,379,812**	**42,833,949**	**66,536,000**

Source: Kisii County Treasury

However, the amount collected in the quarter is less by **Kshs.14, 841,791** when compared to what was raised in 2019. This implies that the economy is yet to recover from the COVID-19 negative impact. Some of the businesses that were contributing to the County revenue closed shop and some do not have capacity to pay. There is a need therefore to assist the MSMEs to recover from the COVID-19 shocks. Figure 1.8 presents the comparison of revenue collected in the first quarters in the last five years.

Figure 1. 8: Own Source Revenue in first quarter trend over the years.



Source: Kisii County Treasury

1.3.2 Expenditure performance

Total expenditure in the first quarter of FY 2021/22 amounted to **KShs.1, 598,906,467** representing **12.7 percent** of the total approved budget and **62.8 percent** of revenue received in the quarter.

Recurrent expenditure amounted to KShs. **1,280, 871,265** representing **15.0 percent** of the approved recurrent budget and **50.3 percent** of the total revenue received in the quarter. The expenditure is within the required ratio of a maximum of **70 percent** of the total revenue received. Table 1.5 presents the summary of recurrent expenditure across the departments.

Table 1. 5: Recurrent expenditure in the first quarter of FY 2021/22 by department

Department	Approved budget FY 2021/22 in KShs	Actual expenditure in the first quarter	Absorption rate (%) of the total approved budget
County Assembly	949,524,697	146,701,104	15
Office of the Governor and Deputy Governor	479,667,952	71,081,253	15
Administration and Stakeholders Management	548,033,805	77,393,871	14
Finance and Economic Planning	1,245,763,708	167,780,523	13
Agriculture, Livestock, Veterinary, Fisheries and Cooperative Development	494,431,604	58,589,833	12
Energy, Water, Environment and Natural Resources	196,273,131	27,826,859	14
Education, Labour and Manpower Development	623,517,045	73,270,990	12
Health Services	3,100,662,216	569,429,234	18
Lands, Physical Planning and Urban Development	200,259,000	25,029,780	12
Roads, Housing and Public Works	271,500,000	26,372,425	10
Trade, Industry and Tourism	136,678,979	13,900,564	10
Culture and Social Services	106,579,055	12,368,239	12
Kisii Municipality	170,937,287	11,126,590	7
Total	8,523,828,479	1,280,871,265	15

Source: County treasury

Development expenditure on the other hand amounted to KShs.317, 935,202 representing 7.8 percent of the approved development budget and 12.5 percent of the total revenue received in the quarter. This is below the projected ratio of at least 30 percent of the total revenue received in the quarter. Table 1.6 presents the summary of development expenditure across the departments.

Table 1. 6: Development expenditure in the first quarter of FY 2021/22 by department

Department	Approved budget FY 2021/22 in KShs	Actual expenditure in the first quarter	Absorption rate (%) of the total approved budget
County Assembly	106,216,911	0	0
Office of the Governor and Deputy Governor	35,300,000	0	0
Administration and Stakeholders Management	84,341,194	0	0
Finance and Economic Planning	86,841,490	0	0
Agriculture, Livestock, Veterinary, Fisheries and Cooperative Development	707,008,476	125,104,515	12
Energy, Water, Environment and Natural Resources	214,812,876	8,425,727	4
Education, Labour and Manpower Development	153,887,534	1,707,115	1
Health Services	1,098,782,264	46,461,505	4
Lands, Physical Planning and Urban Development	105,596,362	4,536,970	4
Roads, Housing and Public Works	983,475,722	63,931,762	7
Trade, Industry and Tourism	93,242,813	2,056,580	2
Culture and Social Services	140,924,074	15,003,925	11
Kisii Municipality	261,136,783	50,707,103	19
Total	4,071,566,499	317,935,202	8

Source: County Treasury, FY 2021/22 first quarter report

1.4 Fiscal Policy

Going forward into the medium term, the County Government of Kisii will continue with its expenditure prioritization policy with a view to achieving the transformative development agenda which is anchored on provision of core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies, creation of employment opportunities and improving the general welfare of the people. The volume of 2018 pending bills is expected to decline from **KShs.108** million as at 30th June, 2021 (2022 BPS) to **0** in June 2022 and pending bills incurred in the FY 2021/22 to be less than KShs.200million June 2021.

To achieve this target, the County Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization. Revenue performance will be underpinned by the on-going reforms in revenue collection through digital platforms and revenue administration and boosted easing of containment measures which has seen many businesses return to operational.
The domestic revenue is expected to increase from **KShs 403 million** recorded in FY 2020/21 to **KShs.450 million** in the FY 2022/23 and **KShs.500 million** in FY

2023/24. To mobilize revenues, the Government has put in place revenue enhancement measures to boost performance and cushion against further revenue shortfalls by strengthening revenue collection administration and compliance. The measures will include:

i. Strengthening Internal audit function in revenue department;
ii. Enhanced land rates arrears collection programme;
iii. Identification and elimination of revenue administration gaps and stop revenue leakages, including leveraging on information technology to improve collection efficiency, through the use of third-party data;
iv. Broadening the revenue base;
v. Updating the valuation roll.

1.5 Economic Outlook

Kisii County's economic growth prospects for the FY 2022/23 and over the medium term will largely be influenced by the national growth prospects, the emerging global and national challenges posed by COVID-19, 2022 general election and the County internal risks. In this respect, Kenya's economic growth in 2021 is estimated at 6.0 percent reflecting recovery due to reopening after the closure associated with the COVID-19 pandemic .The easing of the containment measures in 2021 has led to increased economic activities which has resulted to increase of Own Source Revenue in the first quarter of FY 2021/2022 when compared to the first quarter of FY 2020/21. OSR is, therefore, estimated to grow to KShs 450 million in FY 2022/23 and register positive growth over the medium term.

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

1.6 Risks to Economic Outlook

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

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

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

CHAPTER TWO

ACCELERATING ECONOMIC RECOVERY FOR IMPROVED LIVELIHOOD

2.1Overview

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

The 2022 CFSP, therefore, articulates priority economic policies and structural reforms as well as departmental expenditure programs to be implemented under the Medium-Term Expenditure Framework for FY 2022/23– 2024/2025 in order to achieve the Government's development goal of economic transformation for a shared prosperity for all.

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

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

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

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

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

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

2.2.1 Enhanced budgetary allocations to strengthen Health Care Systems.

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

2.2.2 Enhanced Role of the Private Sector in the Recovery Strategy

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

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

2.2.3 Support Recovery and Growth of MSMEs

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

2.2.4 Enhancing ICT capacity for business continuity

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

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

i) Support programmes in partnership with the private sector that will enable households to acquire ICT assets such as smart phones and laptops and increase mobile phone ownership from the low of 43.8 percent to 100 per cent in line with the global agenda for Universal Access to Mobile Telephony.
ii) Adopt programmes to ensure ubiquitous access to reliable and affordable internet (internet everywhere) by applying aerial and satellite-based communication technologies.
iii) Focus on the balanced development of information infrastructure and technological innovation capabilities through development of ICT centers in vocational training centers and in resource centres across the County.
iv) The IT personnel in the County can be deployed to support the development of ICT competence and skills among the public.
v) Enhance internet connectivity to public buildings and key trade centres to boost e-commerce especially for MSMEs in trade and business. The NOFBI programme to be expanded to the sub-county administrative units to further enable deployment of e-governance solutions.
vi) Increase ICT budgetary allocation. This is aimed at giving strategic prominence to planning, budgeting and investment in ICT.
vii) Review and implement ICT policies and procedures to manage ICT and mitigate cyber threats. Collaborate with the National Computer Incident Response Team (CIRT) and the Communications Authority (CA) towards managing cyber threats, disasters and pandemics. This is because enhanced use of ICT is known to raise threats and risks related to cyber-crime and misinformation

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

Kisii County is affected by a number of disasters ranging from fire outbreaks to collapse of buildings. The County has a County Disaster Management Act and a

County Emergency Health Services Fund Act. However, the County has also been adversely affected by COVID-19, prompting the need to:

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

2.2.6 Mainstreamed Diaspora Resources to Support the ERS

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

2.3 Achieving the County Priorities

The medium-term expenditure framework for 2022/23 – 2024/25 ensures resource allocation based on prioritized programmes are aligned to the “Big Four” agenda. It also focuses on the strategic theme of “kick starting the County transformative agenda” towards an accelerated economic growth, poverty reduction and employment creation.

The four priorities adopted over the medium term in the County Development Plan (2021) are expected to form an integral part in transforming the local development by creating employment and improving standards of living, building on our competitive base and reducing poverty. In the next fiscal year, county programmes, projects and policies will be guided by the strategic priorities namely:

i. Health Care Services;
ii. Roads and Urban Infrastructure Development;
iii. Agriculture and Value Addition;
iv. Water Reticulation and Environment Conservation;
v. Education (ECD and VTC)

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

2.3.1 Improving Health Care Services

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

Maintaining and improving the health of the population means providing equitable access to health services for all individuals and providing quality services for the majority of health issues. Access to services is not a reality for a large number of individuals and the quality of services is often suboptimal due to: Insufficient numbers of healthcare workers, who are adequately trained, demotivated; Inadequate drugs and other medical products in all public facilities; Inadequate integration of healthcare, which sometimes means interventions happen in isolation leading to waste of resources and effort.

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

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

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

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

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

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

Programmes in this priority area are geared towards the realization of SDGs number 3 and 5.

2.3.2 Roads and Urban infrastructure Development.

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

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

There is a substantial population residing in Kisii Town and other major towns in the County. If managed well, this rapid urbanization can bring significant benefits for business, with concentrations of talent and customers driving innovation and growth, while increasing standards of living for the thousands of individuals who call" the towns" their home. However, such large-scale urbanization also brings with it significant challenges. Established towns need to upgrade their existing, aging infrastructure to keep them moving today while anticipating the needs of tomorrow. Newly gazette urban centers like Ogembo, Marani, Masimba, Mosocho and Nyamarambe have to move fast, not only to catch up with existing demand, but also to plan for future needs. Programmes in this priority are geared towards the realization of SDG numbers 9 and 11.

2.3.3 Agriculture and Value Addition

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

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

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

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

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

To mitigate losses among smallholder farmers and boost their productivity, the County Government in partnership with development partners will construct modern markets with cold storage facilities, encourage sales through SACCOs, and encourage the use and adoption of crop and livestock insurance policies with the goal of cushioning farmers against climate change related risks. This will also contribute to stabilization of farmers' incomes, increased investment in agriculture through leveraged access to finance and enhanced farmers' risk mitigation. In achieving this, the Government will partner with the local financial institutions and insurances firms and development partners. Programmes in this priority area are geared towards the achievement of SDG number 1 and 2.

2.3.4 Water Reticulation and Environmental Conservation

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

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

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

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

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

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

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

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

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

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

To achieve this course, there is a need to invest in environmental conservation and Solid waste management through massive tree planting, removing blue gum trees along the riparian land and water catchment areas, soil erosion control measures, building sewerage structures in urban areas; protection of ecosystems and investing in climate change adaptation mechanisms. Programmes in this priority area will target to achieving SDGs number 6, 7 and 13.

2.3.5 Education

According to the provisions of the Kenyan Constitution, it is the responsibility of the government to educate children, to combat child poverty and to help children overcome educational disadvantage.

Quality early learning and development programmes can foster valuable skills and strengthen our workforce. While on the other hand, vocational training improves productivity and enhances efficiency of labour for better participation in economic development.

Education may not be one of the "Big Four" agenda of the National Government, but it heavily contributes to the realization of the agenda through provision of labour in industries and artisans in designing and construction of decent houses. There is therefore, need to invest in human resources. Early Years in Education (EYE) and Vocational Training Centres (VTC).

During public participation, there was consensus across the centres that there is a need for the County Government to increase funding in education to assist the sub-sector of EYE and Vocational Training to complete stalled classrooms and workshops, recruit teachers and instructors, absorb ECDE teachers to permanent and pensionable and purchase adequate learning materials. Education is key in realization of all the SDGs.

2.4 Conducive Business Environment for Employment Creation

The business environment has been affected by COVID-19 Pandemic and continues to remain uncertain. However, despite all the reservations brought about by the Pandemic, the County Government remains committed to creating and sustaining a conducive business environment by reducing market rates in the Finance Act 2022, enhanced security to attract investors, and promote trade that is geared towards job creation.

2.4.1 Reduction in rates, taxes and levies

Low taxes, rates and levies provides the necessary conducive environment for the private sector investments as a ground for sustained economic growth. The County Government continues to put policies that will stimulate the economy to safeguard livelihoods, jobs, businesses and industrial recovery. In particular, the County Government has kept market rates and levies down to boost economic activity. To ensure full recovery, the County Government will abolish some levies and rates to attract more investment especially among mama mboga and mitumba traders.

Despite the advent of Covid-19 pandemic that has threatened revenue collection, the County Government has strived to promote investment through waivers to encourage investment.

2.4.2 Payment of pending bills

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

2.4.3 Enhancing Security

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

2.4.4 Infrastructure Development for inclusive Growth

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

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

During the FY 2020/21, the Government constructed 200 Km of new roads and rehabilitated 400 Km of roads. Additionally, over the same period, the Government constructed two-foot bridges. Among other major projects that the Government is undertaking is the construction of roads in Kisii Municipality and major roads connecting sub-counties. Going forward, during the FY 2022/23 to FY 2024/25 period, the County Government has committed to construct and maintain 2,000 Km of roads, construct footbridges and construct a bus park in within the Municipality to ease congestion.

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

2. 4.5 Supply of reliable energy

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

2.4.6 Promoting the use of Information Communication Technology (ICT)

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

The Government takes cognizance of the critical role ICT and innovation play in overall national development. As such, the attainment of the county's priorities in realization of the "Big Four" Agenda hinges on the country's ability to reap the full potential of technological advancement and innovations in ICT in the country. Going into FY 2022/23, the Government will continue to make huge investments in the ICT sector, this will greatly improve access to government services and enable the youth access job opportunities even outside Kenya. All the vocational training centres, sub-county offices will be equipped with ICT equipment. Going forward, the Government will digitize its services including revenue collection to leverage ICT connectivity in the County.

2.4.7 Stimulating Tourism Recovery, Sports, Culture and Arts.

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

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

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

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

2.4.8 Empowering Youth and Women for Employment Creation

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

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

CHAPTER THREE

RESOURCE ALLOCATION FRAMEWORK

3.1 Overview

The fiscal framework for the FY 2022/23 Budget is based on the County Government's policy priorities set out in the 2021 ADP and the County Post COVID-19 Economic Recovery Strategy. The framework will continue with the fiscal consolidation policy to strengthen domestic revenue generation and reduction in pending bills. With the fiscal consolidation strategy, departments will have to adopt the culture of doing more with less that is available with a view to promote sustainability and affordability.

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

3.2 Revenue projection

There are three main sources of funding for the County Budget, namely: transfers from the National Government as provided under Article 201 of the Constitution; Own Source Revenue (domestic/local revenue); and Loans and Grants. The resource envelope available for allocation among the spending units is based on the recommendations from the Commission on Revenue Allocation, The Senate, National Assembly, National Treasury, COB and County Treasury. The County is projecting a revenue of KShs. 10.7 billion, KShs.10.5billion and KShs.11.0 billion in the FY 2022/23, FY 2023/24 and FY2024/25 respectively as illustrated in Table 3.1.

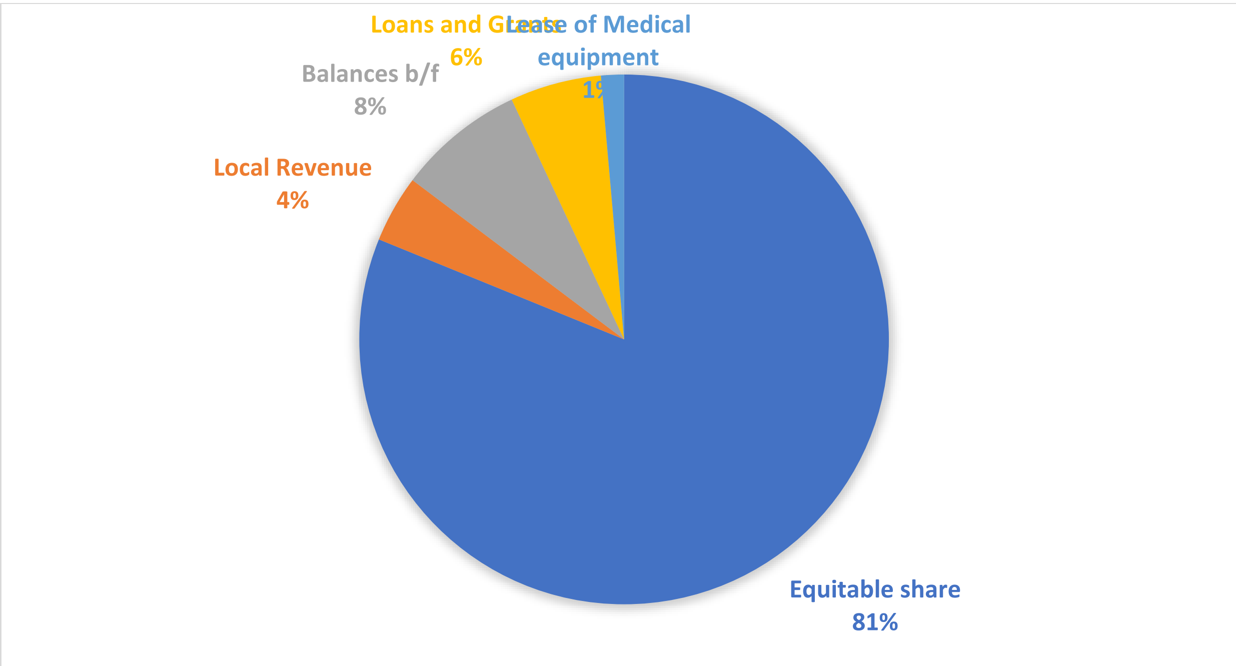
Table 3. 1: projected revenue over the medium term

Source of Revenue	Approved Budget KShs 2021/22	Approved supplementary 2021/22	Proposed KShs 2022/2023	Projections KShs	
				2023/24	**2024/25**
Equitable Share	8,894,274,509	8,894,274,509	8,894,274,509	9,350,000,000	9,800,000,000
Conditional share, Loans and grants	739,697,377	739,697,377	611,190,231	0	0
Lease of medical equipment	153,297,872	153,297,872	153,297,872	0	0
Own source revenue	700,000,000	700,000,000	450,000,000	500,000,000	550,000,000
Balances	2,103,425,220	2,103,425,220	750,000,000	850,000,000	750,000,000
Total	**12,590,694,978**	**12,590,694,978**	**10,858,762,612**	**10,700,000,000**	**11,100,000,000**

Source: County Treasury

The figure for equitable share, is extracted from the 2022 BPS while, domestic revenue figure is based on the revenue trends over the years and underpinned by on-going reforms in revenue administration. The unspent balances are projections from the County Treasury. Figure 3.1 presents the summary of revenue sources and their respective percentages.

Figure 3. 1: Percentages of Revenue Sources in FY 2022/23



Source: County Treasury

3.2.1 Equitable share

Equitable share forms the bulk of financing to the County. It accounts for 81 percent of the revenue. The distribution of equitable share is based on the third generation formula by the CRA. Equitable share finances operations in the County Assembly, Executive and Departments.

3.2.2 Conditional share/ Lease of medical equipment

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

3.2.3 Own Source of Revenue (domestic revenue)

Locally generated revenue will account for 4 percent of the projected County revenue in the FY 2022/23 and over the medium term.

3.2.4 Loans and Grants

The loans and grants account for 6 percent of the total revenue. The grants will specifically finance programmes in the Health, Agriculture and Rural Development Sectors and in infrastructure in Kisii Municipality. Table 3.2 presents the summary of loans and grants in FY 2022/23.

Table 3. 2: proposed loans and grants in the FY 2022/23

No	Item	Department	Amount (KShs)
1	National Agricultural and Rural Inclusive Project (NAGRIP)	Agriculture	324,295,427
2	Agricultural Sector Development Support Program (ASDSP)-SIDA	Agriculture	26,370,204
3	European Union Instruments for Devolution Advice and Support	Agriculture	16,140,145
4	DANIDA	Health	17,250,750
5	Health Systems for universal Care	Health	63,079,905
6	Urban Development Grant	Kisii Municipality	164,053,800
	Total		**611,190,231**

3.2.5 Balances carried forward.

Balances carried forward will account for 8 percent of county revenue. It consists of unreleased funds from the exchequer and unspent balances at the CRF account. Under the provision of PFM Act, 2012 regulations, unspent balances from the previous FY are re-budgeted in the following year. In this regard, the funds will be utilized in paying pending bills.

3.3 Expenditure projection

The total expenditure in the forward budget is expected to contract by **14 percent** from **KShs.12.6 billion** in FY 2021/22 to **KShs.10.8 billion** in FY 2022/23. The decline is due to reduction in balances brought forward, reduction in own revenue sources and reduction in loans and grants as some projects like KDSP have come to an end. In FY 2021/22, balance brought from FY 2020/21 was projected at **KShs 2.1 billion** while in the forward budget, we are projecting balance to be carried forward at **KShs.750 million.** Own revenue sources in the FY 2020/21 were placed at **KShs.700million**, but now projected at **KShs.450 million** due to COVID-19 effect on many businesses and political activities in the year 2022**.** Nevertheless, the expenditure in the forward budget is expected to be within the principle of fiscal responsibility of at least 30 percent of the expenditure going to development.

3.4 FY 2022/23 and Medium-Term Priorities

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

Whilst consolidating earlier gains, the Medium-Term Budget for 2022/23 – 2024/25 will primarily focus on priority programmes aimed at economic recovery and achieving the County Priorities in realization of the “Big Four” Agenda as identified by the public during the public participation exercise conducted between 16th and 18th November, 2021 in all the sub-counties. The priorities include: Health Services, Roads and Urban Infrastructure Development, Agriculture and value addition and Water Reticulation and Environmental Conservation and Education.

These priorities notwithstanding, the Government will strive to ensure that public spending leads to high quality outcomes within a sustainable and affordable framework.

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

3.5 Budgetary Allocations for the FY 2022/23 and the Medium Term

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

While the allocation among the ten departments in the executive with a mandate of implementing projects that affect the public will be based on the criterion discussed herein. Table 3.3 presents the ceilings for FY 2022/23 and the medium-term and details of economic classification are presented in Table 3.4. The baseline estimates reflect the current departmental spending levels in sector programmes. In the recurrent expenditure category, non-discretionary expenditures take first charge. These include payment of pending bills, salaries for staff and pensions. Development expenditures have been shared out on the basis of the flagship projects in the CIDP and the ADP priorities. The following criteria was used in apportioning capital budget:

- **Pending bills:** emphasis was given to completed works that have not been paid for. It is now a requirement that departments must pay pending works before giving out new works.

- **On-going projects**: emphasis was given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation.
- **Counterpart funds**: priority was also given to adequate allocations for donor counterpart funds which is the portion that the Government must finance in support of the projects financed by development partners.
- **Post-COVID-19 Recovery**; Consideration was further given to interventions supporting Kisii County Post-Covid 19 Economic Recovery.
- **Strategic policy interventions**: further priority was given to policy interventions covering the entire county in the four priority areas.

Table 3. 3: Summary of Budget Allocations for the FY2022/23 – 2024/25 (KShs Million)

Institution	Approved budget FY 2021/22 (KShs.)	Approved Revised budget (supp) KShs	Proposed Budget FY 2022/23 (KShs.)	Projections	
				2023/24 (KShs.)	2024/2025 (KShs.)
County Assembly	1,055,741,608	1,101,585,582	999,000,000	1,000,000,000	1,000,000,000
Executive (Governor's Office)	510,267,952	496,337,952	450,000,000	450,000,000	450,000,000
Administration and Stakeholders Management	632,374,999	630,314,999	603,000,000	510,000,000	550,000,000
Finance and Economic Planning	1,332,605,198	1,383,705,097	1,000,000,000	1,120,000,000	1,200,000,000
Energy, Water, Environment and Natural Resources	411,086,007	394,731,007	450,000,000	450,000,000	420,000,000
Education, Labour and Manpower	777,404,579	639,404,579	800,000,000	780,000,000	800,000,000
Health Services	4,199,444,480	3,965,331,432	3,460,762,612	3,650,000,000	3,950,000,000
Trade, Industry and Tourism	229,921,792	224,912,792	250,000,000	230,000,000	230,000,000
Roads, Public Works and Housing	1,254,975,722	1,509,000,722	800,000,000	800,000,000	800,000,000
Lands, Physical Planning and Urban Development	305,855,362	302,105,362	476,000,000	350,000,000	350,000,000
Culture, Youth, Sport and Social Services	247,503,129	248,583,129	200,000,000	310,000,000	300,000,000
Agriculture, Livestock, Veterinary Services, Fisheries and Cooperative Development	1,201,440,080	1,290,708,255	916,000,000	650,000,000	650,000,000
Kisii Municipality	432,074,070	403,974,070	454,000,000	400,000,000	400,000,000
Total	**12,590,694,978**	**12,590,694,978**	**10,858,762,612**	**10,700,000,000**	**11,100,000,000**

Table 3. 4: Proposed sharing of funds by economic classification per department (FY 22/23)

Department	Proposed total Budget (KShs) Million	Proposed Development (KShs) Million	Proposed Operation and Maintenance (KShs) Million	Proposed Personnel emolument (KShs) Millions
County Assembly	999	50	344	605
County Executive and Public Service board	450	50	190	210
Administration and Stakeholder Management	603	60	103	440
Finance and Economic Planning	1,000	100	340	560
Agriculture, Livestock Fisheries & Co-operative Development	916	521	115	280
Energy, Water, Environment and Natural Resources	450	300	70	80
Education, Labor, and Manpower Development	800	300	50	450
Health Services	3,460	400	300	2,760
Lands, Physical Planning and Urban Development	476	286	100	90
Roads, Public Works and Housing	800	600	55	145
Trade Tourism and Industry Development	250	150	40	60
Culture, Sports, Youth and Social Services	200	75	60	65
Kisii Municipality	454	328	76	50
Totals	**10,858**	**3,220**	**1,843**	**5,795**

3.5.1 County Assembly

This department plays a key role in the implementation of development programmes in the County through oversight and legislation. It also plays the role of strengthening the democratic space and governance in the County. To this end, in the FY 2022/2023 the department has been allocated a total of **KShs.999M** to implement programmes where the bulk of the funds will be for recurrent expenditure, to cater for salaries for staff, allowances for MCAs and for general office operation.

3.5.2 Executive (Governor's Office)

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

To meet its mandate, the office has prioritized various programmes for implementation in the FY 2022/23 namely: executive services, public advisory services, county attorney services, communication services, protocol and liaison services and general administration and planning services. In order to implement the prioritized programmes, the Sector has been allocated **KShs 450** million for the 2022/23 financial year.

3.5.3 Administration and Stakeholder Management

The department plays a key role in linking all other departments with key stakeholders, coordinating, and supervising the day-to-day County Government affairs, and managing human resources for efficient and effective service delivery. To enable it to discharge the above, the department has been allocated **KShs.603M** in the FY 2022/23 to settle pending bills, complete ongoing works and cater for recurrent expenses including maintaining the fire engine and general office operations. Allocation to the department has declined by KShs.27 million when compared to what was allocated in FY 2021/22 due completion and payment of most pending bills.

3.5.4 Finance and Economic Planning

This department is mandated to provide overall leadership and policy direction in resource mobilization, management and accountability for quality public service delivery. Strategies to attain the overall goal include strengthen the directorate of Monitoring and Evaluation , continuous training of staff on e-Procurement and adherence to the provisions of PFM Act, Participatory planning and budgeting as well as mainstreaming cross cutting issues to planning and budgeting, purchasing insurance policies for all County assets and purchasing motor vehicles. To achieve this, in the FY 2022/2023, department has been allocated **KShs 1.0** billion

3.3.5 Agriculture and Cooperative Development

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

The sector aims to address the above challenges by raising agricultural productivity through improvement in the provision of extension services; improved livestock and crop breeds through subsidized husbandry services and promotion of sustainable management of fisheries and forestry. To achieve the above targets, KShs **916 million** has been allocated for the sector in the 2022/2023 budget. The amount includes KShs.366M loans and Grants comprising KShs.324M for NAGRIP, KShs.26M for ASDSP and KShs.16M for EU-IDEAS.

3.3.6 Energy, Water, Environment and Natural Resources

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

The department envisions to encourage the usage of green energy, supply clean and safe drinking water through rehabilitation and expansion of the existing water schemes and spring protection, drilling boreholes, encouraging and supporting roof harvesting in public institutions. The goal in the medium term is to reduce the distance to the water points through water reticulation. The sector will increase water connectivity within Kisii Municipality, increase forest cover by establishing a tree nursery, replacing blue gum trees through planting environmental friendly trees along the riparian land and other water catchment areas. To achieve its objective, the sector has been allocated **KShs. 450** in the FY 2022/2023. Allocation to the sector increased by KShs.56million from KShs.394million allocated in the FY 2021/22.

3.3.7 Roads, Public Works and Housing

The sector is a key enabler for sustained development of the economy through provision of the necessary infrastructure. In order to provide the infrastructure, the sector will develop motor and non-motor (MT&NMT) road transport systems, supervision of buildings among others. The sector faces a number of challenges that limit its optimal operations, including; inadequate road construction equipment, topographical problem, and encroached road reserves, continuous heavy rains which destroy roads and sweep culverts among others. The total budget estimate for the sector is **KShs 800M** in FY 2021/2022.

3.3.8 Health Services

The department is responsible for providing equitable and affordable health care to the County residents. To achieve this, the department will construct and equip the health facilities within the County, provide ambulatory services, purchase of pharmaceutical and non-pharmaceutical supplies, develop health human resources among others. To achieve the above the department has been allocated **KShs 3.460**billion in FY 2022/2023. The amount includes KShs.80M for loans and grants comprising KShs.17M from DANIDA and KShs.63M for universal health care. The two funds are supporting operation and maintenance expenses. The ceiling to the sector has shrunk from KShs 3.9 billion in FY 2021/22 to KShs.3.4 billion in FY

2022/23 due to decline in loans and grants, completion of major projects like mother to child wing, Nduru, Marani, Kiamwasi and payment of most pending bills in sub-county hospitals and other health facilities.

3.3.9 Trade, Tourism and Industry

This department is responsible for market development, promotion of tourism development, creating an environment conducive for investment and establishment of County Trade Scheme.

To achieve these goals, the County Government has allocated **KShs 250M** in FY 2022/2023. The allocation to the Sector has recorded a growth of KShs.25million when compared to KShs. 225 million allocated in FY 2021/22. The additional money will be channeled towards operationalizing the County Trade Scheme to cushion MSME from the negative impact of COVID-19 and construction of market shades.

3.5.10 Education

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

In the FY 2022/2023, the sector intends to put up more ECD centers, purchase learning materials and construct necessary facilities for ECD centers. For village polytechnics, the sector intends to construct workshops and purchase tools. Further, the sector intends to absorb EYE teachers and instructors into permanent and pensionable schemes and employee additional EYE teachers. To this end, the sector has been allocated **KShs 800** in FY 2022/2023. The allocation to the sector has increased from KShs.639 million allocated in the FY 2021/22.

3.5.11 Lands, Physical Planning and Urban Development

The department is responsible for preparation of physical development plans (PDPs) and spatial plans, street lighting programme, solid waste management, construction and maintenance of urban roads, beaconing of public land and aid in dispute resolution of land related matters. To achieve the above targets, in the FY 2022/2023, the sector has been allocated **KShs**. **476M.** The allocation to the sector has increased by KShs.173 million. The additional funds will be used to develop infrastructures in the newly gazzeted Towns and Municipalities, namely: Ogembo, Kenyenya, Marani, Nyamarambe, Suneka and Nyamache and Masimba. It will also ensure regular collection of garbage from markets.

3.5.12 Culture, Youth, Sports and Social Services

The sector is involved in vocational rehabilitation and training; social infrastructure development and gender mainstreaming; provision of safety nets to the elderly and vulnerable groups, community support services; prevention and promotion of County culture and heritage; provision of public library services; training of youth in life skills and refurbishment of sports facilities. Though some of the programmes are executed by the National Government, the County Government is undertaking for the wellbeing of the residents. To achieve the above targets, the sector has been allocated **KShs. 200M** in FY 2022/2023. Allocation to the sector has declined from KShs.248 million allocated in the FY 2021/22 due to completion of Simion Nyanchae Stadium which was the main project in FY 2021/22.

3.5.13 Kisii Municipality

This is a sub-department in charge of the management of Kisii Municipality through provision of services and infrastructure for the municipal residents. Some of the services provided include; construction of walkways and backstreet roads, waste management; disaster response services; provision of safe and clean water; improved sewerage systems among others. The sector intends to rehabilitate the drainage system, improve access to clean and safe water, ease congestion, organize the transport system, and name major streets in the municipality. To achieve the above targets, in the FY 2020/2021 budget, the county has allocated the department **KShs 454M.** The amount includes an Urban Grant of KShs. 164M. Allocation to the sub-sector has increased from KShs.403 million allocated in FY 2021/22. The additional KShs.50million is to rehabilitate the water system within the CBD.

CHAPTER FOUR

FINANCIAL MANAGEMENT

4.1 Compliance with fiscal responsibility principle

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM County Government Regulations, 2015 and in keeping with prudent and transparent management of public resources, the Government has adhered to the fiscal responsibility principles as set out in the statute as follows:

(a)Consistent with the requirements of the law, the County Government's allocation to development expenditures was above the 30 percent of its total budget in the FY 2020/21, development was allocated a total of KShs.4.3 billion out of a total budget of KShs. 12.7 billion represents 33.9 percent of the budget. However, actual development expenditure in the FY 2020/21 was KShs. 2.6 billion out of a total expenditure of KShs.9.8 billion representing 26.5 percent of the total expenditure. The under expenditure in development is largely attributed to shortfall in own source revenue projection and overestimation of unspent balances from the previous years. Table 4.1 presents expenditures on development in the recent past.

In the fiscal outlays presented in this CFSP, the County Government has observed this requirement by allocating KShs.3.338billion to development representing 30.7 percent of the total revenue. To ensure that expenditure will be within the required ratios, OSR has been projected at KShs. 450million from KShs.700 million projected in the FY 2020/21 and unspent balances has been estimated at KShs.750million, a figure that is more realistic.

Table 4. 1: Development Expenditures as a Percent of Total County Government Budget and actual expenditure in FY 2018/19-2021/22.

FY	Total Budget Kshs.	Dev. Allocation KShs.	% of Dev. to budget	Total Exp. KShs.	Exp on dev. KShs.	% of Dev. Exp. to total exp
FY 2018/19	11,877,563,787	4,038,728,112	34.0	9,561,759,162	2,285,485,763	24.0
FY 2019/20	12,925,562,961	4,167,011,149	32.9	9,444,226,903	2,543,615,752	27.0
FY 2020/21	12,671,280,940	4,049,169,920	32.0	10,779,271,222	2,595,106,387	24.1
FY 2021/22	12,590,694,978	3,965,349,588	31.5			

Source: COB annual reports

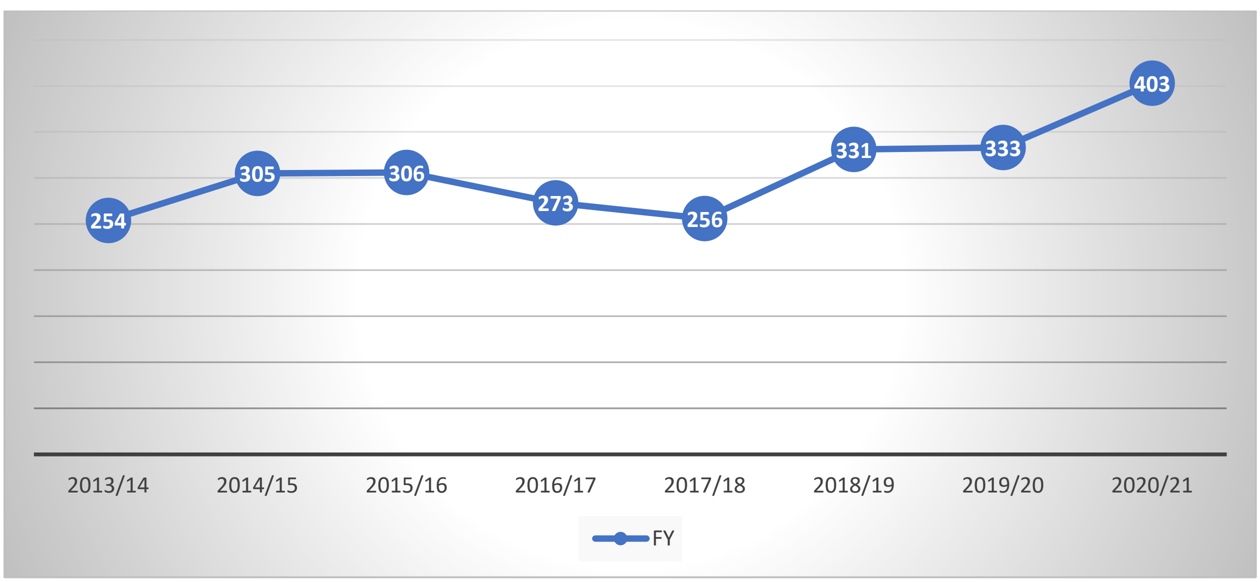
(b)The law requires that the County Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the County Government's equitable share of the revenue plus other revenues generated by the County Government pursuant to Article 209 (4) of the Constitution. The County Government is in the process of conforming to this regulation. The County Government share of wages and benefits to revenues was 55.5 percent in the FY 2020/21, and is projected at 53 percent in the FY 2022/23, and to further decline to 40 percent and 35 percent in the FY 2023/24 and FY2024/25 respectively.

(c) The law requires that the County Government's expenditure on recurrent expenditure shall not exceed 70 percent of the County Government's total revenue. In conformity to this regulation, the County Government's recurrent expenditure was 73.4 percent of total expenditure in FY 2020/21 and it is projected at 70 percent in FY 2022/23 and 65 percent in FY 2023/24 and further decline to 60 percent in FY 2024/25 as illustrated in Table 4.3.

4.2 Own Source Revenue performance

Despite the COVID-19 pandemic, OSR recorded growth. County Governments collected a total of KShs 403million in Own Source Revenue (OSR) against an annual target of KShs.700million in the FY 2020/21 recording a growth of 21 percent from what was raised in FY 2019/20. Figure 4.1 presents the summary of revenue performance over the years and Table 4.4 presents the comparison of targets against the actuals over the years.

Figure 4. 1: Own Source Revenue trend in million



Source: CoB annual reports.

Table 4. 2: Revenue performance over the years.

FY	Amount approved KShs	Actual amount raised KShs.	% of amount raised
2013/14	654,720,252	254,246,635	38.8
2014/15	630,000,000	305,553,548	48.6
2015/16	700,000,000	306,129,638	43.7
2016/17	725,000,000	273,316,074	37.7
2017/18	950,000,000	256,280,000	27.0
2018/19	950,000,000	330,969,208	34.8
2019/20	870,000,000	333,151,175	38.3
2020/21	650,000,000	403,001,860	62.0

Source: CoB annual reports

Note: It is clear from Table 4.2 that the maximum amount the county can raise holding other factors in FY 2022/23 is KShs.450million. However, the August 2022 general election is likely to affect this figure. Therefore, OSR should not be projected above KShs.450million in the forward budget (estimates).

4.3 Pending Bills

The Public Finance Management Act, 2012, provides for mechanisms to assess and determine financial problems encountered by County government entities. Section 94 (1)(a) of the PFM Act, 2012, identifies as a material breach failure to make any payments as and when due by a State organ or a public entity. The Office of the Auditor General (OAG) conducted a special audit to verify the stock of pending bills by county governments as at 30th June 2018. The Special Audit indicated that out of a total Kshs. 1,414,104,629 pending bills presented for audit to the OAG, bills amounting to Kshs. 1,200,573,919 were reported as payable while Kshs. 213,530,710 lacked sufficient documentation to support services rendered or work done and therefore were not recommended for payment.

According to the 2022 BPS, a total of KShs.1, 184,810,134 (98.7 percent) of eligible/payable pending bills had been paid by 30th June 2021 leaving an outstanding balance of KShs. 15,763,785. In the same period, a total of KShs.121, 245,444 (56.8 percent) of ineligible pending bills were paid. A total of KShs. 1,306,055,578 (92.4) of total pending had been paid by 30th June 2021 leaving outstanding balance of KShs.15, 763,785 of eligible pending bills and overall outstanding bills of KShs. 108,049,051.

As at 31st October, 2021 the County has an outstanding pending bills totaling to KShs.488, 163,423 of which Kshs.193, 393,598 are in development representing 40 percent of the total outstanding bills as presented in Table 4.3. The target is to have pending bills less than KShs.200million as at 31st June, 2022. To achieve this, departments should prioritize paying pending bills and completing on going works in the remaining period. No new work should be given out.

Table 4. 3: Distribution of pending bill by departments as at 31st October, 2021

Department	**Development**	**Recurrent**	**Total**
Administration	15,696,054	54,030,705	69,726,760
Agriculture	31,841,529	777,980	32,619,509
Physical Planning	30,622,292	1,182,544	31,804,836
County Executive	0	21,284,874	21,284,874
Health	627,396	618,688	1,246,084
Culture	37,093,632	7,861,934	44,955,566
Finance	1,768,726	69,072,846	70,841,572
Roads	48,739,163	3,041,609	51,780,772
Kisii Municipality	41,872,551	1,832,970	43,705,521
Education	19,347,261	-	19,347,261
Total	**294,769,825**	**193,393,598**	**488,163,423**