**COUNTY GOVERNMENT OF SIAYA**

**DEPARTMENT OF FINANCE AND ECONOMIC PLANNING**

# BUDGET REVIEW AND OUTLOOK PAPER, FY 2020/21

**SEPTEMBER 2021**

**‘‘County transformation through enhanced Service and Development”**

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## Acronyms and Abbreviations

| | |
|---|---|
| BROP | Budget Review and Outlook Paper |
| OSR | Own Source Revenue |
| MTEF | Medium Term Expenditure Framework |
| FSP | Fiscal Strategy Paper |
| KDSP | Kenya Devolution Support Project |
| CRF | County Revenue Fund |
| PLDW | People Living with Disabilities |
| GDP | Gross Domestic Product |
| CBR | Central Bank Rate |
| SGR | Standard Gauge Railway |
| RMLF | Road Maintenance Levy Fund |
| ASDSP | Agriculture Sector Development Support Project |
| FY | Financial Year |
| ICT | Information Communication Technology |
| DANIDA | Danish Development Agency |
| PFMA | Public Finance Management Act |
| CECM | County Executive Committee Member |

# Foreword

The Budget Review and Outlook Paper-2021 has been prepared against the backdrop of a contracting global and national economy occasioned by the rapid spread of the Covid-19 pandemic. The pandemic and the attendant containment measures have led to contraction of both the global and national economy disrupting businesses and leading to loss of livelihoods for millions of people. Economic activity is projected to contract with prospects across counties, countries and regions remaining highly uncertain.

The paper provides an opportunity to reflect on the successes, failures and challenges experienced during the year under review as well as draw lessons from the challenges to inform future programme budgeting and project implementation. This BROP gives a detailed analysis of actual fiscal performance of the County Government of Siaya for FY 2020/21 against the approved budgetary allocations for the said FY. From the analysis, overall absorption rate for FY 2020/21 was 79.8 percent. Absorption rate of development was 66.4 percent, personnel emolument and operations was 85.3 percent and 94.8 percent respectively. Local revenue collection realized 80.1 percent performance. The low rate of absorption for development expenditure was attributed to the prolonged effects of COVID 19. Besides, stringent conditionalities imposed by the national treasury to access funds slowed down implementation of key programmes and projects.

Going forward the County Government will focus on revenue enhancement measures; operationalization of completed facilities in all sectors; completion of on-going projects; fast-track implementation of development projects to minimize project roll-overs; implement Post Covid-19 Economic Recovery Strategy; scale down on micro green field projects in favour of macro- projects which have high impact on the citizenry and are transformative in nature.

**Cleophas Ombogo**

**CECM-Finance and Economic Planning**

# Acknowledgement

The BROP not only presents government entities with an opportunity to review performance of a fiscal year but also sets in motion the process of preparing budget for the following year by providing an outlook for the coming year and setting departmental MTEF ceilings to guide budget making.

The preparation and subsequent submission of this document was made possible by a team of dedicated officers who traded off their invaluable time to ensure a quality production. I wish to salute all of them for a job well done.

It is my hope that lessons drawn from implementation of the 2020/21 budget will inform future programme budgeting and project implementation as we endeavor to ***''transform the County through enhanced Service and Development"***

Finally, I wish to reiterate the importance of public participation in FY 2022/23-2024/25 Medium Term Budget preparation process by calling on all Sector Working Groups to devise an engagement framework that will deepen open public and stakeholders' participation and incorporation of the submitted memoranda.

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**William Ooko**

**Ag. Chief Officer- Finance and Economic Planning**

## Legal Basis for CBROP

The Budget Review and Outlook Paper is prepared in accordance with section 118 of the Public Finance Management Act, 2012. The law states that:

(1) A County Treasury shall —

a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and

b) Submit the paper to the County Executive Committee by the 30th September of that year.

(2) In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify—

(a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;

(b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

(c) Information on—

(i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or

(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

(d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

(3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

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

(a) Arrange for the Paper to be laid before the County Assembly; and

(b) as soon as practicable after having done so, publish and publicise the Paper

**Fiscal Responsibility Principles in the Public Financial Management Law**

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. Section 107 of the PFM Act, 2012 states that: The County Government's recurrent expenditure shall not exceed the County Government's total revenue;

1) Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;
2) The county Government's expenditure on wages 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;
3) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;
4) The County debt shall be maintained at a sustainable level as approved by County Assembly;
5) The fiscal risks shall be managed prudently; and
6) 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.

**Organization of the Document**

The document is organized as follows: chapter one gives an introduction; chapter two gives an account of fiscal performance for the FY 2020/21; chapter three gives an overview of recent economic performance and outlook; chapter four provides a review of Fiscal Performance against Fiscal Strategy Paper 2020/21 and finally chapter five gives the resource allocation criteria for FY 2022/2023.

# Chapter One

## 1.0: Introduction

The CBROP is one among the various documents prepared by the County Government in any fiscal year. These documents are outlined in the PFM Act and are instrumental in linking policy, planning, budget making and execution in respective fiscal years and the medium term.

## 1.1: Objectives of CBROP

i. Provides a review of the fiscal performance (FY 2020/21) of the previous year, and relate it to objectives set out in the 2020 County Fiscal Strategy Paper.
ii. Provides an updated macro-economic and fiscal forecast for the FY 2022/2023 period, based on the current performance of key economic indicators
iii. Provide provisional sector ceilings which will be firmed up in the Fiscal Strategy Paper setting in motion the preparation of the budget estimates for financial year 2022/23 and within the medium term guided by the provisions of PFM Act, 2012.
iv. Provides platform for the implementation of County Agenda as spelt out in the County Annual Development Plan (CADP)-2022/23.

## Chapter Two

### 2.0: Review of Fiscal Performance for the FY 2020/21

The FY 2020/21 Budget was the third to implement the County Integrated Development Plan (CIDP 2018-2022) whose theme was '*transformation through service and development'*. The estimated cost of implementing programmes and projects in the 2020/21 budget was Ksh 8,951,560,005. This was revised downwards to Ksh 8,221,104,984 through a supplementary budget prepared in April 2021.

Total receipts for the period under review were Kshs. 7,912,394,859 against projected revenue of Kshs. 8,221,104,984 creating a fiscal deficit of Kshs. 308,710,126. The deficit was due to non-receipt of conditional grants amounting to Ksh 225,001,894 and under-collection of Own Source Revenue of Ksh 83,708,232.

The implementation of FY 2020/21 budget was faced by various challenges. These mainly included: shortfall in own generated revenue; inadequate technical skills in some departments; increase in rollover projects and reallocation of resources to manage COVID- 19 pandemic.

### 2.1 Fiscal Performance in financial year 2020/21

#### 2.1.1 Projected Revenues

The total revenue for FY 2020/21 was estimated at **Kshs 8,951,560,005** comprising Kshs. 5,855,250,000 as equitable share, Kshs. 351,000,000 as Own Source Revenue (OSR), Kshs. 1,038,751,950 as conditional grants and Kshs. 1,706,558,055 as balances brought forward from 2019/20 Budget.

There was one supplementary budget prepared in the period under review that reduced the original estimates by 730,445,021from Ksh 8,951,560,005 to Ksh 8,221,104,984. Supplementary estimates comprised of Ksh 5,791,950,000 as equitable share, Kshs. 420,000,000 as Own Source Revenue (OSR), Kshs. 773,169,673 as conditional grants and Kshs. 1,235,985,311 as balances brought forward from 2019/20 Budget. Break down of individual revenue streams are as shown in the table below;

**Table 1: Analysis of original estimates Vs supplementary estimates per revenue stream**

| Revenue Stream | Original (Kshs.) | Supplementary | Variance |
|---|---|---|---|
| Own Source Revenue | 351,000,000 | 420,000,000 | 69,000,000 |
| Equitable Share | 5,855,250,000 | 5,791,950,000 | - 63,300,000 |
| User Fee | 18,194,808 | 18,194,808 | - |
| Lease Of Medical Equipment | 132,021,277 | - | - 132,021,277 |
| Road Maintenance Fuel Levy | 174,515,414 | 174,515,414 | - |
| Rehabilitation Of Youth Polytechnic | 48,199,894 | 48,199,894 | - |
| Covid-19 | 133,561,000 | - | - 133,561,000 |
| KDSP | 45,000,000 | 45,000,000 | - |
| KUSP | 50,000,000 | 50,000,000 | - |
| ASDSP II | 12,874,560 | 12,874,560 | - |
| Water Tower Protection | 38,530,664 | 38,530,664 | - |
| KCSAP | 319,185,080 | 319,185,080 | - |
| THS | 50,199,253 | 50,199,253 | - |
| DANIDA | 16,470,000 | 16,470,000 | - |
| 2019/20 Bf | 1,706,558,055 | 1,235,985,311 | - 470,572,744 |
| **Total Revenue-2020/21** | **8,951,560,005** | **8,221,104,984** | **- 730,455,021** |

*Source: supplementary budget 20/21*

The total projected revenue in the original and supplementary budgets was appropriated to the county government entities as shown in the table below;

**Table 2: Comparative analysis of original and supplementary budget**

| Departments | Original Total Estimates-A | Supplementary Estimates-B | Variance (B-A) |
|---|---|---|---|
| County Assembly | 1,388,072,110 | 1,039,314,343 | -348,757,767 |
| Governance and Administration | 601,002,084 | 577,085,157 | -23,916,927 |
| Finance and Economic Planning | 663,522,065 | 603,733,100 | -59,788,965 |
| Agriculture, Food, Livestock & Fisheries | 716,600,900 | 653,608,431 | -62,992,469 |
| Water, Irrigation, Environment & Natural Resources | 420,282,518 | 331,908,331 | -88,374,187 |
| Education, Youth Affairs, Gender & Social Services | 779,219,619 | 698,825,270 | -80,394,349 |
| County Health Services | 2,520,490,313 | 2,227,250,049 | -293,240,264 |
| Lands, Physical Planning, Urban Development and Housing | 254,240,256 | 177,688,390 | -76,551,866 |
| Roads, Public Works, Energy and Transport | 1,064,348,358 | 1,467,698,272 | 403,349,914 |
| Enterprise and Industrial Development | 276,770,131 | 272,994,746 | -3,775,385 |
| Tourism, Culture, Sports and Arts | 267,011,651 | 170,998,895 | -96,012,756 |
| **Total** | **8,951,560,005** | **8,221,104,984** | **-730,455,021** |

***Source:* supplementary budget 20/21**

### 2.1.2: Receipts

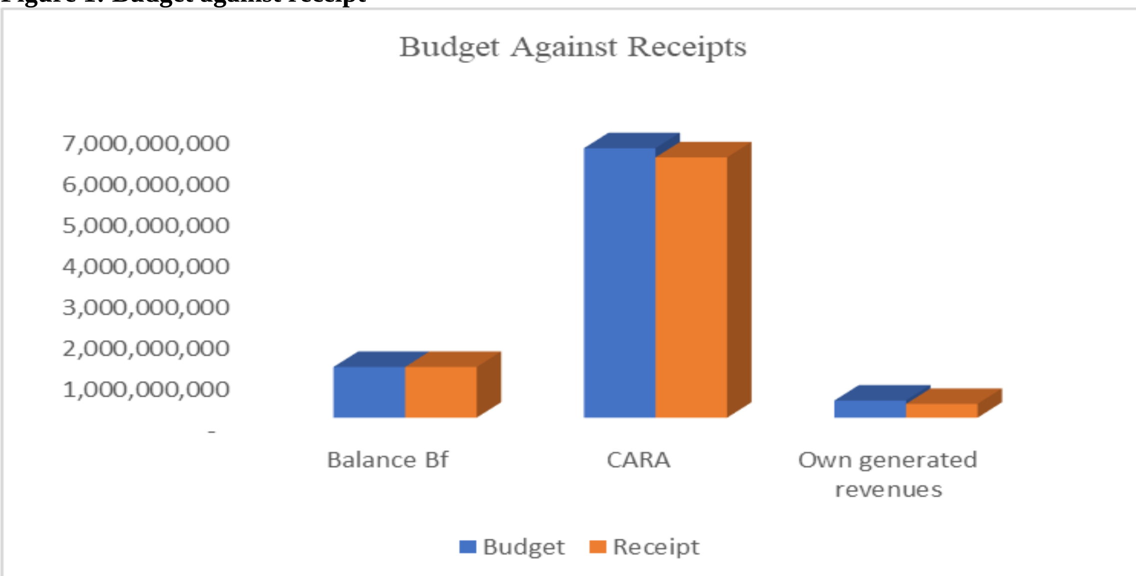
During the period under review, the county government received a total of Ksh 7,912,394,859 comprising Kshs. 6,340,067,780 as exchequer release, Kshs 336,291,768 own source revenue and

1,235,985,311 balance brought forward from FY 2019/20. The table 3 and graph below analyses receipts against budgeted figures;

**Table 3: Performance of Revenue sources**

| Revenue classification | Revenue budget (Kshs) | Receipt(Kshs) | Variance | Realization (%) |
|---|---|---|---|---|
| Balance Bf | 1,235,985,311 | 1,235,985,311 | - | 100% |
| CARA | 6,565,119,673 | 6,340,067,780 | - 225,051,893 | 97% |
| Own generated revenues | 420,000,000 | 336,291,768 | - 83,708,232 | 80% |
| Total | **8,221,104,984** | **7,912,344,859** | **- 308,760,125** | **96%** |

**Figure 1: Budget against receipt**




## 2.1.3: Conditional Grants

Budgetary allocation for conditional grants was Ksh **773,169,673** comprising of Ksh 240,910,116 transfers from national government ministries and Ksh **532,259,557** funds from development partners. Receipts for the period stood at Ksh **548,167,780 consisting** of Ksh **153,652,410** and Ksh **394,515,370** transfers from national government and funds from development partners respectively as shown in table 4 below;

**Table 4: Performance of conditional grants**

| **Stream** | **Budgeted (A)** | **Receipts 20/21 (B)** | Variance |
|---|---|---|---|
| **Grants form National Government Ministries** | | | |
| User Fee | 18,194,808 | 18,194,808 | - |
| Road Maintenance Levy Fund | 174,515,414 | 87,257,708 | - 87,257,706 |
| Rehabilitation of Youth Polytechnic | 48,199,894 | 48,199,894 | - |

| | | | |
|---|---|---|---|
| **Sub-Total** | **240,910,116** | **153,652,410** | **- 87,257,706** |
| **Grants from Development Partners** | | | |
| Kenya Climate Smart Agriculture Project (KCSAP) | 319,185,080 | 244,610,460 | - 74,574,620 |
| Kenya Urban Support Programme (KUSP) | 50,000,000 | 27,308,049 | - 22,691,951 |
| Transforming Health Systems for Universal Care (THS) | 50,199,253 | 48,751,496 | - 1,447,757.25 |
| Kenya Devolution Support Project (KDSP) | 45,000,000 | 45,000,000 | - |
| DANIDA | 16,470,000 | 16,470,000 | - |
| Water Tower Protection | 38,530,664 | | - 38,530,664 |
| Agricultural Sector Development Support Program | 12,874,560 | 12,375,365 | - 499,195 |
| **Sub-Total** | **532,259,557** | **394,515,370** | **- 137,744,188** |
| **Total** | **773,169,673** | **548,167,780** | **- 225,001,894** |

***Source: County Treasury (Accounting services)***

### 2.1.4: Own Source Revenue (OSR)

OSR target for the period under review was Kshs. 420,000,000 while actual collection was Kshs. 336,291,767 creating a deficit of Kshs. 83, 708,233. Performance of individual streams is shown in table 5 below;

**Table 5: Performance of Own Source Revenue**

| Sector | Revenue stream | Target for FY 2020/21-A | Actual Collection-B | Variance-(B-A) |
|---|---|---|---|---|
| **Enterprise and Industrial Development** | Single Business Permits | 45,000,000 | 84,554,807 | 39,554,807 |
| | Market Fees | 31,864,000 | 31,677,794 | - 186,206 |
| | Boda Boda | 2,500,000 | 188,400 | - 2,311,600 |
| | Weights & Measures | 2,600,000 | 851,950 | - 1,748,050 |
| | Trade Income (Audit Fee) | 1,700,000 | 242,550 | - 1,457,450 |
| | Advertisement Charges | 7,128,000 | 15,000 | - 7,113,000 |
| | Liquor Licensing | 9,000,000 | 7,000 | - 8,993,000 |
| | **Sub Total** | **99,792,000** | **117,537,501** | **17,745,501** |
| **Roads, Public Works, Energy and Transport** | Bus Park | 16,345,320 | 16,081,319 | - 264,001 |
| | Plan Approval (Engineers) | 4,213,200 | 3,737,956 | - 475,244 |
| | Grader | 2,000,000 | - | - 2,000,000 |
| | Fire Inspection | 900,000 | 55,400 | - 844,600 |
| | Parking | 5,000,000 | 4,877,486 | - 122,514 |
| | County Hall Hire | 140,000 | 28,590 | - 111,410 |
| | **Sub Total** | **28,598,520** | **24,780,751** | **- 3,817,769** |
| **Agriculture, Food, Livestock and Fisheries** | Fish Cess | 8,835,530 | 5,510,128 | - 3,325,402 |
| | Slaughter Fees | 450,625 | 764,090 | 313,465 |
| | Cilor | | | - |
| | Sugar Cess | 500,000 | 141,834 | - 358,166 |
| | Agriculture Income | 500,290 | 60,700 | - 439,590 |
| | Veterinary Services | 2,020,200 | 1,600,225 | - 419,975 |

| Sector | Revenue stream | Target for FY 2020/21-A | Actual Collection-B | Variance-(B-A) |
|---|---|---|---|---|
| | Cattle Auction | 2,825,630 | 4,211,350 | 1,385,720 |
| | Tractor Hire Service | 350,000 | 280,200 | - 69,800 |
| | Sales of Seed | - | - | - |
| | Sales of Fertilizer | - | - | - |
| | **Sub Total** | **15,482,275** | **12,568,527** | **- 2,913,748** |
| **Lands, Physical Planning, Housing and Urban Development** | Plan Approval (Physical planning) | 4,213,200 | 4,754,504 | 541,304 |
| | Transfer Fee | 500,000 | 166,600 | - 333,400 |
| | Plot Rates | 15,000,000 | 8,748,892 | - 6,251,108 |
| | Plot Rent | 12,000,000 | 8,373,295 | - 3,626,705 |
| | Ground Rent | 200,000 | 350,055 | 150,055 |
| | House Rent | 1,500,000 | 638,958 | - 861,042 |
| | Kiosk/Stall Rent | 15,863,240 | 10,814,827 | - 5,048,413 |
| | Burial Fee | 50,000 | 9,000 | - 41,000 |
| | Sand Cess/Quarry | | | - |
| | Clearance Certificate | 300,000 | 296,000 | - 4,000 |
| | Site Fee | 100,000 | 3,000 | - 97,000 |
| | Survey Fee | 2,000,000 | 599,460 | - 1,400,540 |
| | Private Estate Fee | - | 20,000 | 20,000 |
| | **Sub Total** | **51,726,440** | **34,774,591** | **- 16,951,849** |
| **County Health Services** | Hospital Revenue | 87,425,000 | 101,198,582 | 13,773,582 |
| | Public Health | 2,160,909 | 4,671,420 | 2,510,511 |
| | Linda Mama | 82,272,500 | 14,098,982 | - 68,173,518 |
| | NHIF/Capitation | 50,158,116 | 19,156,810 | - 31,001,306 |
| | **Sub Total** | **222,016,525** | **139,125,794** | **- 82,890,731** |
| **Water, Environment and Natural Resources** | NEMA | 297,440 | 35,200 | - 262,240 |
| | Sand Cess/Quarry | 700,000 | 428,600 | - 271,400 |
| | **Sub Total** | **997,440** | **463,800** | **- 533,640** |
| **Finance and Economic Planning** | Miscellaneous (PMC Refunds and Under Banks) | 1,236,800 | 7,025,803 | 5,789,003 |
| | **Sub Total** | **1,236,800** | **7,025,803** | **5,789,003** |
| **Education, Youth Affairs, Gender and Social Services** | School Fee | 50,000 | - | - 50,000 |
| | **Sub Total** | **50,000** | **-** | - 50,000 |
| **Governance and Administration** | Impounding Fees | 100,000 | 15,000 | - 85,000 |
| | **Sub Total** | **100,000** | **15,000** | - 85,000 |
| **Total** | | **420,000,000** | **336,291,767** | **- 83,708,233** |

***Source: County Treasury (Revenue section)***

Comparative analysis of own source revenue collection for FY 2019/2020 and FY 2020/2021 shows an improvement in collection of 152,046,017(83 percent) from Ksh. 184,245,750 to Ksh. 336,291,767 as shown in table 6 below;

**Table 6: Comparative analysis of Own Source collection in 2020/21 and 2019/20**

| Sector | Revenue stream | Actual Collection 2020-21 | Actual collection 2019-20 | Variance |
|---|---|---|---|---|
| **Enterprise and Industrial Development** | Single Business Permits | 84,554,807 | 26,169,506 | 58,385,301 |
| | Market Fees | 31,677,794 | 23,161,825 | 8,515,969 |
| | Boda Boda | 188,400 | 0 | 188,400 |
| | Weights & Measures | 851,950 | 241,720 | 610,230 |
| | Trade Income (Audit Fee) | 242,550 | 128,590 | 113,960 |
| | Advertisement Charges | 15,000 | 3,017,000 | -3,002,000 |
| | Liquor Licensing | 7,000 | 1,778,883 | -1,771,883 |
| | **Sub Total** | **117,537,501** | **54,497,524** | **63,039,977** |
| **Roads, Public Works, Energy and Transport** | Bus Park | 16,081,319 | 10,483,152 | 5,598,167 |
| | Plan Approval (Engineers) | 3,737,956 | 2,834,344 | 903,612 |
| | Grader | 0 | 0 | 0 |
| | Fire Inspection | 55,400 | 24,500 | 30,900 |
| | Parking | 4,877,486 | 2,834,588 | 2,042,898 |
| | County Hall Hire | 28,590 | 9,000 | 19,590 |
| | **Sub Total** | **24,780,751** | **16,185,584** | **8,595,167** |
| **Agriculture, Food, Livestock and Fisheries** | Fish Cess | 5,510,128 | 4,089,547 | 1,420,581 |
| | Slaughter Fees | 764,090 | 521,140 | 242,950 |
| | Cilor | | | 0 |
| | Sugar Cess | 141,834 | 554,907 | -413,073 |
| | Agriculture Income | 60,700 | 1,276,030 | -1,215,330 |
| | Veterinary Services | 1,600,225 | 840,525 | 759,700 |
| | Cattle Auction | 4,211,350 | 2,520,540 | 1,690,810 |
| | Tractor Hire Service | 280,200 | 1,088,000 | -807,800 |
| | Sales of Seed | 0 | 0 | 0 |
| | Sales of Fertilizer | 0 | 0 | 0 |
| | **Sub Total** | **12,568,527** | **10,890,689** | **1,677,838** |
| **Lands, Physical Planning, Housing and Urban Development** | Plan Approval (Physical planning) | 4,754,504 | 46,595 | 4,707,909 |
| | Transfer Fee | 166,600 | 2,868,177 | -2,701,577 |
| | Plot Rates | 8,748,892 | 12,500 | 8,736,392 |
| | Plot Rent | 8,373,295 | 1,881,901 | 6,491,394 |
| | Ground Rent | 350,055 | 2,757,351 | -2,407,296 |
| | House Rent | 638,958 | 887,653 | -248,695 |
| | Kiosk/Stall Rent | 10,814,827 | 473,166 | 10,341,661 |
| | Burial Fee | 9,000 | 1,363,755 | -1,354,755 |
| | Sand Cess/Quarry | | 1,500 | -1,500 |
| | Clearance Certificate | 296,000 | 316,380 | -20,380 |
| | Site Fee | 3,000 | 253,000 | -250,000 |

| | | | | |
|---|---|---|---|---|
| | Survey Fee | 599,460 | 0 | 599,460 |
| | Private Estate Fee | 20,000 | 0 | 20,000 |
| | **Sub Total** | **34,774,591** | **10,861,978** | **23,912,613** |
| **County Health Services** | Hospital Revenue | 101,198,582 | 85,498,158 | 15,700,424 |
| | Public Health | 4,671,420 | 2,251,723 | 2,419,697 |
| | Linda Mama | 14,098,982 | 0 | 14,098,982 |
| | NHIF/Capitation | 19,156,810 | 0 | 19,156,810 |
| | **Sub Total** | **139,125,794** | **87,749,881** | **51,375,913** |
| **Water, Environment and Natural Resources** | NEMA | 35,200 | 226,370 | -191,170 |
| | Sand Cess/Quarry | 428,600 | | 428,600 |
| | **Sub Total** | **463,800** | **226,370** | 237,430 |
| **Finance and Economic Planning** | Miscellaneous (PMC Refunds and Under Banks) | 7,025,803 | 3,746,724 | 3,279,079 |
| | **Sub Total** | **7,025,803** | **3,746,724** | **3,279,079** |
| **Education, Youth Affairs, Gender and Social Services** | School Fee | 0 | 87,000 | -87,000 |
| | **Sub Total** | **-** | **87,000** | **-87,000** |
| **Governance and Administration** | Impounding Fees | 15,000 | 0 | 15,000 |
| | **Sub Total** | **15,000** | **0** | **15,000** |
| **Total** | | **336,291,767** | **184,245,750** | **152,046,017** |

***Source: County Treasury (Revenue section)***

Failure to meet the target is attributed to the following challenges: Inadequate revenue related infrastructure; COVID-19 pandemic; Weak enforcement and compliance mechanisms and Incomplete database of potential revenue streams and Inadequate Staff in the department of Agriculture

The above challenges will be addressed through a revenue enhancement policy which has set out strategies such as;

1. Prioritization of projects that address infrastructural development in the budget e.g market shades, pit latrines, storm water management, solid waste management
2. Mapping and development of and/or domestication of all relevant revenue collection legislations
3. Strengthening of enforcement and compliance
4. Updating database of potential revenue streams
5. Providing adequate resources to address administrative challenges

6. Enhancing sensitization for both the public and departments on revenue obligations and responsibilities
7. Establishment of a revenue task force to ensure realization of OSR set targets.
8. Recruit additional technical staff

### 2.2: Expenditure

Total Budgeted expenditure for the period under review was Ksh 8,221,104,984 comprising Ksh 4,841,029,335 and Ksh 3,380,075,649 for recurrent and development expenditure respectively.

### 2.2.1: Actual Expenditure by economic classification

Total actual expenditure for the period under review amounted to Kshs 6,560,134,340 against a planned budget of Ksh. 8,221,104,984. This expenditure comprised Ksh 2,435,662,506 for personnel emoluments, Ksh 1,880,773,074 for operations and Ksh 2,243,698,759 for development expenditure. The table below 6 below shows actual expenditure by economic classification

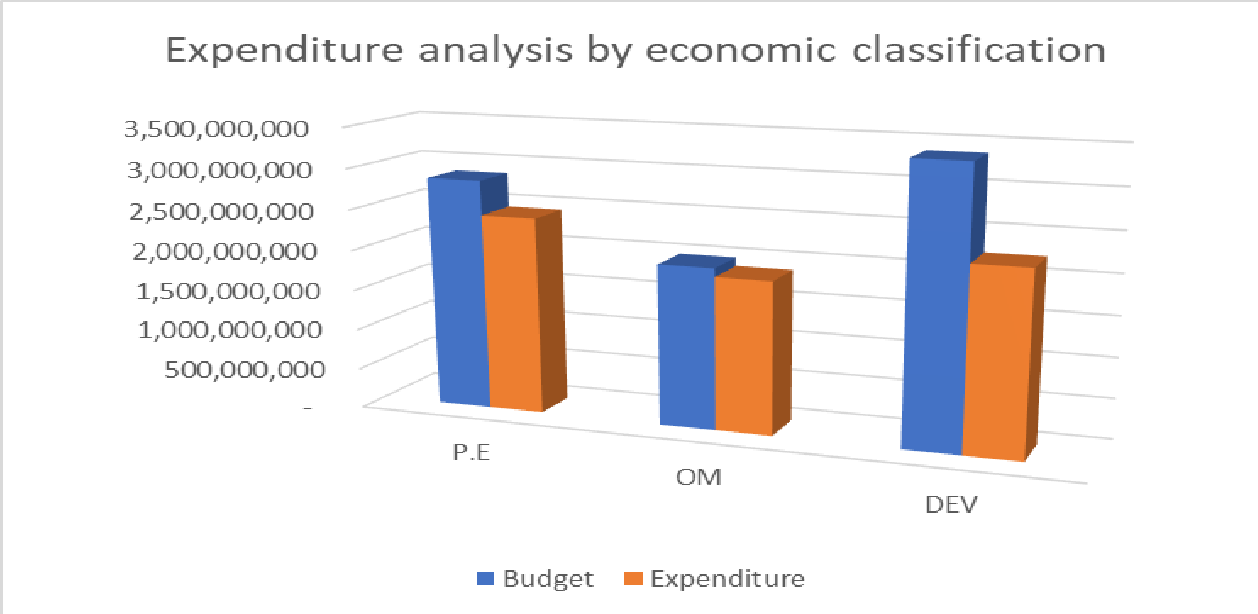
**Table 7: Actual expenditure by economic classification**

| | **Budget** | **Expenditure** | **Variance** | **Absorption** |
|---|---|---|---|---|
| PE | 2,856,817,934 | 2,435,662,506 | 421,155,428 | 85% |
| OM | 1,984,211,401 | 1,880,773,074 | 103,438,327 | 95% |
| Total Rec | 4,841,029,335 | 4,316,435,581 | 524,593,754 | 89% |
| DEV | 3,380,075,649 | 2,243,698,759 | 1,136,376,890 | 66% |
| **Total** | **8,221,104,984** | **6,560,134,340** | **1,660,970,644** | **80%** |

***Source: County Treasury (Accounting services)***

The figure 2 below shows analysis of budget estimates versus actual expenditure by economic classification

**Figure 2: Expenditure analysis by economic classification**




### 2.2.1.1: Expenditure per department

Total budgeted expenditure was Ksh 8,221,104,984 against an actual of Ksh. 6,560,134,340. The Table and figure below shows a comparative analysis between departmental budgeted and actual expenditure for the period under review

**Table 8: Expenditure per department**

| Department | Budget | Actual expenditure | Variance | % absorption |
|---|---|---|---|---|
| County Assembly | 1,039,314,343 | 788,204,335 | 251,110,008 | 76 |
| Governance and Administration | 577,085,157 | 566,692,866 | 10,392,291 | 98 |
| Finance and Economic Planning | 603,733,100 | 602,820,114 | 912,986 | 100 |
| Agriculture, Irrigation, Food, Livestock & Fisheries | 653,608,431 | 535,947,958 | 117,660,473 | 82 |
| Water, Environment & Natural Resources | 331,908,331 | 252,054,322 | 79,854,009 | 76 |
| Education, Youth Affairs, Gender & Social Services | 698,825,270 | 501,321,804 | 197,503,466 | 72 |
| County Health Services | 2,227,250,049 | 1,871,776,353 | 355,473,696 | 84 |
| Lands, Physical Planning, Urban Development and Housing | 177,688,390 | 120,740,027 | 56,948,363 | 68 |
| Roads, Public Works, Energy and Transport | 1,467,698,272 | 879,799,954 | 587,898,318 | 60 |
| Enterprise and Industrial Development | 272,994,746 | 231,039,229 | 41,955,517 | 85 |

| | | | | |
|---|---|---|---|---|
| Tourism, Culture, Sports, ICT and Arts | 170,998,895 | 209,737,378 | -38,738,483 | 123 |
| **Total** | **8,221,104,984** | **6,560,134,340** | **1,660,970,644** | 80 |

***Source: County Treasury (Accounting services)***

### 2.2.1.2: Development Expenditure

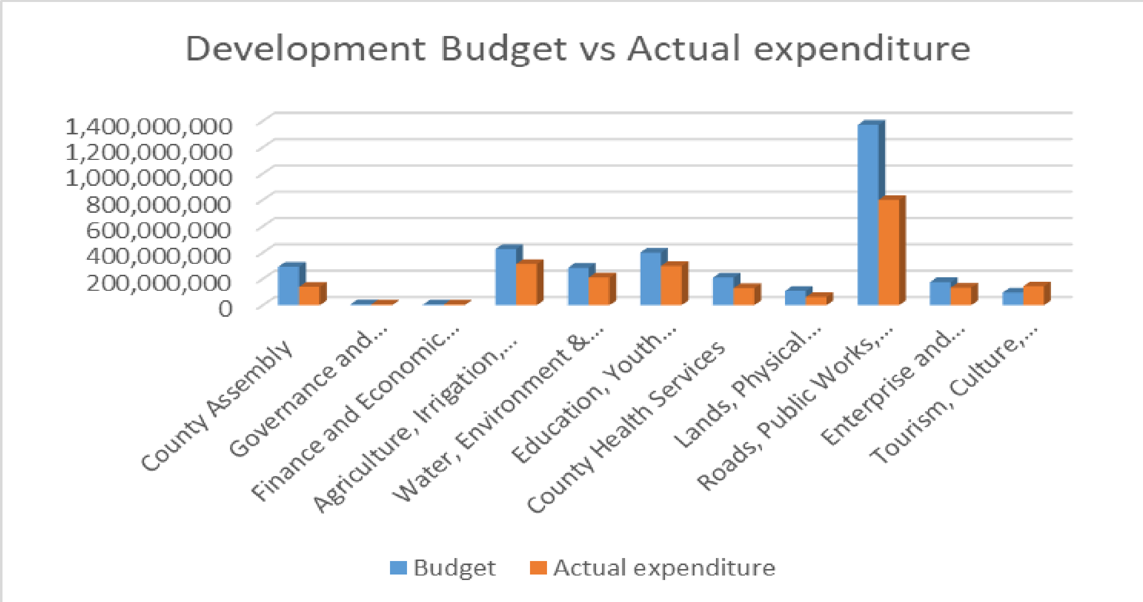
Total Budgetary provision for development was Kshs. 3,380,075,649 against the actual expenditure of Kshs. 2,259,899,694. The Table and figure below shows a comparative analysis between departmental budgeted and actual expenditure for development.

**Table 9: Development expenditure per department**

| **Department** | **Development estimates** | **Actual expenditure** | **variance** | **%** |
|---|---|---|---|---|
| County Assembly | 293,005,759 | 139,968,866 | 153,036,893 | 48 |
| Governance and Administration | 7,298,140 | 6,307,034 | 991,106 | 86 |
| Finance and Economic Planning | 6,000,000 | 6,000,000 | 0 | 100 |
| Agriculture, Irrigation, Food, Livestock & Fisheries | 427,289,920 | 323,342,450 | 103,947,470 | 76 |
| Water, Environment & Natural Resources | 285,723,158 | 214,228,215 | 71,494,943 | 75 |
| Education, Youth Affairs, Gender & Social Services | 399,836,496 | 256,651,270 | 143,185,226 | 64 |
| County Health Services | 210,350,168 | 125,619,762 | 84,730,406 | 60 |
| Lands, Physical Planning, Urban Development and Housing | 108,674,553 | 61,777,020 | 46,897,533 | 57 |
| Roads, Public Works, Energy and Transport | 1,371,071,576 | 832,809,445 | 538,262,131 | 61 |
| Enterprise and Industrial Development | 175,081,968 | 148,280,226 | 26,801,742 | 85 |
| Tourism, Culture, Sports, ICT and Arts | 95,743,911 | 144,915,406 | -49,171,495 | 151 |
| **Total** | **3,380,075,649** | **2,259,899,694** | **1,120,175,955** | **67** |

***Source: County Treasury (Accounting services)***

**Figure 3: Development Budget Vs Actual Expenditure**




### 2.1.1.2: Recurrent Expenditure

Budgetary provision for recurrent expenditure in FY 2020/21 was Kshs. 4,841,029,335 against the actual expenditure of Kshs 4,316,435,581. The table and figure below shows a comparative analysis of the departmental budgeted and actual expenditures on recurrent.

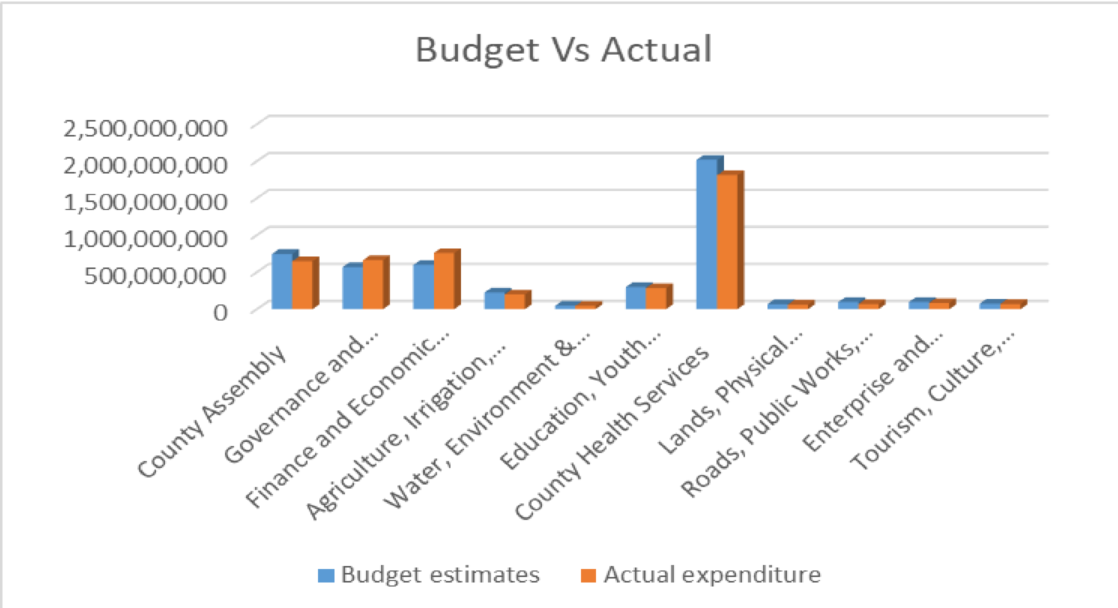
**Table 10 : Recurrent Expenditure**

| Department | Recurrent budget | Actual expenditure | Variance | % Absorption |
|---|---|---|---|---|
| County Assembly | 746,308,584 | 648,235,469 | 98,073,115 | 87 |
| Governance and Administration | 569,787,017 | 560,385,832 | 9,401,185 | 98 |
| Finance and Economic Planning | 597,733,100 | 596,820,114 | 912,986 | 100 |
| Agriculture, Irrigation, Food, Livestock & Fisheries | 226,318,511 | 223,360,509 | 2,958,002 | 99 |
| Water, Environment & Natural Resources | 46,185,173 | 41,643,363 | 4,541,810 | 90 |
| Education, Youth Affairs, Gender & Social Services | 298,988,774 | 203,320,093 | 95,668,681 | 68 |
| County Health Services | 2,016,899,881 | 1,741,542,665 | 275,357,216 | 86 |
| Lands, Physical Planning, Urban Development and Housing | 69,013,837 | 58,896,503 | 10,117,334 | 85 |
| Roads, Public Works, Energy and Transport | 96,626,696 | 79,831,984 | 16,794,712 | 83 |

| | | | | |
|---|---|---|---|---|
| Enterprise and Industrial Development | 97,912,778 | 97,577,076 | 335,702 | 100 |
| Tourism, Culture, Sports, ICT and Arts | 75,254,984 | 64,821,972 | 10,433,012 | 86 |
| **Total** | **4,841,029,335** | **4,316,435,581** | **524,593,754** | **89** |

***Source: County Treasury (Accounting services)***

**Figure 4: Recurrent Budget Vs Actual Expenditure**




## Implications of Performance on FY 2021/22 Budget

From the analysis above, the Treasury needs to roll-over projects worth Ksh. 1,660,970,644 from FY 2020/21 to FY 2021/22. According to the draft financial statement, the total cash available is Ksh. 1,006,736,071.26 comprising Ksh. 735,124,443.85 in the CRF and Kshs. 271,611,627.41 as balances from commercial banks. This therefore creates a deficit of Ksh. 654,234,573. The deficit was due to under collection of OSR by Kshs 83,708,232; un-received conditional grant of Kshs. 225,001,894 and Kshs 345,524,447 as unreconciled roll overs. The implication of the above is that the budget for FY 2021/22 needs to be adjusted to reflect the prevailing fiscal environment through a supplementary budget.

# Chapter Three

## 3.0: Recent Economic Developments and Outlook

The chapter outlines recent economic development focusing on the international, domestic and county scenes. Additionally, the chapter gives a summary of macroeconomic outlook expected to positively or negatively affect national and county socio-economic performance in the foreseeable future.

## 3.1: Recent Economic Development

### 3.1.1: International Scene

The devastating socio-economic impact of the COVID-19 pandemic will be felt for years to come unless smart investments in economic, societal and climate resilience ensure a robust and sustainable recovery of the global economy.

In 2020, the world economy shrank by 4.3 per cent, over two and half times more than during the global financial crisis of 2009. The modest recovery of 4.7 per cent expected in 2021 would barely offset the losses of 2020. Sustained recovery from the pandemic will depend not only on the size of the stimulus measures, and the quick rollout of vaccines, but also on the quality and efficacy of these measures to build resilience against future shocks.

Developed economies, projected to see a 4 per cent output growth in 2021, shrank the most in 2020, by 5.6 per cent, due to economic shutdowns and subsequent waves of the pandemic, increasing the risk of premature austerity measures that would only derail recovery efforts globally. Developing countries saw a less severe contraction at 2.5 per cent, with an expected rebound of 5.7 per cent in 2021. ***(Global Economic Prospects-World Bank, 2021).***

The fall in global travel as a result of the pandemic has hit hard on countries with substantial exposure to travel and tourism, such as Cabo Verde, Ethiopia, Mauritius and Seychelles. Inflation has crept up in the region, reflecting currency depreciations and supply chain upheaval. While many countries have announced fiscal support measures, in many instances these involve reprioritizing existing budgets given fiscal constraints. International institutions have called on bilateral creditors to suspend some debt payments. ***(Global Economic Prospects-World Bank, 2021).***

UN Department of Economic and Social Affairs says that 131 million more people were pushed into poverty in 2020, many of them women, children and people from marginalized communities. The pandemic has adversely affected women and girls disproportionately, exposing them to increased risk of economic devastation, poverty, violence and illiteracy.

Women make up more than 50 per cent of the workforce in high-risk labour and service intensive sectors, such as retail, hospitality and tourism - areas hardest hit by the lockdown. Many of them have limited or no access to social protection.

Massive and timely stimulus measures, amounting to US$12.7 trillion, prevented a total collapse of the world economy and averted a Great Depression. However, stark disparity in the size of the stimulus packages rolled out by developed and developing countries will put them on different trajectories of recovery.

The stimulus spending per capita by the developed countries has been nearly 580 times higher than those of the least developed countries (LDCs) although the average per capita income of the developed countries has been only 30 times higher than that of the LDCs. The drastic disparity underscores the need for greater international solidarity and support, including debt relief, for the most vulnerable group of countries.

Moreover, financing these stimulus packages entailed the largest peacetime borrowing, increasing public debt globally by 15 per cent. This massive rise in debt will unduly burden future generations unless a significant part is channelled into productive and sustainable investment, and to stimulate growth.

Global trade shrank by an estimated 7.6 per cent in 2020 against the backdrop of massive disruptions in global supply chains and tourism flows. Lingering trade tensions between major economies and stalemates in multilateral trade negotiations were already constraining global trade before the pandemic.

Developing countries need to prioritize investments that advance human development, embrace innovation and technology, and strengthen infrastructure, including creating resilient supply chains.

Stressing the importance of stimulating investments, the report shows that while the majority of the stimulus spending went into protecting jobs and supporting current consumption, it also fuelled asset price bubbles worldwide, with stock market indices reaching new highs during the past several months. ***(Global Economic Prospects-World Bank, 2021).***

### 3.1.2: Domestic Economy

Kenya has not been spared. The Pandemic and the containment measures slowed down economic activities in key sectors of the economy in the first quarter of 2020, resulting to a lower growth of 4.9 percent compared to a growth of 5.5 percent in a similar period in 2019. Overall, taking into account the available indicators for second quarter for 2020, the economy is projected to grow by 2.6 percent in the calendar year 2020 compared to the initial projection of 6.1 percent in the 2020 Budget Policy Statement. The economy is projected to rebound to 5.3 percent in 2021 and 5.9 percent over the medium term. In terms of fiscal years, the economy is projected to grow by 4.0 percent in the FY 2020/21 and 5.9 percent over the medium term.

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

**Inflation Rate**

Year-on-year overall inflation has remained within the government target range since end of 2017 demonstrating prudent monetary policies. The inflation rate was at 4.4 percent in August 2020, declining from 5.0 percent in August 2019. This decline reflected the positive impact of favourable weather conditions which resulted to declines in the prices of key food items such as cabbages, tomatoes, Irish potatoes, spinach and loose maize grain. Paraffin, petrol, diesel and 200KWh electricity prices also declined during the same period due to lower international oil prices.

The contribution of core inflation to overall inflation has been low and stable reflecting the impact of the reduction of VAT and muted demand pressures in the economy on account of prudent monetary policies. The contribution of fuel inflation has also been low, a reflection of stable energy prices despite the increase in the Petroleum Development Levy in July 2020. The major driver of overall inflation in the period under review has been food inflation.

Kenya's rate of inflation compares favourably with the rest of Sub-Saharan Africa countries. In July 2020, Kenya recorded a lower inflation rate than Uganda, Ghana, Rwanda, Nigeria, Zambia, and Ethiopia.

**Foreign Exchange**

The foreign exchange market has experienced some volatility in 2020, largely due to uncertainties with regard to the impact of Covid-19 Pandemic and a significant strengthening of the US Dollar in the global markets. However, the Kenya Shilling remained competitive supported by a stable current account deficit. The Shilling depreciated against the US Dollar, Sterling pound and the Euro exchanging at an average of Ksh 107.3, Ksh 135.3 and Ksh 122.5 in July 2020 from Ksh 103.2, Ksh 128.7 and Ksh 115.8 in July 2019, respectively.

In comparison to most Sub-Saharan Africa currencies the Kenya Shilling has remained relatively stable. In the year to August 2020, the Shilling weakened by 4.7 percent against US Dollar. This depreciation in Kenya Shilling was lower than the depreciation in Ghanaian Cedi, Rwanda Franc, Botswana pula, Nigerian Naira, Mauritius Rupee, South African Rand and Namibian Dollar

**Interest Rates**

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent on July 29, 2020 same as in April 2020 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 interbank rate remained low and fairly stable at 2.5 percent in August 2020 from 3.6 percent in August 2019 in line with the easing of the monetary policy and adequate liquidity in the money market. The 91-day Treasury Bills rate declined to 6.2 percent in August 2020 compared to 6.4 percent in August 2019. Over the same period, the 182-day Treasury Bills rate declined to 6.6 percent from 7.1 percent while the 364- day decreased to 7.5 percent from 9.2 percent.

The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate declined from 12.5 percent in June 2019 to 11.9 percent in June 2020 while the average deposit rates declined from 7.2 percent to 6.9 percent. This led to a decrease in the average interest rates spread by 0.3 percentage points over the review period

**Money and Credit**

Growth in broad money supply, M3, declined to 8.4 percent in the year to June 2020 compared to a growth of 9.2 percent in the year to June 2019. The decline in growth of M3 is attributed to decline in growth of other deposits at CBK and foreign currency deposits. However, the growth in M3 was supported by improvement in the growth of demand deposits, time and savings deposits as well as currency outside banks.

NFA of the banking system in the year to June 2020 contracted by 5.8 percent, compared to a growth of 24.2 percent in the June 2019. The contraction in growth of the NFA was mainly reflected in the contraction of the foreign currency reserves by the Central Bank. On the other hand, increase in growth of NFA of commercial banks, is partly attributed to decrease in growth of deposits by foreign banks and increased deposits with foreign banks.

Meanwhile, Net Domestic Assets (NDA) increased to register a growth of 13.5 percent in the year to June 2020 from a growth of 4.7 percent over a similar period in 2019. This is largely due to an improvement in net credit flows to the both the government, private sectors and other public sector

**Private Sector Credit**

Private sector credit grew by 7.6 percent in the 12 months to June 2020 compared to a growth of 5.2 percent in the year to June 2019. This growth was observed mainly in the manufacturing (12.3 percent); trade (8.4 percent); transport and communication (14.9 percent); Mining and Quarrying (10.0 percent) and consumer durables (15.2 percent). The operationalization of the prospective Credit Guarantee Scheme for the vulnerable Micro, Small and Medium sized Enterprises (MSMEs), which will de-risk lending by commercial banks, is critical to increasing credit to this sector.

**External Sector Developments**

The overall balance of payments position improved to a surplus of US$ 179.3 million (0.2 percent of GDP) in the year to June 2020 from a deficit of US$ 492.7 million (0.5 percent of GDP) in the year to June 2019. This was mainly due to narrowing of the financial account deficit

The capital account balance registered a surplus of US$ 149.6 million in the year to June 2020. However, this was a decline by US$ 65.6 million compared to the balance witnessed in June 2019. Financial inflows declined to US$ 4,485.1 million in June 2020 compared to US$ 6,634.8 million in June 2019. The financial inflows were mainly in the form of direct investments, portfolio investments and other investments which stood at a deficit of US$ 662.1 million, US$ 1,189.2 million and deficit of US$ 5,019.2 million, respectively in June 2020.

The capital account balance registered a surplus of US$ 149.6 million in the year to June 2020. However, this was a decline by US$ 65.6 million compared to the balance witnessed in June 2019. Financial inflows declined to US$ 4,485.1 million in June 2020 compared to US$ 6,634.8 million in June 2019. The financial inflows were mainly in the form of direct investments, portfolio investments and other investments which stood at a deficit of US$ 662.1 million, US$ 1,189.2 million and deficit of US$ 5,019.2 million, respectively in June 2020.

The current account deficit worsened by 1.2 percent to US$ 4,795.3 million (4.7 percent of GDP) in the June 2020 compared to a deficit of US$ 4,737.4 million (5.0 percent of GDP) in the year to June 2019 mainly due to a decline in net secondary income and net services. The balance in the merchandise account improved by US$ 705.8 million to a deficit of US$ (9,458.9) million in the year to June 2020 on account of a decline in imports that more than offset the decline in exports

**Foreign Exchange Reserves**

The banking system’s foreign exchange holdings remained strong at US$ 13,680.9 million in June 2020 up from US$ 13,187.3 million in June 2019. The official foreign exchange reserves held by the Central Bank improved to US$ 9,739.9 million (5.9 months of import cover) in June 2020 compared with US$ 9,655.9 million (6.0 months of import cover) in June 2019. This fulfils the requirement to maintain reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to US$ 3,940.9 million in June 2020 from US$ 3,531.4 million in June 2019.

**Capital Markets Developments**

Activity in the capital markets declined in August 2020 compared to August 2019, with equity share prices declining as shown by the NSE 20 Share Index. The decline reflects the volatility in the financial markets as a result of the uncertainty surrounding the corona virus pandemic. The NSE 20 Share Index was 1,794 points by end of August 2020 compared to 2,468 points by end August 2019. Consequently, market capitalization declined from Ksh 2,222 billion to Ksh 2,144 billion over the same period

### 3.1.3: County Economy

Siaya County operates within the global and national economic framework. The global and national economic dynamics impact both directly and indirectly on county fiscal decisions and operations. Economic growth is a parameter that influences national government transfer to the counties. Therefore, the higher the GDP growth, the more allocation is expected to go the counties.

Siaya County’s Contribution to the National GDP is estimated at 1.2% with a recorded annual growth rate of 5.6%. the key drivers of the County’s economic growth are Agriculture (45%), Manufacturing (5%), Jua Kali (10%), Wholesale and retail Trade (14.7%), Transport and storage (12.4%), Real Estate (1.8%) Construction (1.7%) and Financial services (3.6%). (***Source: C-GDP Report 2019)***

## 3.2: Medium Term Economic Outlook

### 3.2.1: Global Growth Outlook

The global economy is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent in 2019. This economic outlook is worse than the growth reported during the 2008 - 2009 Global Financial Crisis. On a positive note, world economic growth is projected to rebound to 5.4 percent in 2021 mainly supported by a gradual strengthening in consumption and investment.

Growth in the advanced economies is projected at negative 8.0 percent in 2020 recovering to 4.8 percent in 2021. This reflects deeper than anticipated effects of the pandemic on economic activity in the first half of 2020 and more gradual recovery in the second half of the year. Significant contraction of the economy is projected in the United States (-8.0 percent), Japan (-5.8 percent), the United Kingdom (-10.2 percent), Germany (-7.8 percent), France (- 12.5 percent), and Italy and Spain (-12.8 percent). Growth in the Euro area is expected to contract by 10.2 percent in 2020 before recovering to grow at 6.0 percent in 2021.

Growth in the region is projected to fall to 0.5% in 2020, the lowest rate since 1967, reflecting disruptions caused by the pandemic. China is expected to slow to 1% this year and rebound to 6.9 percent in 2021 as activity gradually normalizes there and as lockdowns are lifted around the world. The outlook is predicated on China and other major countries in the region avoiding a second wave of outbreaks. The assumption is that the severe slowdown in China in the first quarter and the rest of the region in the first half will be followed by a gradual and sustained recovery.

The regional economy is forecast to contract by 4.7%, with recessions in nearly all countries. The outlook assumes that government restrictions are gradually lifted by the start of the second half of the year. In a scenario in which the effects of the pandemic wane and trade and investment recover, Europe and Central Asia growth would be anticipated to revive to 3.6 percent in 2021.

The multiple domestic and external shocks deriving from the pandemic will cause regional economic activity to contract by 7.2% in 2020. This will be a far deeper recession than the ones that occurred during the global financial crisis in 2008-2009 and the 1980s Latin America debt crisis. The outlook assumes economic activity will fall to its lowest ebb in the second quarter of the year, when mitigation measures are at their highest levels. Under this scenario, a normalization of domestic and global conditions would enable regional growth to recover to 2.8% in 2021.

Economic activity in the Middle East and North Africa is forecast to contract by 4.2% because of the pandemic and oil market developments. This forecast is notably below the forecast of +2.4% growth published in the January edition. Moreover, the outlook is surrounded by high uncertainty. Oil exporters have been adversely impacted by the plunge in oil prices and COVID-19 outbreaks, while oil importers are experiencing spill overs from the weakness in advanced economies and major emerging markets, pandemic mitigation measure-related disruptions, and an expected drop-off in tourism.

The Sub-Saharan African region has not been spared the negative impact of the pandemic with the region projected to contract by 3.2 percent in 2020. Consistent with forecast in the other regions, economic growth in the region is expected to recover to 3.4 percent in 2021 as most of the economies in the region recover from the adverse effects of the Covid-19 pandemic.

Risks are tilted firmly to the downside. A longer lasting and more severe pandemic would trigger an even deeper recession in the region and have devastating effects on the health and well-being of the region's population. The effects of the pandemic are expected to markedly increase the region's vulnerability to debt distress, and these strains will be compounded by the increased borrowing necessary to fund larger deficits. Severely constrained government resources could lead to a curtailment of critical public services during the pandemic and further weigh on activity. There are also growing concerns that the pandemic may cause a food security crisis in the region as border closures and trade restrictions disrupt trading in food and agricultural products. The region's large numbers of displaced people could complicate efforts to prevent the spread of COVID-19. In addition, there is the risk of social unrest as governments prioritize efforts to thwart the virus and peacekeeping efforts lose momentum. Rising unemployment, falling incomes, and potential shortages of essential items could lead to instability and weigh on activity well after the pandemic has faded.

**3.2.2: Domestic Growth Outlook**

On the domestic scene, prior to the outbreak of Covid-19 pandemic, Kenya's economy was strong and resilient despite the challenging global environment. The economy expanded by 4.9 percent in the first quarter of 2020 supported by the agricultural sector on account of favourable weather conditions.

Leading economic indicators for the second quarter point to continued strong performance in agriculture, mainly due to favourable weather conditions and lifting of restrictions in the key export markets. However, the negative effects of covid-19 on the economy are projected to more than offset the gains in the agricultural sector leading to an overall projected growth of 2.6 percent in 2020. On a positive note, economic growth is projected to recover to 5.3 percent in 2021 and 5.9 percent in the medium term. In terms of fiscal years, economic growth is projected to grow by 4.0 percent in FY 2020/21 and further to 5.9 percent over the medium term.

This growth outlook for the calendar year 2020 and the FY 2020/21 and the medium term, will be supported by the stable macroeconomic environment, investments in the strategic areas under the "Big Four" agenda, the ongoing public investments in infrastructure projects, the Economic Stimulus Program being implemented and the planned Post Covid-19 Economic Recovery Strategy. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) which is implementing Vision 2030

**Monetary Policy Outlook**

The main objective of monetary policy, over the medium terms, will be to maintain stable prices. Overall inflation is expected to remain within the target range in the short run, despite the disruptions occasioned by the COVID-19 pandemic. This will be supported by favourable weather conditions, lower international oil prices, muted demand pressures and the reduction of Value Added Tax (VAT) from 16 percent to 14 percent.

The Central Bank of Kenya will continue to monitor developments in the money and foreign exchange market and take appropriate measures in the event of adverse shocks.

**External Sector Outlook**

The Kenya Shilling is expected to remain stable in 2020 on account of a stable current account deficit. The current account deficit is expected to narrow to 5.1 percent of GDP in 2020 from 5.8 percent in 2019 supported by a lower oil import bill and lower imports of SGR-related equipment.

**Fiscal Policy Outlook**

The revenue projections over the medium term takes into account the consistent decline in the share of revenue to GDP in the last five years, the negative impact of the Covid-19 pandemic on revenue collection and the impact of personal and corporate income tax relief extended to individuals and businesses to mitigate the impact of the pandemic. As such, the Government will take a cautious and realistic revenue projections for FY 2021/22 and the medium term to manage expectations and improve budget credibility. Fiscal policy over the medium-term aims at enhancing revenue mobilisation and strengthen management of public debt to minimize cost and risks of the portfolio, while accessing external concessional funding to finance development projects.

### 3.2.3: County Growth Outlook

The County is organized in ten sectors with specific mandates to deliver services to the people. To spur development every sector will work aggressively in the FY 2021/2022 and the medium term to achieve the developmental objectives outlined in the CIDP 2018-2022.

**a) Budget Deficit**

The fiscal deficit for the FY 2019/20 was attributed to low internal revenues and insufficient equitable share from National government have contributed to increased budget deficits in the county. Fiscal deficit have had and will continue to have an impact on county capital investment and savings. With fiscal deficit the county capital investments and savings will be reduced and this will lead to low provisions of quality service delivery.

In the medium-term period, the government will seek to reduce its budget deficit by undertaking revenue administration reforms and seeking development partner assistance in financing key infrastructure development. Borrowing in the medium term is not envisaged. Further, the government will seek to reduce recurrent expenditure (O&M) by scaling non-core expenditures.

**b) Wage Bill**

In 2019/20, the ratio of the wage bill to total revenues was about 42%. The effect of this overall is that the fiscal space for development expenditure is crowded with recurrent expenses. The policy suggestions that can be implemented in the short to medium term, in order to tame the rising wage bill, include: review of recruitment practices and streamlining payroll and control systems (cleaning of payroll) in the county.

**c) Population Growth**

The county had a population of nine hundred and ninety three thousand one eighty three (993,183) people ***(KNBS Census Report 2019).*** High population growth rate has and will continue to put a great deal of pressure on county government to increase current expenditures rapidly to create jobs for the unemployed. At the same time county government is faced with demands on its capital budgets to spend more for development purposes.

In addition, increasing urban population in Ugunja, Siaya and Bondo creates demands for social services: water, housing, education, sewerage, public lighting, roads, health, and fire protection among others. A large mass of unemployed or under-employed who live in these areas do not generate the output or tax revenues which are needed to provide these services. In the medium and long term, the county government will endeavour to create a balance in recurrent and development expenditure to address the issues of population pressure. In addressing labour demands, the government will make investment in labour intensive activities rather than those which are capital intensive.

Further, increase in population growth experienced in the county has put pressure on food security more so in urban areas. The county government will invest some of its resources in food and nutrition programmes to address issues of malnutrition and food safety.

### 3.3 Risks to the Domestic Economic Outlook

This macroeconomic outlook is not without risks from both external and domestic sources. 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 work places more hygienic and safer; reconfiguration of disrupted global supply chains; extent of cross-border spill overs occasioned by weaker external demand and funding shortfalls.

On the domestic front, risks will emanate from weaker external demand; reduced tourist arrivals due the Covid-19 fears and restrictions and further restrictions of movement should they become necessary to control the surge in infections. 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 negative impact on energy generation and agricultural output leading to higher inflation that could slow down growth.

The main risks to the foreign exchange market in 2020 relate to continued uncertainties occasioned by the Covid-19 pandemic. Nevertheless, the official foreign exchange reserves, at 5.9 months of import cover in June 2020, will continue to provide an adequate buffer against short term shocks in the foreign exchange market.

The Government is continually monitoring these risks and taking appropriate monetary and fiscal policy measures to preserve macroeconomic stability and strengthen resilience in the economy. To cushion the country against the downsides of the risks emanating from the Covid-19 pandemic, the Government is implementing an 8 point Economic Stimulus Package to protect lives and livelihoods. The Government is also planning a Post Covid-19 Economic Recovery Strategy to return the economy on a stable growth path. Additionally, the diversified nature of our economy continues to offer resilience to any global challenges.

On risks emanating from domestic sources, the Government has laid foundations to enhance faster and lasting growth through the "Big Four" Plan, which will unlock better growth, and positively impact on the lives of people through jobs creation and poverty reduction. As such, the Government is expanding irrigation schemes to reduce dependence on rain-fed agriculture, diversifying exports and promoting value addition in agriculture. Further, the Government is accelerating infrastructure development to support manufacturing and expand intra-regional trade by deliberately targeting new markets for our products. Finally, the ongoing enhanced domestic resource mobilization and expenditure rationalization will significantly reduce wage related pressures and reduce debt accumulation thus creating fiscal space necessary for economic sustainability.

# Chapter Four

## 4.0: Review of Fiscal Performance against Fiscal Strategy Paper 2020/21

The County Fiscal Strategy Paper (CFSP) 2020 informed the preparation of the 2020/21 budget as required the PFM Act. Strategic priorities in the budget are therefore drawn from the County Fiscal Strategy Paper with minimal variations across all sectors to address emerging issues. Priorities in the CFSP 2020 are anchored on the following four broad pillars;

i. Social Transformation through Investment in the County Healthcare Services, Education, Youth, Gender and Social Services, Water, Environment and Natural Resources
ii. Improvement of Governance and Administration through Investment in Devolved Structures for Effective Service Delivery, Financial Services, Land Administration and Management
iii. Transformation of County Infrastructure and Communication through Investment in Road Network and ICT Services to support and promote Tourism, Sports, Culture and Arts
iv. Agricultural Transformation for Improved Food Security, wealth creation through Investment in Crop, Irrigation, Fisheries and Livestock Production; Promote Enterprise and Industrial development for value addition in agricultural produce and employment creation

These broad pillars dictated the resource allocation criteria and outlined key sectors, programmes and priorities as discussed below;

**Pillar1:** Social Transformation through Investment in the County Healthcare Services, Education, Youth, Gender and Social Services, Water, Environment and Natural.

This pillar consists of County Health Services; Education, Youth Affairs, Gender and Social Services and Water, Irrigation, Energy and Natural Resources. In the CFSP 2019, the estimated allocation to execute this pillar was Ksh 2,887,287,092 that was revised to Ksh 2,917,849,682 in the budget.

1. **County Health Services**

The sector executes its mandate around three programmes namely; Curative and Rehabilitative services, Preventive and Promotive health care services, General Administration, Planning, Monitoring and Evaluation.

In the CFSP 2019/2020, the key priority areas of focus were; Enhancement of Universal Health Coverage scheme; Completion of ongoing projects/Renovation; equipping and staffing of existing Health Facilities; Procurement of pharmaceutical and non-pharmaceutical to health facilities including drugs and other hospital consumables; Strengthening Human Resource for Health by recruitment and specialized training.

To implement the above priorities, the sector was allocated Ksh 2,159,531,290 out of which Ksh. 1,889,616,396 was recurrent and Ksh. 220,530,904 was development. These allocations were revised in the budget to Ksh. 2,137,143,877 out of which Ksh. 1,941,419,309 was recurrent and Ksh 220,530,904 for development. The reduction in allocation was occasioned by release of funds to implement other priority areas.

**2. Education Youth Affairs, Gender and Social Services**

The sector's mandate is anchored on the following programmes; County Pre-Primary Education, Vocational Education, Youth Training and Development, County Social Security and Services; General Administration, Planning and Support Services.

The key priority areas for the sector as outlined in the CFSP were; Completion of on-going EDCE and VTCs centres; Equipping constructed EDCE and VTCs centres with equipment ; Rebranding of VTCs; Establishment of mentorship programmes and Empowerment Fund for Youths, Women and PWDs; Provision of Bursary to bright and needy students in learning institutions; Enhancement of human resource capacity through recruitment of 200 EDCE, 100VTC instructors and other departmental staff at various levels, promotion and training.

To implement the above priorities, the sector was allocated Ksh 415,713,089 comprising Ksh. 295,434,791 on recurrent and Ksh. 120,278,298 development. This allocation was increased in the budget to Ksh. 488,263,088 out of which Ksh. 310,434,791 was recurrent and Ksh 117,828,297 for development. The increase in allocation was occasioned by emerging priorities in the sector such as support to Jaramogi Oginga Odinga University's new satellite campus in Siaya Town.

**3. Water, Environment and Natural Resources**

The sector is organized around three programmes of Water resources development and management, Natural resources conservation and management and general administration, planning and support services.

The strategic priorities for the sector were; Pipeline extensions from Boro to Hawinga to Nyadorera centers and connection to Maranda to Usenge centres, Support to SIBO through provision of meters to enhance revenue generation, Completion of on-going water projects; Afforestation programmes in 10 hilltops; solarisation of water schemes; Enhancement of human resource capacity through recruitment, promotion and training.

To implement the above priorities, the sector was allocated Ksh. 312,042,718 comprising Ksh 76,607,928 on recurrent and Ksh 235,434,790 on development. The allocation was reduced in the budget to Ksh 292,442,717 comprising Ksh. 64,507,928 on recurrent and Ksh 227,934,789. The reduction in allocation was to release funds to help implement other priority areas.

**Pillar 2:** Transformation of County Infrastructure and Communication through Investment in Road Network and ICT Services to support and promote Tourism, Sports, Culture and Arts

This pillar is organized around of the following sectors; Public Works, Energy, Roads and Transport; Tourism, Culture, Sports, ICT and Arts. To execute its strategic priorities, the pillar was allocated Ksh. 890,654,437, which was increased, to Ksh 1,067,222,460 in the MTEF budget.

### 4. Public Works, Energy, Roads and Transport

The sector is mandated to: Construct and Maintain County Roads and Bridges; offer technical supervision of all County Public Works; regulate County Public Transport including ferries, jetties, airstrips, harbours; offer quality assurance in the built environment; put in place strategies to provide environment friendly sources of energy; Standards Control and Maintenance of County Buildings.

In the CFSP 2020, the key priority areas for the sector were; adoption of scope based road constructions and maintenance especially in; opening, grading and gravelling of other County roads, maintenance of existing roads within the County using both mechanised and labour based strategies, Tarmacking of selected roads, Storm water management in urban centres, establishment of fire station in Siaya and enhancement of human resource capacity by identifying gaps to be filled through rationalization, promotion and training

To implement the above priorities, the sector was allocated Ksh. 534,275,873 out of which Ksh 88,445,771 was on recurrent and Ksh.445, 830,102 on development. This allocation was increased to Ksh. 720,493,898 in the budget out of which Ksh 87,197,986 was recurrent and Ksh. 633,295,912 was development. The increased allocation in the development budget was occasioned by increased demand for maintenance and tarmacking of roads in the county.

**5. Tourism, Culture, Sports, Arts and ICT**

The sector executes its mandate around the following programmes; Tourism infrastructure development; Cultural performances and exhibitions; Talent Promotion and Training of tourism industry stakeholders, Sports Development and ICT.

In the CFSP 2020, the key priorities for the sector were; Completion of the on-going construction of Siaya Stadium; Construction of Migwena Stadium; Distribution of sports equipment; Developing, equipping and operationalization of Got Ramogi heritage centre; Refurbishment of Odero Kang'o cultural centres ; Maintaining and upgrading the LAN and broadband infrastructure that covers the County offices in HQ and sub-counties; Enhancement human resource capacity by identifying gaps to be filled through recruitment, promotion and training

To implement the above priorities, the sector was allocated Ksh. 356,378,564 out of which Ksh 111,378,564 was allocated on recurrent whereas Ksh 245,000,000 was on development. This allocation was revised to Ksh 346,378,562 out of which Ksh 93,170,875 was allocated on recurrent and Ksh. 253,728,562 was on development. The slight variation in the revised allocation was to release funds to help implement other priority areas.

**Pillar 3:** Agricultural Transformation for Improved Food Security, wealth creation through Investment in Crop, Irrigation, Fisheries and Livestock Production; Promote Enterprise and Industrial development for value addition in agricultural produce and employment creation

This pillar has only one sector which is; Agriculture, Irrigation, Livestock and Fisheries. The pillar was allocated Ksh 469,050,296 in the CFSP 2020, which was later revised, to Ksh. 449,165,919 in the budget.

**6. Agriculture, Irrigation, Livestock and Fisheries**

The sector is organised around the following programmes namely; crop and land management; livestock management and development; fisheries development and animal health.

In the CFSP 2020, the sector's key priority areas were; Completion and operationalization of irrigation projects; Rehabilitation of dams; Revitalization of extension services to improve crop, livestock, fisheries production and animal health by equipping extension workers, strengthen e-extension, training and recruitment of staff ; Enhancement of Agricultural subsidies through subsidized tractor hire services and provision of subsidized certified seeds and fertilizers; Provision of AI services for Siaya farmers to improve on livestock production; Supporting farmers conduct soil testing and adoption of ISFM technologies; Improvement of fish production through restocking of Lake Kanyaboli and cages in Lake Victoria; Improvement of livestock health and production through provision of crush pens, spray pumps, pesticides, distributing poultry and dairy cows to farmers groups ; Improvement of beach sanitation by constructing fish bandas, provision of freezing facilities and pit latrines; Enhancement of human resource capacity by identifying gaps to be filled through recruitment, promotion and training.

To implement the above priorities, the sector was allocated Ksh 469,050,296 out of which recurrent expenditure was Ksh. 259,050,296 whereas development expenditure was Ksh. 210,000,000. This allocation was revised to Ksh 449,165,919 which comprised of Ksh. 251,656,055 on recurrent expenditure and Ksh 197,509,864. The reduction in allocation was as a result of emerging priorities in other sectors that needed more funding.

**Pillar 4:** Improvement of Governance and Administration through Investment in Devolved Structures for Effective Service Delivery, Financial Services, Land Administration and Management

This pillar constitute the following sectors; County Assembly, Governance and Administration, Lands, Physical Planning, Housing and Urban Development; Enterprise and Industrial Development, Finance and Economic Planning. The pillar was allocated Ksh. 1,881,165,892 in the CFSP 2019, which was revised, to Ksh. 1,904,554,297 in the MTEF budget.

### 7. County Assembly

The sector executes its mandate around the following programmes; Legislation and Representation, Legislative Oversight and General administration, planning and support services.

In the CFSP 2020, the sector's key priority areas were; construction of Assembly complex, Speaker's residence and ward offices; acquisition and installation of Hansard technology system and equipment (including laptops and desktops); purchase of additional vehicles for committees and leadership; construction of an armoury and acquisition of more fire arms for security purposes; continuous maintenance of the County Assembly buildings and infrastructure; and purchase of mace.

To implement the above priorities, the sector was allocated Ksh. 866,576,250 out of which Ksh. 686,576,250 was on recurrent expenditure and Ksh 180,000,000 on development. This allocation was revised to Ksh. 886,308,584 comprising Ksh 706,308,584 on recurrent and Ksh. 180,000,000 on development.

### 8. Governance and Administration

The sector executes its mandate around the following programmes namely; County Executive Administration, County Public Service Board, Coordination of devolved units, Human Capital Management. Monitoring and Evaluation, Office of the County Attorney; Communication & Public Relation

In 2020 CFSP, the key priority areas for the sector were; Completion of the on-going construction of office annex; Facilitating Lake Region Economic Bloc (LREB) activities and contributions; Implementation of KDSP funded programmes; Operationalization of village administration and strengthen the devolved units; Enhancement of human resource capacity through recruitment, promotion and training; Strengthening performance contracting, compliance to values and ethics, capacity building and Monitoring and Evaluation of staff performance.

To implement the above priorities, the sector was allocated Ksh 690,078,558 out of which Ksh. 555,078,558 was allocated to recurrent and Ksh. 135,000,000 to development. This allocation was revised in the budget to Ksh. 645,467,610 comprising Ksh 586,467,610 and Ksh. 59,000,000 on recurrent and development expenditure respectively. The reduction in allocation was to free up resources to fund other priority areas.

### 9. Lands, Physical Planning, Housing and Urban Development

The sector coordinates implementation of the following programmes; General Administration, Planning and Support Services; Physical planning; Land surveying and mapping; Housing and Urban Development

The sector's key priority areas in the CFSP 2020 were; surveying public land, establishing Land Bank for investment (Biotech and Research centre; implementation of activities under Kenya Urban Support Program (KUSP); renovation of existing County Government houses; building human resource capacity by identifying gaps to be filled through recruitment, promotion and training; formulation and implementation of policies; establishing and operationalize Siaya Municipal Board

To implement the above priorities, the sector was allocated Ksh 152,975,374 comprising Ksh. 77,975,374 and Ksh. 75,000,000 on recurrent and development respectively. This allocation was revised to Ksh 163,675,374 comprising Ksh. 94,875,374 and Ksh. 163,675,374 on recurrent and development respectively. The increase in recurrent allocation was as a result of operationalization of the Siaya Municipal Board.

**10. Enterprise and Industrial Development**

The sector implements the following programmes; Trade Development and Promotion; Fair Trade Practices and Consumer Protection; Cooperative Governance and Accountability; Alcoholic Drinks Control; Waste management; General Administration, Planning and Support Services.

In the CFSP 2020, the sector's key priority were; completion of on-going projects; improvement of market infrastructure through installation of solar lights, fencing of markets, construction of boda boda/Jua Kali/ market shades, construction of pit latrines and modern washrooms in market and urban centres; waste management; rehabilitation of cottage industries for value addition, establishment of a cooperative fund, reviving cooperative societies and enhancing co-operative governance and accountability through trainings and co-operative extension services; establishment of verification centre in Siaya and calibration plant in Siaya -Busia road; enhancement of human resource capacity by identifying gaps to be filled through recruitment, promotion and training.

To implement the above priorities, the sector was allocated Ksh. 171,535,710 out of which Ksh. 86,401,799 was allocated on recurrent and Ksh 85,133,931 on development. This allocation was revised to Ksh 209,102,950 constituting Ksh 126,901,779 on recurrent and Ksh 82,200,950 on development. The increase in allocation was experienced to accommodate waste management function that had been transferred to the sector.

**11. Finance and Economic Planning**

The sector implements the following programmes; Financial Services; Economic Planning Services; General Administration, Planning and Support Services.

The sectors key priority areas in the CFSP 2020 were; undertaking revenue mapping to ascertain revenue base, rehabilitation of County Treasury block, implement activities in Key Result Area one of Kenya Devolution Support Programme, strengthening supply chain management, accounting services and internal audit services to ensure compliance with the law and order; Prepare all statutory planning documents as prescribed in the PFM Act, Prepare County statistical abstract; building human resource capacity for effective and efficient service delivery.

To implement the above priorities, the sector was allocated Ksh. 585,386,746 which was also the allocation for recurrent expenditure. This allocation was revised to Ksh. 469,752,109 in the budget comprising Ksh. 458,752,109 on recurrent and Ksh. 11,000,000 on development. The allocation was reduced to help fund other priority areas in other sectors.

# -Chapter Five

## 5.0: Resource Allocation Framework

### 5.1: Adjustments to the FY 2021/22 Budget

The Medium-Term Fiscal Framework for the FY 2021/22 emphasizes on efficiency in public spending; improvement of revenue collection to ensure full budgetary funding and sustained economic activities; support rapid and inclusive economic growth; mitigate the adverse impact of COVID-19 pandemic on the economy and continued fiscal discipline.

The underperformance in both revenue collection and expenditure in the FY 2020/21 has implications on the financial objectives outlined in the 2021 CFSP and by extension, the 2021/22 Budget. The basis for supplementary budget for FY 2021/22 shall be determined by the CBROP 2020-21 and the outcome of first two quarters of FY 2021/22. Expenditure projections for FY 2021/22 shall also be revised to accommodate the weak revenue performance through trade-offs and reallocations of the existing budgetary provisions and additional expenditure on productive areas of spending across the sectors.

The approved cumulative estimated revenue for FY 2021/22 was Kshs 10,157,257,717 comprising Kshs. 8,105,403,629 being total revenue for FY 2021/22 and Kshs. 2,051,851,088 as project balances carried forward from FY 2020/21. In addition Kshs. 8,105,403,629 comprises Kshs. 6,966,507,531 as equitable share, Kshs. 445,445,551 as Own Source Revenue (OSR) and Kshs. 693,450,547 as conditional grants.

Conditional allocations comprise Kshs. 153,297,872 for Leasing Medical Equipment; Kshs. 112,815,048 for Kenya Devolution Support Project (KDSP); Kshs. 23,749,120 for ASDSP II; Kshs. 314,639,880 for KCSAP; Kshs. 12,832,875 for DANIDA and Kshs. 76,115,752 for Transforming Health systems (THS).

### 5.2: Budget Framework for FY 2022/23

As preparation of the FY 2022/23 Medium-Term Budget commence, there is need to review the projected revenues in order to take into account the lower than expected revenue performance in the base year. As such the revenue forecasts for FY 2022/23 have been reviewed to reflect outcome in FY 2020/21 and also taking into account the fiscal developments through end of August 2021.

The FY 2022/23 budget framework builds up on the County Government's efforts through the need to complete and operationalise existing projects; implement the Post Covid-19 Economic Recovery Strategy to stimulate and sustain economic activities; mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the county economy on a steady and sustainable growth trajectory. This is in addition to expenditure rationalization and revenue mobilization programmes that the Government has been implementing. To protect the gains already made, the Government will continue to emphasize on the implementation of policy measures such as the zero-based budgeting process, completion of ongoing projects, and operationalization of complete projects, and reducing spending on programmes, which are not of high priority.

Further, sectors shall be required to adopt the culture of doing more with less that is available with a view to promote sustainability and optimality. This will give flexibility for counter cyclical fiscal policy interventions when appropriate.

### 5.2.1 Medium Term Fiscal Projections

The FY 2022/23 budget will be financed by revenue from equitable share, OSR and conditional grants from the national treasury and/or development partners. Equitable share is expected to increase from Kshs. 7,663,158,284 to Kshs. 8,429,474,113 in 2022/2023 and 2023/2024 respectively. OSR is expected to move from Kshs 420,000,000 in 2021/2022 to Kshs 500,998,234 and Kshs 551,098,057 in 2022/2023 and 2023/2024 respectively. Conditional allocations are projected at Ksh. 580,635,499 in 2022/23 and Ksh. 638,699,049 in FY 2023-24 as summarised in the table below:

**Table 11: Projected Revenue for FY 2022/23**

| Revenue Stream | Baseline 2021/2022 | Estimates 2022-23 | Projected 2023-24 |
|---|---|---|---|
| SINGLE BUSINESS PERMIT | 40,026,420 | 94,580,869 | 104,038,956 |
| MARKET FEES | 35,000,000 | 35,000,000 | 38,500,000 |
| BODA-BODA | 2,025,000 | 2,025,000 | 2,227,500 |
| WEIGHTS AND MEASURES | 1,000,000 | 1,000,000 | 1,100,000 |
| TRADE INCOME (AUDIT FEE) | 749,250 | 749,250 | 824,175 |
| ADVERTISEMENT CHARGES | 5,000,000 | 5,000,000 | 5,500,000 |
| LIQUOR CHARGES | 9,000,000 | 9,000,000 | 9,900,000 |
| BUS PARK/PARKING FEES | 20,000,000 | 20,998,234 | 23,098,057 |
| GRADER | 2,200,000 | 2,200,000 | 2,420,000 |
| FIRE INSPECTIONS FEES | 100,000 | 100,000 | 110,000 |
| PLAN APPROVAL(Engineers) | 10,000,000 | 10,000,000 | 11,000,000 |
| PARKING FEES | 5,000,000 | 5,000,000 | 5,500,000 |
| COUNTY HALL HIRE | 140,000 | 140,000 | 154,000 |
| FISH CESS | 7,500,000 | 7,500,000 | 8,250,000 |
| SLAUGHTER FEES | 473,200 | 473,200 | 520,520 |
| AGRICULTURAL INCOME | 5,380,290 | 5,380,290 | 5,918,319 |

| Revenue Stream | Baseline 2021/2022 | Estimates 2022-23 | Projected 2023-24 |
|---|---|---|---|
| SUGAR CESS | 3,000,000 | 3,000,000 | 3,300,000 |
| VETERENARY SERVICES | 2,395,235 | 2,395,235 | 2,634,759 |
| TRACTOR HIRE SERVICE (THS) | 2,500,000 | 2,500,000 | 2,750,000 |
| CATTLE AUCTION | 3,500,000 | 3,500,000 | 3,850,000 |
| PLAN APPROVALS (Physical Planning) | 10,000,000 | 10,000,000 | 11,000,000 |
| TRANSFER FEES | 600,000 | 600,000 | 660,000 |
| PLOT RATES | 10,000,000 | 10,000,000 | 11,000,000 |
| PLOT RENTS | 9,155,575 | 9,155,575 | 10,071,133 |
| GROUND RENTS | 1,000,000 | 1,000,000 | 1,100,000 |
| HOUSE RENT | 1,600,000 | 1,600,000 | 1,760,000 |
| KIOSKS/STALLS RENT | 11,025,075 | 11,025,075 | 12,127,583 |
| BURIAL FEES/SYNAGE | 100,000 | 100,000 | 110,000 |
| SAND CESS/QUARRY | 500,000 | 500,000 | 550,000 |
| CLEARANCE CERTIFICATE | 500,000 | 500,000 | 550,000 |
| SITE FEES | 1,303,000 | 1,303,000 | 1,433,300 |
| SURVEY FEE | 1,500,000 | 1,500,000 | 1,650,000 |
| PRIVATE ESTATE FEES | 30,000 | 30,000 | 33,000 |
| FIF | 126,607,445 | 126,607,445 | 139,268,190 |
| PUBLIC HEALTH | 2,160,909 | 2,160,909 | 2,377,000 |
| PUBLIC HEALTH-Plan approvals | 3,000,000 | 3,000,000 | 3,300,000 |
| LINDA MAMA | 60,578,536 | 60,578,536 | 66,636,390 |
| NHIF/CAPITATION | 50,158,116 | 50,158,116 | 55,173,928 |
| NEMA | 200,000 | 200,000 | 220,000 |
| IMPOUNDING FEES | 100,000 | 100,000 | 110,000 |
| SCHOOL FEES | 337,500 | 337,500 | 371,250 |
| **SUB-TOTAL-LOCAL REVENUE (OSR)-A** | **445,445,551** | **500,998,234** | 551,098,057 |
| **EQUITABLE SHARE-B** | **6,966,507,531** | **7,663,158,284** | 8,429,474,113 |
| KDSP-Level 2 grant | 112,815,048 | 0 | - |
| LEASE OF MEDICAL EQUIPMENT | 153,297,872 | 153,297,872 | 168,627,659 |
| Transforming Health Systems for Universal Health Care (THS) | 76,115,752 | 76,115,752 | 83,727,327 |
| Kenya Climate Smart Agriculture Project (KCSAP) | 314,639,880 | 314,639,880 | 346,103,868 |
| DANIDA | 12,832,875 | 12,832,875 | 14,116,163 |
| Agricultural Sector Development Support Project (ASDSP) | 23,749,120 | 23,749,120 | 26,124,032 |
| **SUB-TOTAL-CONDITIONAL GRANTS-C** | **693,450,547** | **580,635,499** | 638,699,049 |
| **TOTAL REVENUE FOR FY 2021/2022=(A+B+C)** | **8,105,403,629** | **8,744,792,017** | **9,619,271,219** |

### 5.2.2 Medium-Term Expenditure Framework

The Government will continue with its policy of expenditure prioritization 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, implementation of the constitution, creation of employment opportunities and improving the general welfare of the people. Realization of these objectives will have implications in the budget ceilings to be provided in this Budget Review and Outlook Paper. The following criteria will serve as a guide for allocating resources:

(i) Provision for non-discretionary expenditures like personnel emoluments

(ii) Provision for Pending bills both recurrent and development (iii)Provision for completion of ongoing and stalled projects

(iv)Provision for operationalization of completed facilities

(v) Provision for departmental priorities which are linked to programmes in the CIDP 2018-2022 and ADP 2022/23 and to which addresses the core mandates of the various departments.

(vi)Departmental absorption rate for the previous budget

The budget plays a central role in transformation by promoting redistribution and directing scarce resources towards catalytic investments in human and physical capital. But the budget depends on the economy to generate the resources to finance these investments. Resources will be channelled to priority areas through programme-based budgeting underpinned with transparency and efficient county government institutions. Resources will continue to be aligned to sectors in 2022/23 as indicated in table 12 below.

**Table 12: Projected Departmental ceilings for FY 2022/23 and FY 2023/24**

| Sector | Baseline 2021-22 | Projected estimates 2022-23 | Projected estimates 2023-24 |
|---|---|---|---|
| County Assembly | 1,280,469,084 | 682,038,388 | 750,242,227 |
| Governance and Administration | 650,541,092 | 812,856,709 | 894,142,380 |
| Office Of the county Attorney | | 30,060,372 | 33,066,410 |
| Finance and Economic Planning | 709,298,983 | 708,019,076 | 778,820,984 |
| Agriculture, Food, Livestock and Fisheries Development | 631,905,447 | 517,179,861 | 568,897,847 |
| Water, environment and Natural Resources | 293,206,755 | 236,417,399 | 260,059,139 |
| Education, Youth Affairs, Gender, Sports and Social Services | 623,651,786 | 858,658,384 | 944,524,222 |
| Health and Sanitation | 2,324,990,297 | 2,180,675,703 | 2,398,743,274 |
| Lands, Physical Planning, Urban Development and Housing | 195,193,811 | 233,503,972 | 256,854,370 |
| Enterprise and Industrial Development | 288,816,592 | 408,500,410 | 449,350,451 |
| Tourism, Culture, Arts and ICT | 93,700,494 | 283,598,171 | 311,957,988 |
| Roads, Public Works, Energy and Transport | 1,013,629,288 | 1,523,286,570 | 1,675,615,227 |
| Siaya Municipality | | 270,000,000 | 297,000,000 |
| **Total** | **8,105,403,629** | **8,744,795,017** | **9,322,274,518** |

From table above, the total resource envelop is expected to increase to Kshs. 8,744,795,017 in FY 2022/23 and further increase to Kshs 9,322,274,518 in FY 2023/24.