REPUBLIC OF KENYA

COUNTY GOVERNMENT OF HOMA BAY

DEPARTMENT OF FINANCE, ECONOMIC PLANNING AND SERVICE DELIVERY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

September, 2021

FOREWORD

The 2021 Budget Review and Outlook Paper is set against the backdrop of a contracting global economy occasioned by the subsequent waves of the Covid-19 Pandemic. The attendant containment measures have continued to disrupt some sectors of the economy particularly international trade and the supply chain leading to loss of livelihoods for millions of people globally. This year, the global economic growth is projected to be 3.2 percent down from the 3.5 percent in 2020 with prospects across countries and regions remaining highly uncertain.

On the domestic scene, the pandemic has not only disrupted the ways of live for majority, but also livelihoods especially businesses. Nevertheless, the Kenyan Gross Domestic Product is projected to grow by 4.5 percent in the first quarter of 2021 signaling a partial recovery from the Covid-19 impacts. In the medium term, economic activity is estimated to accelerate to above 5% in 2022 and 2023 according to the latest World Bank report.

This County Budget Review and Outlook Paper (CBROP) has been prepared pursuant to section 118 of the Public Financial Management Act, 2012.The review has been focused on the fiscal year ending June 2021. For the FY 2020/2021, a total of KSh. 7,321,214,700 had been received as part of the equitable share of revenue from the National Government. This included KSh. 6,741,450,000 dues for FY 2020/21 and KSh. 579,764,700 being late exchequer receipts for the FY 2019/20 received at the beginning of the financial year. This represented an exchequer revenue performance of 109%. The County government recorded a marginal decline in local revenue collection in 2020/2021 totaling to KSh. 224,733,178 including A-I-A, against the revised target of KSh. 250,329,938. This was a decline of 18.2% compared to collections for the corresponding financial year 2019/20 of KSh. 274,595,613.

Whereas the medium term outlook remains uncertain in the face of more Covid-19 pandemic waves, the Government has moved to cushion the economy from the adverse effects of Covid-19 impacts. A raft of policy measures have been proposed in the Homa Bay County Covid-19 Reengineering and Recovery Strategy 2021-2025 which if implemented, will aid in building back a better society that is more adaptive and resilient to covid-19 and other impacts.

The County Government of Homa Bay remains committed to maintaining the trend of sustainable, inclusive and resilient economic recovery which is in line with the needs and commitments made to the people of Homa Bay County as well as in compliance with the provisions of section 135 of the PFM Act, 2012. It is therefore my call for better planning and spending decisions so that a more positive outcome may be sustained for the medium term.

Hon. Nicholas K'Oriko
CEC Member for Finance, Economic Planning and Service Delivery
Homa Bay County Government

ACKNOWLEDGMENT

The 2021 Budget Review and Outlook Paper (BROP) has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides the fiscal outturn for the FY 2020/21, the macro-economic projections and sets the projected ceilings for the FY 2022/23 and the Medium-Term Budget. The document also provides an overview of how the actual performance of the FY 2020/21 affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act as well as information showing adjustments made in the projections outlined in the 2021 Fiscal Strategy Paper.

This year's CBROP has been prepared at a time when there is need to strengthen multi-sectoral approach in development in order to enhance synergies between county entities and development partners to ensure delivery of envisaged socio-economic development agenda amidst the shrinking fiscal space. As we prepare for the FY 2022/23 budget, emphasis will be on sustainable, inclusive and resilient recovery.

The preparation of this 2021 CBROP was a collaborative effort involving many county government entities. We are proud of the work that each entity did to ensure timely provision of relevant information especially with regard to execution of the FY 2020/21 budget.

I wish to sincerely express my gratitude for the leadership of H.E. the Governor, H.E. the Deputy Governor and the entire County Executive Committee for their support and inputs. Special appreciation goes to the County Budget and Economic Forum (CBEF) members for their continued support especially through comments that reflect their commitment to seeing the best is done in Homa Bay County.

I would particularly like to acknowledge the efforts of the Executive Committee Member, Finance, Economic Planning and Service Delivery in guiding this process. Our dedicated team from the County Directorate of Budget and Economic Affairs led by Mr., Bolo have done a splendid job and for that, they deserve some bouquets.

Finally, I wish to acknowledge the effort of all technical officers including those from accounts, reporting, expenditure and revenue directorates for burning the midnight oil to provide the relevant information in the required formats. I trust that the spirit will be upheld to deliver more for the county in the coming years.

Mr. Noah Otieno
County Chief Officer - Finance, Economic Planning and Service Delivery,
Homa Bay County Government

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ABBREVIATIONS AND ACRONYMS

A-I-A	Appropriation in Aid
CBROP	County Budget Review and Outlook Paper
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPI	Consumer Price Index
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish Development Agency
EAC	East African Community
ECD	Early Childhood Development
FY	Financial Year
GBV	Gender-Based Violence
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IFMIS	Integrated Financial Management Information Systems
KDSP	Kenya Devolution Support Programme
KISIP	Kenya Informal Settlement Improvement Programme
KNBS	Kenya National Bureau of Statistics
MDAs	Ministries, Departments and Agencies
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NSE	Nairobi Stock Exchange
PLWD	Person Living with Disability
PFM	Public Financial Management
PPP	Public Private Partnership
WASH	Water and Sanitation Hygiene
SDGs	Sustainable Development Goals
USD	United States Dollar

INTRODUCTION

1.1 Background

The Homa Bay County Budget Review and Outlook Paper (CBROP) is prepared in line with the provisions of Section 118 of the Public Finance Management Act 2012. The Act requires that every County prepares a CBROP by 30th September of that financial year and submit the same to the County Executive Committee (CEC).

1.2 Objective of the 2021 CBROP

The objectives of this CBROP is to review the County fiscal performance in the financial year 2020/2021 compared to the appropriation of that year and how this affected the economic performance of the county; provide an updated economic and financial forecast with sufficient information to show changes from the forecasts in the County Fiscal Strategy Paper. 2021; and give reasons for any deviation from the financial objectives in the CFSP together with the proposals to address the deviation and the time estimated for doing so.

The CBROP will be aligned to policy, planning and budgeting. It will be embedded on the Kenya's vision 2030. Third Medium Term Plan (CIDP) 2018-2022. Sector working groups will be formed to undertake performance reviews of programs currently being undertaken and also develop and prioritize programs for the Medium-Term period of FY 2019/20– FY 2021/22

The updated outlook will thereafter be firmed up in the County Fiscal Strategy Paper (CFSP), 2018 to reflect any changes in economic and financial conditions. In accordance with section 117 of the Public Finance Management Act 2012, the CFSP will be submitted to the County Assembly not later than 28th February 2022.

1.3 Significance of CBROP

The paper is a policy document that links planning with budgeting. It is significant in the budget making process within the Medium-Term Expenditure Framework (MTEF). It ensures that the County Government reviews its previous year's performance as it also guarantees that the County Government makes forecasts based on both the County and the national economic outlook and their likely impact on the level of future revenues and prompts the County Government to set preliminary sector ceilings in light of this review of revenue.

1.4 Structure of CBROP

The CBROP has five sections; Section 1 provides the main introductory part of the CBROP; Section 2 reviews the fiscal performance of FY 2020/21 and its implications on the financial objectives as set out in the 2020 CFSP submitted to the County Assembly on 28Th February, 2020; Section 3 provides brief highlights of the recent economic developments and the updated macroeconomic outlook; Section 4 details the resource allocation framework for FY 2021/22; and Section 5 provides the conclusion and next steps.

REVIEW OF THE FY 2020/21 FISCAL PERFORMANCE

2.1 Overview

The fiscal performance and absorption of the approved second supplementary budget of FY 2020/2021 (93%) was significantly higher than that of FY 2019/2020 (81%). This improvement is attributable to exchequer receipts at the beginning of the financial year, specifically in the month of July 2019, which were appropriated. However, full absorption rate was not attained due to the widespread effect of the Coronavirus pandemic (Covid-19) which hampered County government operations in the last quarter of the fiscal year (Q4), and partly due to the untimely disbursement of funds from the National Government.

As at the close of the financial year, only KSh. 7,321,214,700 had been received as part of the equitable share of revenue from the National Government. This included KSh. 6,741,450,000 dues for FY 2020/21 and KSh. 579,764,700 being late exchequer receipts for the FY 2019/20 received at the beginning of the financial year. This represented an exchequer revenue performance of 109%.

The County government recorded a marginal decline in local revenue collection in 2020/2021 totaling to KSh. 224,733,178 including A-I-A, against the revised target of KSh. 250,329,938. This was a decline of 18.2% compared to collections for the corresponding financial year 2019/20 of KSh. 274,595,613. This decline was mainly attributed to the widespread effects of coronavirus pandemic which affected most business enterprises, in addition to the containment measures put in place by both the National and County governments.

Revenue from the National Government consisted of KSh. 7,321,214,700 in equitable share of national revenues and KSh. 684,882,291 in loans and conditional grants. Table 1 below provides a summary of transfers from National Government, including conditional grants.

Table 1: Summary of Receipts from the National Government FY 2020/2021

Revenue Source	Amount (KSh.)
Equitable Share	7,321,214,700
Road Maintenance Levy Fund (RMLF)	248,768,691
Universal Health Care	30,318,050
Rehabilitation of Youth Polytechnics	40,399,894
DANIDA	26,615,000
User Fees Forgone	22,185,346
Kenya Urban Support Programme (UDG)	65,675,301
Kenya Urban Support Programme (UIG)	0
Kenya Devolution Support Programme (KDSP)	45,000,000
National Agricultural Inclusive Growth Project	192,680,468
Agricultural Sector Development Support Programme (ASDSP)	13,239,541
Total	**8,006,096,991**

Source: Homa Bay County Treasury

2.1.1 County Revenue Performance

As at the close of the 2020/2021 financial year, total operating income including A-I-A amounted to KSh. 8,396,667,169. Against the second revised estimates of KSh. 8,984,932,611, this represented an average revenue performance of 93.5% while against the original estimates of KSh. 7,862,589,002 this represented a strong performance of 106.8%.

The actual marginal increase in operating income from 2019/20 to 2020/21 was KSh. 182,892,628 representing a 2.2% increase. This was a decline compared to the growth rate of 18.4% registered between 2018/19 and 2019/20. Figure 1 below gives a summary of revenue performance by source for FY 2020/2021

Figure 1: Revenue Performance by Source – 2020/2021

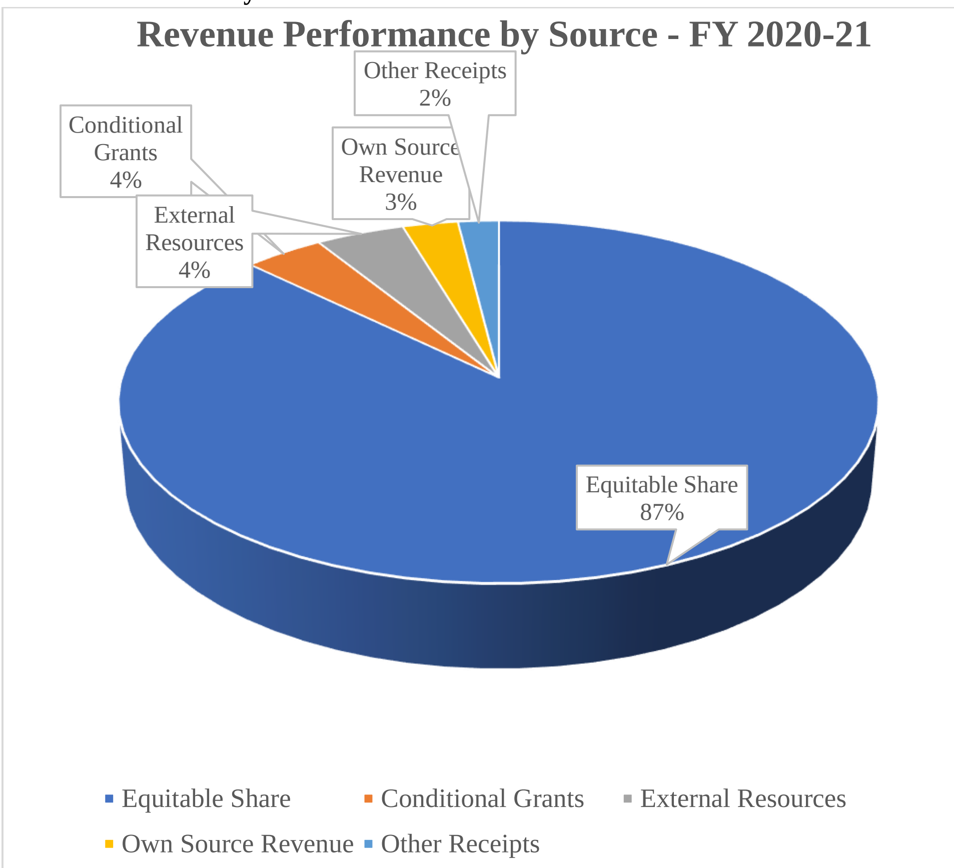


Table 2: Revenue Growth from 2019/2020 to 2020/2021

	2019/20		2020/21			Deviation as a % of Budget
	Actual	**Budget**	**Actual**	**Revised Budget II**	**Deviation (Budget-Actual)**	
Exchequer releases	6,161,685,300	6,741,450,000	7,321,214,700	6,741,450,000	(579,764,700)	8.6%
Conditional Grants	288,782,726	380,624,069	324,593,472	293,982,439	(30,611,033)	10.4%
External Resources	448,598,903	599,801,103	360,288,819	422,484,450	62,195,631	14.7%

Own Source Revenue	118,503,747	117,334,645	224,733,178	250,329,938	25,596,760	10.2%
Returned CRF Issues	945,088,179	1,070,112,000	1,052,585,289	1,276,685,784	224,100,495	17.6%
Other Incomes	176,292,000	0		0	0	0%
Total	**8,295,042,721**	**8,969,578,694**	**9,283,415,458**	**8,984,932,611**	**(298,482,847)**	**3.3%**

Source: Homa Bay County Treasury

2.1.1.1 Equitable Share of National Revenue

In the FY 2020/21 the County Government of Homa Bay was allocated a total of KSh. 6,741,450,000 through the County Allocation of Revenue Act, 2020. As a result, there was no change recorded for equitable share of national revenue in comparison to the same allocation of KSh. 6,741,450,000 for the previous financial year 2019/20.

Significant delays were noted in receiving funds from the National Treasury whereby funds for the first three months of the financial year (July, August and September) were all received in October towards the end of the first quarter (Q1). Similarly, funds meant for the fourth quarter (Q4) were all received towards the close of the financial year in June 2021. However, as at the close of the FY 2020/21, the County government had received all equitable share of funds due, totaling to KSh. 6,741,450,000 from the National Treasury in addition to a further KSh. 579,764,700 relating to the 2019/20 financial year. This represented 100% of the total amount due as equitable share for the FY 2020/2021, and an 8.6% increase from the 2019/20 financial year, when KSh. 6,161,685,300 of the total shareable revenue expected from the National Treasury was received. Table 3 below captures exchequer releases from the National Treasury as part of Equitable Share.

Table 3: Exchequer Releases during the Twelve Months of FY 2020/2021

Quarter of Release	**Quarter 1 (July - Sep 2020)**	**Quarter 2 (Oct - Dec 2020)**	**First Half Total 2020/21**
Amount (KSh.)	579,764,700	2,224,678,500	**2,804,443,200**
Quarter of Release	**Quarter 3 (Jan – March 2021)**	**Quarter 4 (April – June 2021)**	**Second Half Total 2020/21**
Amount (KSh.)	1,112,339,250	3,404,432,250	**4,516,771,500**

Source: Homa Bay County Treasury

For the 2020/21 financial year, equitable share accounted for over 81.5% of the total approved supplementary budget II, while own source revenue accounted for only 2.5% of the second approved supplementary budget.

2.1.1.2 Collection of County Internal Revenue

The County Government of Homa Bay collected a total of KSh. 224,733,178 of local revenue including A-I-A, for the FY 2020/21. This represented an 18.2% decrease in own source revenue collections from the previous KSh. 274,595,613 for the FY 2019/20. The drop in local revenue collection was mainly due to depressed business activities occasioned by containment measures issued by both the County and National Governments, which included restricted movement of goods and services and reduced hours of operations for some revenue streams. Additionally, actual OSR collection fell short of the revised target of KSh. 250,329,938 by 10.2%.

In terms of appropriations in aid (A-I-A), the County Treasury was able to collect KSh. 103,116,244 in 2020/21 representing a performance of 129.7% compared to the target of KSh. 79,511,564 set in the second supplementary budget estimates. The total A-in-A collections in FY 2020/21 was however lower than the KSh. 156,091,866 collected in the previous period, representing a decline of 26.3%.

In a bid to strengthen local revenue collection, the County Government of Homa Bay will continue to embrace the use of modern and technologically enhanced methods of revenue collection. Some of such measures include: the formation of an inspectorate that will ensure enforcement on collections – this will also be augmented by the recruitment of more than 300 enforcement officers across the entire County; ensuring that revenue collectors bank directly all revenues collected to avoid revenue leakages. Similarly, the County Government is in the process of signing a service agreement with Kenya Revenue Authority to collect some streams on behalf of the County Government.

Tables 4 below shows the trend of local revenue collection by category for FY 2020/21, compared to FY 2019/20.

Table 4: Own Source Revenue Collections during the FY 2020/2021 by Category

Description	FY 2019 - 2020	FY 2020 - 2021
	KSh.	KSh.
Land rates	1,942,706	1,876,293
Land transfers/extension/change of use	4,000	55,020
Lease Charges (Consent/transfers)	0	10,600
Stalls/plot/ground rents	1,164,942	2,959,808
Business Permits	28,282,265	34,581,350
Market/Trade Centre fees	27,094,832	24,445,200
Approval of plans/transfers/certificates	1,527,620	1,551,090
Housing fees	23,000	19,200
Fish Cess	5,356,153	5,187,524
Other Cess Incomes	5,784,913	4,538,445
Motorbike fees	2,193,596	2,119,870

Description	FY 2019 - 2020	FY 2020 - 2021
Site Value Rates	3,908	43,000
Kiosk Rent	3,541,510	3,671,508
Slaughter House fees	975,122	1,309,990
Stock Auction Fees (Cattle/ goats/sheep)	3,718,296	3,278,990
Stock Movement Fees	249,330	660,560
Veterinary Charges	201,500	167,940
Advertising/bill boards	44,000	1,723,350
Landing fees (boats, planes, etc.)	24,000	30,700
Bus park fees/ parking fees	24,893,094	23,798,447
Administration fees (Search/Beaconing)	25,100	15,530
Sanitation fees	8,390	0
Noise Pollution permit fees	4,400	26,500
Fire Inspection fees	0	91,000
Hire of Machinery and Equipment	6,000	870,000
Water Charges (Application/survey)	2,345	0
Fines and penalties	969,697	893,828
Weights and measures fees	287,900	0
Bricks/sand/Murram/Stones	7,686,692	6,954,159
Miscellaneous incomes	2,488,436	1,737,032
Health Sector Charges (A-I-A)	156,091,866	103,116,244
Total	**274,595,613**	**224,733,178**

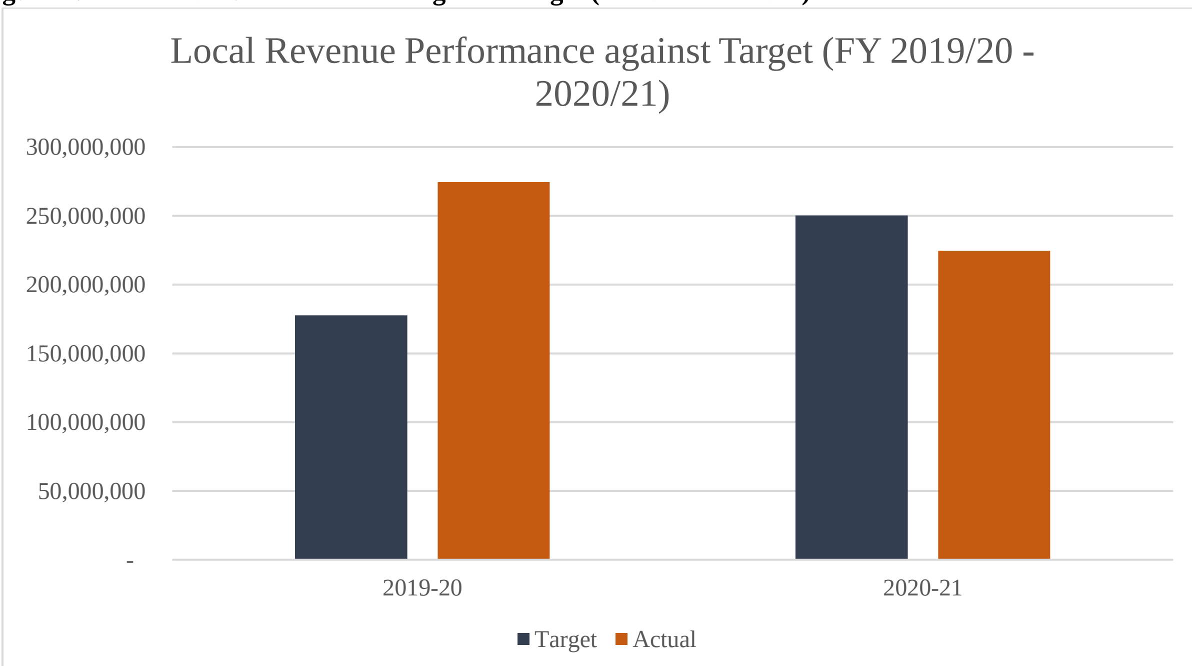
Source: Homa Bay County Treasury

Apart from the A-in-A from the Health sector, which accounted for 45.9% of total local revenue, the department of Trade and Industries remains the highest contributor with 26.3% compared to 20.2% in the FY 2019/2020 thereby recording a remarkable improvement in collections. Revenue from business permits recorded an impressive growth of KSh. 6,299,085 (22.3%) compared to FY 2019/20. This represented an improved contribution of 15.4% compared to 10.3% towards the total local revenue collected. Collections from Bus Park Fees however declined by 4.4% to close at KSh. 23,798,447 as compared to FY 2019/20. Other revenue streams that recorded a drop in collections included Stock Auction Fees from cattle sales which recorded a decline of 11.8% to register KSh. 3,278,990 compared to KSh. 3,718,296 in the FY 2019/20. Market/Trade Centre fees also recorded a 9.8% decline compared to 2019/20 to close at KSh. 24,445,200. Other streams that registered a downward trend included Fish Cess, Land Rates and Bricks/sand/Murram/Stones while Kiosk Rents recorded a marginal increase of 3.7% compared to 2019/20.

In order to ensure optimal collection of local revenues, the County government ought to address certain fundamental issues relating to own source revenue reforms including redesigning the current revenue structure as well as strengthening financial management. Additional measures are required to enhance taxpayers' compliance and to improve the accountability of revenue collectors and receivers. There is need for greater emphasis on the cost-effectiveness of revenue collection, considering not only the direct costs of tax administration, but also the overall costs to the county economy, including the compliance costs to the taxpayers. In addition, losses through corruption and tax evasion need to be minimized. Such improvements may take a long time to achieve, although automation and additional simplification of the local revenue system should provide a positive contribution towards these aims.

Figure 2 below shows a summary of local revenue performance between 2019/20 and 2020/21 including A-I-A.

Figure 2: Local Revenue Performance against Target (2019/20 – 2020/21)



2.1.2.3 Mobilization of External Resources

Mobilization of external financial and in-kind resources to undertake development efforts of the County Government of Homa Bay continues to be an important area for consideration. The County Government recognizes the importance of the issue of external resource mobilization and will work to set up an external resource mobilization and debt management unit in line with the Homa Bay County Assembly recommendations.

Strengthening of the Resource Mobilization Unit is a key strategy in attracting external resources through improved grant seeking and Public Private Partnerships. Measures are being instituted to improve grant support from foreign governments and international institutions. This implies application of relevant principles such as effectively communicating gratitude and work done with support previously provided to enhance cause and organization visibility and credibility;

highlighting the uniqueness of our organization by emphasizing our USP (Unique Selling Proposition); ensuring transparency in our work and use of funds received; and making it easy for our donors to contribute. The County Government is therefore focused on strengthening follow-ups and using modern methods to engage prospective development partners.

2.1.2 County Expenditure Performance

The actual expenditure for the FY 2020/21 amounted to KSh. 8,342,139,183 representing 89.9% of the total funds availed for expenditure. Whereas the County government spent KSh. 1,079,596,011 more compared to the previous period (KSh. 7,262,543,172), the rate of budget utilization remained relatively stable over the period of review. Out of the total actual expenditure, the County spent KSh. 5,588,744,462 (67.0%) on recurrent activities compared to 71.2% in 2019/20, and a further KSh. 2,753,394,721 (33.0%) compared to 28.8% in 2019/20, on development activities. There was a remarkable improvement in the absorption rate for development expenditure (78.0%) compare to (59.7%) recorded in the previous financial year. This improvement was largely attributed to increased utilization of funds under the Ward Based Development budget of KSh. 800 million.

The County Government of Homa Bay maintained a decent approach to spending with recurrent expenditure taking slightly more than the recommended 70% of the total expenditure compared to 83.9% for the previous year. It is therefore imperative to manage this fiscal pressure ad especially, bring down staff emoluments to sustainable levels.

2.1.3 County Expenditure by Broad Economic Classification

The recurrent expenditure for the FY 2020/21 represented an absorption rate of 103% of the revised recurrent budget, while development expenditure recorded an improved absorption rate of 78% up from 59.7% recorded in 2019/20, of the revised development budget. Table 4 below provides a summary of the actual spending against revised estimates II for both recurrent and development votes for the FY 2020/2021.

Table 5: County Government Total Expenditure

	2019/20	**2020/21**			
	Actual Expenditure	**Actual Expenditure**	**Revised Budget**	**Deviation**	**Percentage Absorption**
Recurrent Expenditure	5,168,988,394	5,588,744,462	5,432,238,636	(156,505,826)	103%
Development Expenditure	2,093,554,778	2,753,394,721	3,552,693,975	799,299,254	78%
Total	**7,262,543,172**	**8,342,139,183**	**8,984,932,611**	**642,793,428**	**93%**

Source: Homa Bay County Treasury

During the FY 2020/21, the County Government of Homa Bay had a budget absorption rate of 93% against the second revised budget estimates. This represented a great improvement from the FY 2019/20 when 81% of the revised budget was absorbed. The improvement in the absorption rate was largely attributable to the ongoing projects under the Ward Based Development, and the investment of resources in the healthcare sector to mitigate the effects of the Covid-19 pandemic.

For the FY 2020/21, payment for compensation to employees increased marginally by 0.5% to 43.9%. Whereas still higher than the prescribed 35%, payment for salaries and other benefits continues to be a major concern for the County government with various measures being instituted to contain the ballooning wage bill. A total of KSh. 3,660,381,061 was paid to employees compared to KSh. 3,155,135,753 paid out in the FY 2019/2020. KSh. 748,574,175 was used up to procure current goods and services, while a further KSh. 1,046,900,000 was transferred to the County Assembly of Homa Bay for recurrent purposes. Table 6 below provides the breakdown of recurrent expenditure by broad economic classification.

Table 6: Breakdown of Current Expenditure by Economic Classification

	Actual Expenditure 2019/2020	Original Estimates 2020/2021	Revised Estimates II 2020/2021	Cumulative Expenditure 2020/2021	Exp. % of the Revised Recurrent Budget
Compensation to Employees	3,155,135,753	3,360,558,798	3,579,860,307	3,660,381,061	102%
Recurrent operations & Maintenance Services	919,171,373	752,443,776	763,256,527	748,574,175	98%
Transfers to Other Government Units (HBCA)	816,000,000	932,232,576	950,232,576	1,046,900,000	110%
Other Grants and Transfers	257,605,986	109,000,000	109,000,000	103,000,000	94%
Social Security Benefits	21,075,282	29,889,226	29,889,226	29,889,226	100%
Total Recurrent	**5,168,988,394**	**5,184,124,376**	**5,432,238,636**	**5,588,744,462**	**103%**

Source: Homa Bay County Treasury

2.1.4 Resource Consumption by Spending Entities

As summarized in Table 7 below, actual expenditure returns for the FY 2020/2021 indicate that the Departments of Health, Transport & Infrastructure and the County Assembly were the biggest spenders accounting for 34.1%, 17.9% and 13.4% of the actual total spending respectively. This was consistent with spending patterns for FY 2019/2020. The Department of Education and ICT accounted for 7.3% of the total actual expenditure while the Office of the Governor followed closely at 6.9%. The Department of Finance and Economic Planning was also another substantial spender accounting for 5.5% of the actual total spending. The lowest spenders included the County Public Service Board at 0.3% and the department of Energy and Mining at 0.2% of the total actual expenditure for 2020/21.

In terms of absorption rates, the County Assembly (112.4%), the department of Trade, Industries, Investments and Cooperatives (99.2%) and the Department of Education and ICT (98.6%) had the highest absorption rates of their recurrent allocations for the FY 2020/2021. The Departments of Agriculture, Fisheries, Livestock and Food Security, Tourism, Culture and Sports both followed closely at 98% absorption rates of their recurrent allocations, while the Department of Transport and Infrastructure also recorded 97.4%. The department of Health Services (116.2%) and the department of Finance, Economic Planning and Service Delivery (103.4%) had the highest absorption rates of above 100% of their development allocations, while the Department of Education and ICT (98.2%) was the other with the highest absorption rate. The Department of Energy and Natural Resources (7.7%) recorded the lowest absorption rate on their development allocation and so was the Departments of Lands, Housing, Urban Development and Physical Planning which recorded an absorption rate of 17.9%. The other lowest spender was the County Assembly Service Board at 37.8%. Table 6 below provides a synopsis of the absorption of expenditure by broad economic classifications (votes) of recurrent and development.

Overall, spending entities absorbed 103% of their recurrent budgets while 78% of the development budget was absorbed mainly due to late remittances of development funds by the National Treasury.

Table 7: Absorption of Recurrent and Development Expenditure by Spending Entities

VOTE HEAD	Analysis of the FY 2020/2021 Recurrent Expenditure			Analysis of the FY 2020/2021 Development Expenditure		
	Actual Expenditure	Revised Budget Estimates II	Rate of Absorp.	Actual Expenditure	Revised Budget Estimates II	Rate of Absorp.
Agriculture, Livestock and Fisheries	135,700,000	138,530,571	98.0%	217,917,968	228,731,858	95.3%
Tourism, Culture and Sports	41,095,671	41,968,914	98.0%	91,784,154	106,435,912	86.2%
Transport and Infrastructure	41,028,836	42,133,276	97.4%	1,454,550,271	1,580,664,860	92.0%
Energy and Natural Resources	12,455,340	13,587,891	91.7%	5,125,600	66,915,781	7.7%
Education and ICT	513,958,815	521,446,483	98.6%	94,576,635	96,281,205	98.2%
Health	2,176,681,219	2,453,094,458	88.7%	667,999,147	574,768,322	116.2%
Lands, Housing and Physical Planning	35,994,060	39,358,830	91.5%	10,084,789	56,340,687	17.9%
Trade, Industry, Investments and Cooperatives	128,684,262	129,705,814	99.2%	59,809,000	96,962,454	61.7%
Water and Environment	89,161,005	93,579,882	95.3%	312,406,068	337,109,248	92.7%

Finance and Economic Planning	336,079,186	404,051,193	83.2%	125,271,928	121,132,708	103.4%
Office of the Governor	540,646,476	559,649,854	96.6%	39,102,175	44,705,640	87.5%
Public Service Board	23,809,425	31,542,891	75.5%	862,731	1,000,000	86.3%
County Assembly Service Board	1,068,475,928	950,232,576	112.4%	46,202,193	122,283,800	37.8%
Homa Bay Municipal Board	7,001,000	12,666,004	55.3%	65,675,301	119,361,500	55.0%
County Total	**5,588,744,462**	**5,432,238,636**	**103%**	**2,753,394,721**	**3,552,693,975**	**78%**

Source: County Treasury of Homa Bay

2.1.5 Budget Outturn for the FY 2020/21

During the FY 2020/2021, an analysis of the budget outturn indicates that operating income made available for spending by the various county entities fell short of the total second revised budget by KSh. 588,265,442 representing a 6.5% of the total planned spending. As table 8 below further indicates, the total actual expenditure is below total revised budgetary allocation for the FY 2020/2021 by KSh. 642,793,428 representing an overall budget outturn of 93%.

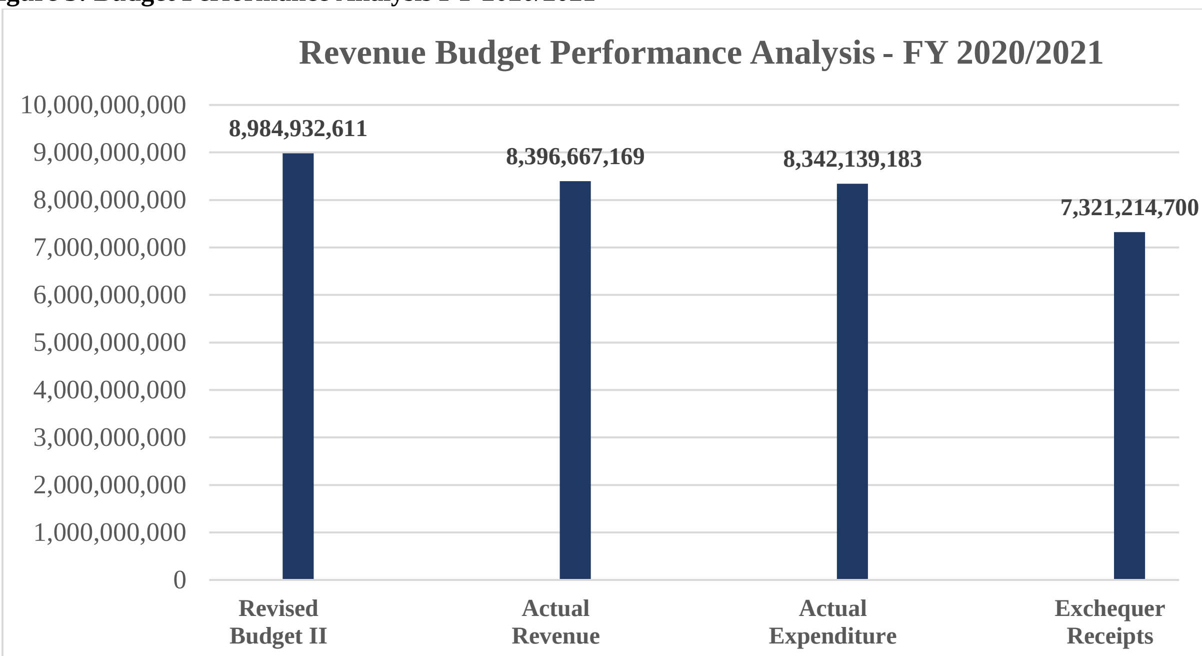
Table 8: Budget Outturn for the FY 2020/21

Receipt/ Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	B	C= A+B	D	E= C-D	F= D/C %
RECEIPTS						
Exchequer Releases	6,741,450,000	0	6,741,450,000	7,321,214,700	(579,764,700)	109%
Internal Revenue	385,511,169	(135,181,231)	250,329,938	224,733,178	25,596,760	90%
Loans and Grants	704,951,694	11,515,195	716,466,889	684,882,291	31,584,598	96%
Other Receipts	0	0	0	0	0	0%
Returned CRF Issues	30,676,139	1,246,009,645	1,276,685,784	1,052,585,289	224,100,495	82%
Total Receipts	**7,862,589,002**	**1,122,343,609**	**8,984,932,611**	**9,283,415,458**	**(298,482,847)**	**103%**
PAYMENTS						
Compensation of Employees	3,333,831,092	787,454,444	3,579,860,307	3,660,381,061	460,904,475	102%
Other Operations	1,966,203,175	(655,250,075)	1,852,378,329	1,928,363,401	(75,985,072)	104%
Recurrent Payments	**5,184,124,376**	**248,114,260**	**5,432,238,636**	**5,588,744,462**	**(156,505,826)**	**103%**
Development Payments	**2,678,464,626**	**874,229,349**	**3,552,693,975**	**2,753,394,721**	**799,299,254**	**78%**

Receipt/ Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	B	C= A+B	D	E= C-D	F= D/C %
Total Payments	**7,862,589,002**	**1,122,343,609**	**8,984,932,611**	**8,342,139,183**	**642,793,428**	**93%**

Source: County Treasury of Homa Bay

Figure 3: Budget Performance Analysis FY 2020/2021



2.1.6 Fiscal Pressure, Debts and Deficits

2.1.6.1. Fiscal Pressures

During the FY 2020/21, the County Government of Homa Bay continued to operate within a tight fiscal space where projected growth in revenue was still minimal. In particular, the ever-growing compensation to employees continues to put pressure on financial diligence along with recurrent expenditure. Several issues also continued to undermine efforts to enhance the fiscal space besides the outbreak of the Covid-19 pandemic that compelled the reallocation of resources to mitigate the effects of the disease. Moreover, with a better part of the financial year ravaged by the pandemic, thereby dampening meaningful economic activities, local revenue collection was hard-hit as most businesses remained shut. The effect of the pandemic was also perceived nationally as the national government was also forced to introduce tax incentives to cushion citizens.

Overall, the County Government of Homa Bay opted to adopt a low rate of taxation to pose a little pressure on the taxpayers, resulting in relatively low receipts for the county government revenues.

Moreover, the low tax rate system introduced was expected to boost the overall county's economic efforts to gain stability, as more disposable income was made available at the household level. This in turn was to accelerate county economic growth, thus, leading to an increase in tax revenues to the MTEF budget for FY 2020/21-2022/23.

2.1.6.2. Debts

The stock of eligible pending bills for the County Government also continues to remain a challenge. As of 30th June 2021, the stock of pending bills had grown to KES. 1,141,882,496.32 as shown in Table 10 below. It is the intention of the County Government to clear this outstanding bill within the FY 2021/22 by setting aside resources through a supplementary budget.

Table 9: Summary of Pending Bills as at 30th June 2021.

SN	DEPARTMENT	RECURRENT	DEVELOPMENT	TOTAL
1	Executive Services	5,582,711.00	-	5,582,711.00
2	Finance and Economic Planning	5,024,058.76	-	5,024,058.76
3	Tourism, Culture and Sports	8,621,625.00	43,438,533.00	52,060,158.00
4	Water and Environment	-	249,566,293.87	249,566,293.87
5	Health Services	-	350,071,275.96	350,071,275.96
6	Transport and Infrastructure	-	147,164,099.81	147,164,099.81
7	Energy and Mining	-	18,543,069.00	18,543,069.00
8	Public Service Board	3,041,230.00	-	3,041,230.00
9	Agriculture, Livestock and Fisheries	-	32,496,923.74	32,496,923.74
10	Trade and Industrialization	-	154,989,467.38	154,989,467.38
11	Education and ICT	-	37,782,898.32	37,782,898.32
12	Lands, Housing and Physical Planning	6,672,864.06	46,390,522.68	53,063,386.74
13	Executive Administration	-	32,496,923.74	32,496,923.74
	TOTAL	**28,942,488.82**	**1,112,940,007.50**	**1,141,882,496.32**

Source: County Treasury of Homa Bay

2.1.6.3. Deficits

For the FY 2020/21, the County Government of Homa Bay had projected a resource envelop of KSh. 8,984,932,611 in the second revised budget estimates out of which KSh. 8,396,667,169 was received. This included KSh. 579,764,700 balance brought forward from the FY 2019/20. The County Government was able to formulate and operationalize a balanced budget in line with policy positions adopted by the National Treasury and Constitutional Offices such as the CRA and the Controller of Budget.

Based on an analysis of the budget outturn for the FY 2020/2021, 7.2% of the projected revenue was not spent while 6.5% of the projected revenue was not realized.

In line with good Public Finance Management practice, the County Government of Homa Bay is advocating for a leaner government sector with a number of productive activities out-sourced or privatized to the private sector to supply.

2.2 Analysis of Sectoral Performance

2.2.1 Agriculture, Rural and Urban Development Sector

Agriculture, Rural and Urban Development Sector is one of the key sectors for the county's sustained economic growth. The sector consists of three sub sectors namely: Agriculture, Livestock and Fisheries Development sub sector; Lands, Housing and Physical Planning sub sector and County Municipal Board. The goal of the sector is to attain food security, sustainable land management and affordable housing.

2.2.1.1 Agriculture, Livestock and Fisheries Development

For the FY 2020/2021 under review, the Sub-Sector was allocated a total of KSh 367,262,429 in the final revised budget, consisted of KSh 138,530,571 for recurrent and KSh 228,731,858 for development expenditures. Considerable achievement witnessed during the year under review was the development of the departmental strategic plan. Other notable achievements were as follows: The Directorate of Agriculture was able to proceed to establish a Warehouse that will enhance food security and income generation through reduced crop losses. The Directorate of Fisheries was able to conduct at least 40 No. Lake patrols out of the targeted 100 No. Lake patrols and supplies 8,000 fingerlings to fish farmers. The Directorate of Cooperatives was also able to improve governance of the Cooperative Societies as new (20 out targeted 30) were registered, (11 out targeted 25) new was capacity built while (15 out targeted 45) dormant Cooperatives revived. Moreover, the Directorate of Livestock was also able to procure and inseminate 6000 Doses of semen, complete one slaughterhouse, and procure livestock doses and vaccines like 35,000 FMD doses, 27100 Bl of anthrax doses, 25000 LSD, ECF vaccine 2000 doses, Rabies and vaccine-2000 doses.

2.2.1.2 Lands, Housing and Physical Planning

For the FY2020/21 period under review, the sub-sector was allocated a total of KSh 95,699,517 in the final revised budget, consisted of KSh 39,358,830 for recurrent and KSh 56,340,687 for development purposes. The Sub-Sector was able to embark on several projects and programs that included countywide preparation of the County Spatial Plan by completing the plan component of establishing and equipping the GIS lab. Preparation of Local Physical and Land Use Development Plan for Oyugis Town 2021-2031 the activity is due for completion in August 2021. The Sub-Sector started the Symbio-City change project of Akuba market that is awaiting completion of the remaining civil works; completed the main ABMT building awaiting completion of Ablution block Gatehouse and block shade. The Sub-Sector also selected 9 No. informal settlements in Sofia, Shauriyako, Makongeni, Rusinga Old Town, A thousand Streets, Masogo Kayoya, Nyandiwa, Kendubay Old Town, and Ndhiwa for upgrading through the Kenya Informal Settlement Improvement Programme (KISIP). To improve urban governance and management, the Sub-Sector kickoff the delineation exercise of urban boundaries of the five targeted urban areas in Homa Bay, Oyugis, Mbita, Kendu Bay, and Ndhiwa. The delineation process is almost to completion, awaiting legal approvals.

2.2.1.3 County Municipal Board

For the FY 2020/2021 under review, the board was allocated a total of KSh 132,027,504 in their revised supplementary budget, of which KSh 12,666,004 was for recurrent expenditure whereas KSh 119,361,500 was capital expenditure. Since the inception of the board, considerable key achievements witnessed by the Sub-Sector were in the development of key policy documents like

a) Homa Bay Municipality Integrated Development Plan (IDEP); b) Strategic Urban Development Plan, c) Homa Bay Municipality Solid Waste Management Policy. A smooth and peaceful relocation of traders from the old Homa Bay Municipal Market also offered an opportunity for Phase I completion of the construction of the market to meet modern standards. Additionally, the Sub-Sector has unlocked the Second Phase of construction of the market after another donor funding of KSh 119,361,500 under the Kenya Urban Support Programme was received.

2.2.2 Energy, Infrastructure and ICT Sector

2.2.2.1 Energy and Mining Sub-Sector

During the FY 2020/21 under review, the Sub-Sector was allocated a total of KSh 80,503,672 in their supplementary budget of which, KSh 66,915,781 meant for development whereas KSh 13,587,891 for recurrent purposes. Despite the shortfalls in their budgets for the year under review as compared to the previous financial year, the subsector managed to award works for the installation of 140 solar market lights, procure furniture and equipment for the energy center and develop a renewable energy policy document which is currently in the assembly.

2.2.2.2 Roads, Public Works and Transport Sub-Sector

During the FY 2020/21 under review, the Sub-Sector allocation was a total of KSh 1,622,798,136 in the supplementary budget, of which development expenditure had a share of Kshs 1,580,664,860 an indication of an upward increase in capital expenditure while Kshs 42,133,276 was set aside for recurrent expenditure. Over the same MTEF period under review, the Sub-Sector managed to open 500 kilometers of new road networks; maintain 724 kilometers of existing road networks, and undertake surface improvement through graveling 250 kilometers of road networks. The Sub-Sector was also able to construct drainage structures, installing several pipe culverts (7 new Box Culverts and 3 Footbridges). Additionally, the Sub-Sector enhanced road safety measures by fitting road furniture and improved access to public utilities such as markets, schools, and hospitals through facility access roads construction.

2.2.2.3 Information and Communication Technology Sub-Sector

During the FY 2020/21 under review, the Sub-Sector was allocated KSh 9,030,700 in the approved budget to support the implementation of different projects. Consequently, in their revised budget, the Sub-Sector was not designated any amount towards development purposes; thus, nothing much was achieved apart from supporting other departments in addressing technical issues related to ICT. The Sub-Sector was still hopeful that in the next planning phase, to be prioritized considering its contribution towards the current scope of development, where technology drives successful economies.

2.2.3 General Economic and Commercial Affairs Sector

The General Economics and Commercial Affairs Sector comprises of two sub-sectors namely: The Department of Trade, Industrialization, Cooperatives and Enterprise Development; and the

Tourism sub-sector. The sector aims at strengthening cooperatives, growth and development of commerce, tourism promotion and development, savings and investment mobilization, employment creation, and industrial and entrepreneurship development.

2.2.3.1 Trade, Industrialization, Cooperatives and Enterprise Development Sub-Sector

Out of the revised budget of KES 226,668,268 for the FY 2020/21 under review, the Sub-Sector was able to: construct kiosks under FOSA at Magunga, gravel 18 markets; market toilets; continue with the works on the animal feeds projects; complete 15% works on the Kigoto Maize Processing Plant and improved several trading and market access in the county.

2.2.3.2 Tourism Sub-Sector

Over the FY 2020/21 under review, the Sub-Sector successfully held the Miss Tourism Homabay Chapter event and held a stakeholder's forum at Simbi Nyaima Tourism Site with a management board constituted. The Sub-Sector was also able to craft a tourism development policy.

2.2.4 Health Sector

During the FY 2020/21 under review, the sector was allocated KSh 3,027,862,780 in the revised budget II. This consisted of KSh 2,453,094,458 for recurrent and KSh 574,768,322 for development purposes. Major achievements of the sector included construction of 6 modern maternity wards at Miniembo, Koliech, Nyaoga, Ringa, Nyandiwa, and Nyadenda, renovation of 9 wards facilities at Ndiru, Nyambare, Nyarut, Nyangajo, Adiedo, Kadienge, Kosele, Sino and Omiro, construction of 10 new facilities Ngolo, Oyombe, Adita, Abundu, Dudu, Got Agulu, Nyadiwa, Osiepe, Mbita Kalango and Goyo, acquisition of 2 fully-equipped ambulances at County referral and Oyugis sub-county hospital, construction of 7 staff houses at Mkende, Ojunge, Randung, Nyawawa, Kichawa, Oriwo, and Wiga health facilities, renovation of 2 staff houses at Nyamasi and Nyambare health facilities), completion of 9 health facilities at Miriu level 4, Imbo, Ngeta, Osure, Nduru, Wandiji, Kuge, Koduogo and Msare and construction of health administration block and drug store at 75 % in Homa Bay.

2.2.5 Education Sector

During the FY 2020/21, the department hosting this sector under review was allocated a total of KSh 618,627,688 in their final revised budget, comprised of KSh 521,446,483 for recurrent and KSh 96,281,205 for development expenditures. Key achievements of the sector included disbursement of bursary worth 100M to 22,110 orphans and vulnerable students, construction to completion of 13 ECDE classrooms, 22 classrooms still ongoing, completion of 1 workshop at Ojijo Teko VTC, construction of 4-door latrines at Sero and St Paul Mboya VTCs, equipping 10 VTCs with tools and learning equipment, renovation of 6 VTCs, capacity building of ECDE teachers in 10 wards, conducting 448 out of the targeted 700 assessments in both ECDE and VTC institutions and collaboration with partners for capacity building, WASH programs for learning institutions and to acquire learning materials and equipment.

2.2.6 Public Administration and Government Relations Sector

The sector comprised of four sub-sectors namely; The County Executive or The Office of the Governor (including the Office of the Deputy Governor and the County Secretary), the County Treasury or the County Planning Unit, the County Public Service Board and the County Assembly.

2.2.6.1 The County Executive (Office of the Governor)

For the FY 2020/2021 under review, the total budget for the Sub-Sector was KSh 604,355,494, which included KES. 559,649,854 for recurrent expenditure and KES. 44,705,640 for development. The development allocation was specifically utilized in the civil works while constructing the office block in Homa Bay Central Ward.

2.2.6.2 Finance, Economic Planning and Service Delivery

During the FY 2020/2021 under review, the allocation in the supplementary budget estimates was KSh 524,973,900, which comprised KSh 404,051,193 for recurrent and KSh 121,132,708 for development expenditures, thus, inclusive of KSh 30 million for the Kenya Devolution Support Programme (KDSP) - a World Bank-funded project. Key achievements for the Sub-Sector were on Capacity Strengthening of Ward Based Development Committees through training of the Ward Based PMCs in all the 40 Wards. The Sub-Sector also extended the Automation of revenue collection in most of its collection points to enhance efforts in resource mobilization.

2.2.6.3 County Public Service Board

During the FY 2020/21 under review, the Sub-Sector was allocated KSh 32,542,891 in the supplementary budget estimates of which KSh 31,542,891 for recurrent and KSh 1,000,000 for development expenditures. The Sub-Sector focus was on constructing a new section for Public Service Board Members and the Secretariat in their development plan. The Sub-Sector was also able to secure architectural drawings and building plans as the main construction works still in tendering process.

2.2.6.4 The County Assembly

During the FY 2020/2021 under review, the allocation in the supplementary budget estimates comprised KSh 950,232,576 for recurrent and KSh 122,283,800 for development expenditures. Out of the total revised budget of KSh. 1,072,516,376, the Sub-Sector was able to continue with the ongoing construction of the automated gate, completion of car shades and renovation of the car park, proceed with the ongoing construction of MCAs offices, modernization of toilets, installation of air conditioners in the new chambers, purchase of additional laptops for use by staff, training and capacity building of staff and acquisition of legislative regalia.

2.2.7 Social Protection, Culture and Recreation Sector

Out of the approved supplementary budget of KES 148,404,826 for the FY 2020/21 under review, the sports directorate has continued with the Construction of Homa Bay County Stadium to meet the international standard and is now at 70% completion. The project’s sub-contracts for electrical, plumbing, generator, and floodlights have since been awarded and are in good progress. Under the social development directorate, the GBV policy has been developed and presented to the HBCG Executive Committee and is awaiting approval. Mainstreaming concerns and issues of PLWDs is done through visiting persons with severe disabilities, sensitization on affirmative action, and promotion of a disability-friendly environment undertaken by social development assistants who are on the ground in all the sub-counties. In collaboration with various stakeholders, the department has sponsored the campaign against gender-based violence and teenage pregnancy. Additionally, GBV campaigns to curb retrogressive cultural practices were carried out, such as wife battering, FGM, widow inheritance, early marriages, teenage pregnancies, and girl-child exploitation. Whereas the directorate had also intended to provide PWDs with assistive devices, funds were not made available due to the outbreak of Covid-19.

2.2.8 Environment Protection, Water and Natural Resources Sector

Out of the approved budget of KES 430,689,130 for the FY 2020/21, the sector under the water management services planned, rehabilitated and expanded 4 No. water supplies through the Urban Water Supply Sub-Programme. Out of the targeted 67 No. rural water supply projects planned, 65 No. were done across the county through the Rural Water Supply Sub-Programme. Under the environment management services, the department undertook cleaning of 6 market centers, purchased one waste truck, established 1 out of targeted 120 tree nurseries planned within Homa-Bay Sub County, and distributed seedlings to a total of 15 schools out of a targeted 160 schools.

RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

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

3.1 Overview

In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which disrupted economic activities. As a result, our economy contracted by 5.5 percent in the second quarter of 2020 from a growth of 5.2 percent in the first quarter in 2020. Nonetheless, the economy has demonstrated signs of recovery in the third quarter of 2020 contracting by only 1.1 percent following the reopening of the economy. Economic growth is therefore estimated to slow down to around 0.6 percent in 2020 from the earlier projection of 2.6 percent in the 2020 Budget Review and Outlook Paper (BROP). The economic growth is projected to rebound from 3.8 percent in the FY 2020/21 to 6.1 percent over the medium term supported by the recovery in the services sector.

The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that supports exports. Year- on-year overall inflation remained within the Government target range of 5±2.5 percent in January 2021 at 5.7 percent from 5.8 percent in January 2020. The low inflation was mainly supported by a reduction in food prices and muted demand pressures. The reversal of tax measures in January 2021 are expected to have modest impact on overall inflation.

The foreign exchange market has largely remained stable but partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 Pandemic. Despite this, the current accountdeficit, in percent of GDP, is estimated to improve to 4.9 percent in 2020 from 5.8percent in 2019 and projected at 5.1 percent in 2021 mainly supported by an improvement in the trade balance partly reflecting expected pickup in imports

3.2 International Outlook

Global GDP contracted by 4.2 per cent in 2020 compared to a growth of 2.7 per cent in 2019. The contraction was mainly attributed to slowdown in economic activities due to emergence of the Coronavirus Disease 2019 (COVID-19) which significantly constrained economic activities across all sectors. In addition, decline in oil prices as a result of dwindling demand also significantly contributed to the slowdown of most economies worldwide. Real GDP in Advanced Economies is estimated to havecontracted by 5.8 per cent in the year 2020 compared to 1.7 per cent growth in 2019. This was due to accelerated collapse in economic activity driven by sharp declines in demand and supply of services. SubSaharan Africa economies contracted by 1.9 per cent in 2020 compared to a real GDP growth of 3.2 percent in 2019. East African Community (EAC) real GDP contracted by 0.2 per cent in 2020 compared toa growth of 6.2 per cent recorded in 2019.

Global inflation eased from 3.5 per cent in 2019 to 3.2 per cent in 2020 largely due to significant decline in oil prices. World trade volume contracted by 10.3 per cent in 2020 compared to 1.0 per cent growth in 2019, a reflection of pronounced weakness in aggregate demand. The decline in trade volumewas as a result of lockdowns and restriction of movements coupled with border closures that notably constrained consumption of a wide variety of goods. World current account surplus as a percentage of GDP narrowed from 0.5 per cent in 2019 to 0.2 per cent in 2020. This was mainly attributed to weak external demand and decline in oil prices. Global employment levels deteriorated substantially during the review period. Unemployment rate stood at 6.5 per cent in 2020 from 5.5 per cent in 2019

3.3 Domestic Economic Developments

Prior to the outbreak of Covid-19 pandemic, Kenya's economy was strongand resilient despite the challenging global environment. The broad-based economic growth for 2018 and 2019 averaged 5.9 percent outperforming the 5.5 percent for the previous 5 years (2013 to 2017) and the average growth rate of 4.7percent in the period 2008 to 2012 **(Figure 1).**

In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities. As a result, our economy is estimated to slow down to around 0.6 percent in 2020 from a growth of 5.4 percent in 2019. Looking ahead, the economy is projected to recover and grow by above 6.0 percent over the medium term

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

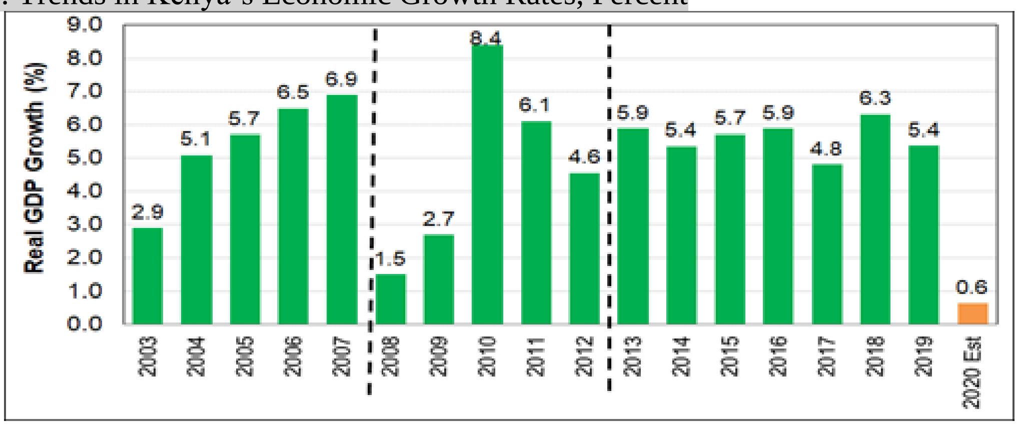
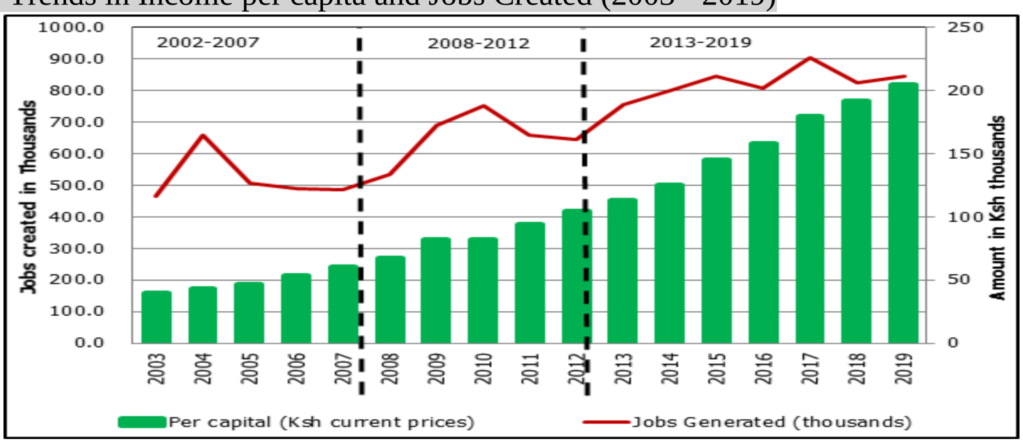


Figure 2: Trends in Income per capita and Jobs Created (2003 - 2019)

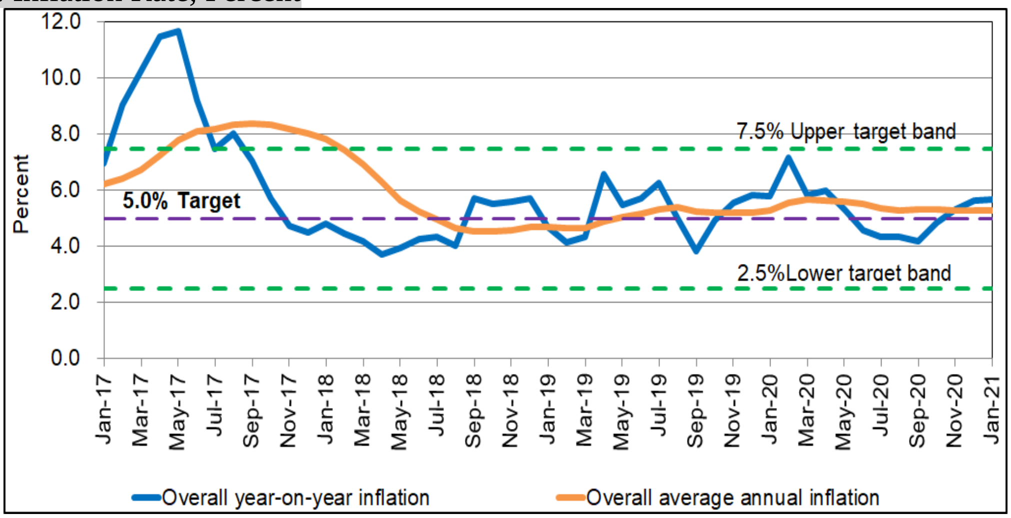


Source of Data: Kenya National Bureau of Statistics

3.3.1 Inflation Rate

Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent since end 2017 demonstrating prudentmonetary policies. The inflation rate stood at 5.7 percent in January 2021 from 5.8percent in January 2020. The low inflation was supported by a reduction in food prices and muted demand pressures **(Figure 3)**.

Figure 3: Inflation Rate, Percent

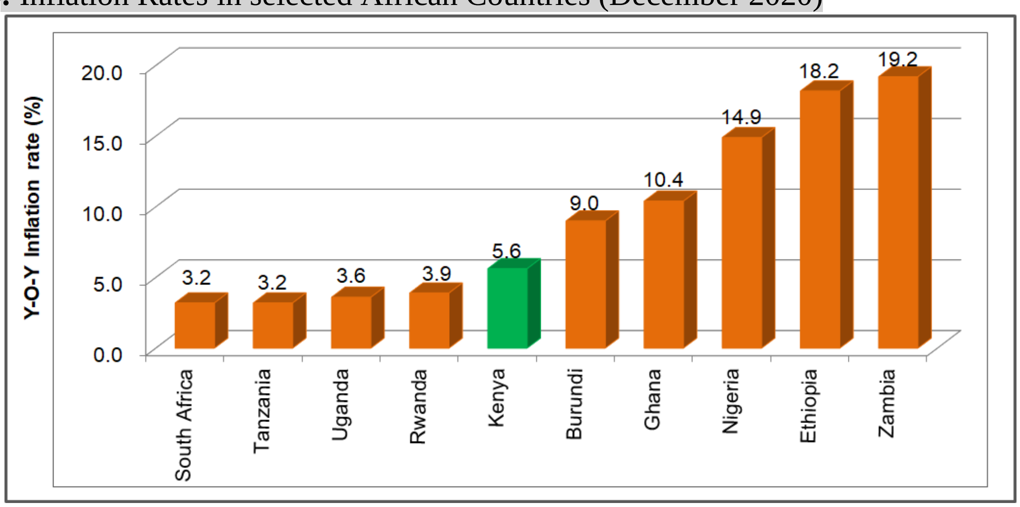


Source of Data: Kenya National Bureau of Statistics

The major driver of the overall inflation has been food inflation, but its contribution to overall inflation declined from 4.3 percentage points in January 2020 to 3.0 percentage points in January 2021 on account of a reduction in food prices particularly tomatoes and fortified maize flour.

Kenya's rate of inflation compares favorably with the rest of Sub-SaharanAfrica countries. In December 2020, Kenya recorded a lower inflation rate than Burundi, Ghana, Nigeria, Zambia and Ethiopia **(Figure 4).**

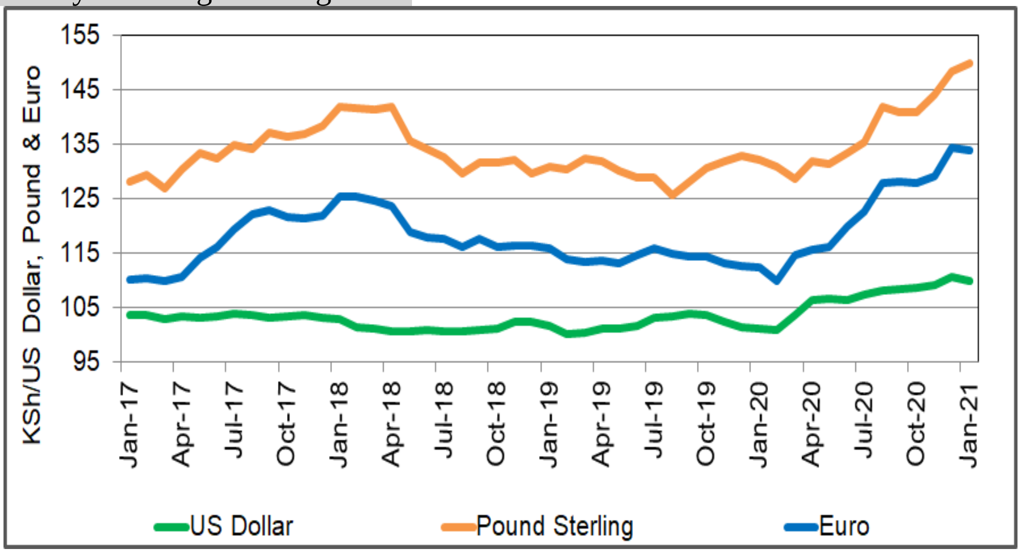
Figure 4: Inflation Rates in selected African Countries (December 2020)



3.3.2 Kenya Shilling Exchange Rate

The foreign exchange market has largely remained stable but was partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 Pandemic. In this regard, the Kenya Shilling to the dollar exchanged at Ksh 109.8 in January 2021 compared to Ksh101.1 in January 2020 **(Figure 5).**

Figure 5: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

Like most Sub-Saharan African currencies, the Kenya Shilling has remained relatively stable weakening by only 8.6 percent against the US Dollar in the year to January 2021. This stability in the Kenya Shilling was supported by increased remittances and adequate foreign exchange reserves

3.3.3 Gross Domestic Product (GDP) Growth Rates

The release of Economic Survey, 2021 by the Kenya National Bureau of Statistics (KNBS) estimated that the real domestic growth contracted to 0.3% in 2020 as compared to a revised growth of 5.0% in 2019 owing to disruption caused by the Coronavirus Disease (COVID-19) pandemic. The contraction in Economic performance was attributed to;

- Disruption in labour supply brought about by restriction of movement and social distancing meant to contain the spread of Covid-19
- Reduced demands for goods and services.

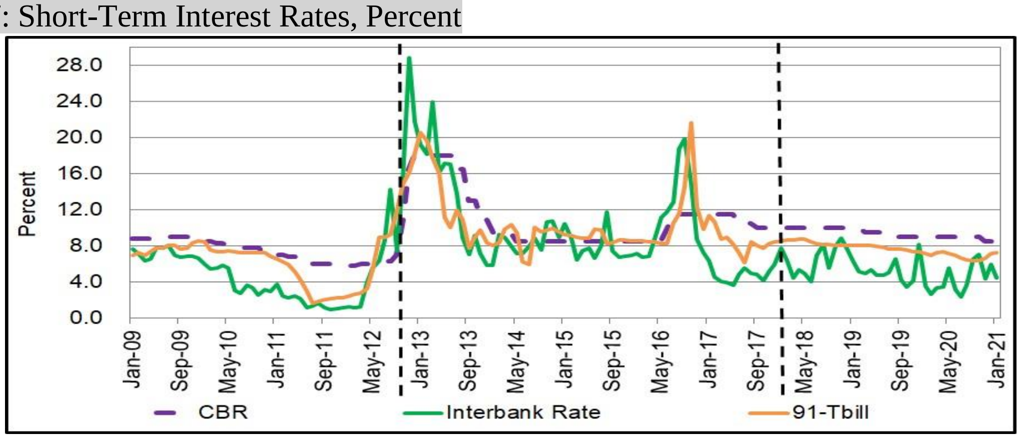
Figure 6: GDP Growth Rates

During the period under review, the following sectors recorded growth in economic activities; Agriculture, Forestry and Fishing sector grew by 4.8 per cent, Construction by 11.8 per cent, Finance & Insurance activities by 5.6 per cent, Information, Communication and Technology by 4.8 per cent and the Human health and social worker's activities sector by 6.7 per cent. On the other hand, economic performance of accommodation and food serving activity, education and transport activities was dismal and contracted to -47.7 per cent, -10.7 per cent and -7.8 per cent respectively. Manufacturing sector recorded a contraction of -0.1 per cent

3.3.4 Interest Rates

Short-term interest rates remained fairly low and stable. The Central BankRate was retained at 7.00 percent on January 27, 2021 same as in April 2020 to signal lower lending rates in order to support credit access by borrowers especiallythe Small and Medium Enterprises, distressed by Covid-19 Pandemic. The interbank rate remained low at 5.2 percent in January 2021 from 4.4 percent in January 2020 in line with the easing of the monetary policy and adequate liquidityin the money market **(Figure 7).**

Figure 7: Short-Term Interest Rates, Percent



The 91-day Treasury Bills rate was at 6.9 percent in January 2021 from 7.2percent in January 2020. Over the same period, the 182-day Treasury Bills rate declined to 7.5 percent from 8.2 percent while the 364-day decreased to 8.5 percentfrom 9.9 percent in January 2020

3.3.5 Money, Banking and Finance

During the review period, the government through the Central Bank of Kenya (CBK) adopted an accommodative monetary policy stance in order to spur economic growth and cushion the banking sector from the effects of the COVID-19 pandemic. The Monetary Policy Committee (MPC) revised the CentralBank Rate (CBR) from 8.50 per cent in 2019 to 8.25 per cent in January 2020 and revised it further inMarch, and 7.00 per cent in April 2020 and retained it at this level till the end of the year under review. Broad money supply (M3) and total domestic credit expanded from Ksh. 3,524.0 billion and Kshs.3,660.5 billion as at the end of December 2019 to Ksh. 3,990.9 billion and Ksh. 4,340.9 billion as atthe end of December 2020, respectively. Net foreign assets declined from Ksh. 806.4 billion as at theend of December 2019 to Ksh. 748.6 billion as at the end of December 2020.

Interest rates generally declined during the review period. The lending rate for commercial banks' loansand advances reduced from 12.24 per cent in December 2019 to 12.02 per cent in December 2020, whilethe average deposit rate reduced to 6.30 per cent in December 2020 from 7.11 per cent in December 2019. Similarly, the savings rate and the 91-day Treasury bill rate reduced to 2.70 per cent and 5.29 per cent respectively in December 2020. The interbank rate declined to 5.29 per cent in December 2020.

Total assets under life insurance business grew by 10.5 per cent to Ksh. 499.1 billion in December 2020while total assets of the general insurance businesses grew by 1.8 per cent to Ksh. 193.5 billion over thesame period. Assets of Deposit Taking Savings and Credit Cooperatives (DTSs) increased by 13.5 per cent to Ksh. 630.9 billion in 2020, while deposits and loans increased by 13.1 per cent and 12.2 per cent, respectively. Pension sub-sector assets grew by 1.9 per cent to Ksh. 1,322.6 as at the end of June 2020.The NSE 20 share index declined for the third consecutive year to 1,868 points in 2020

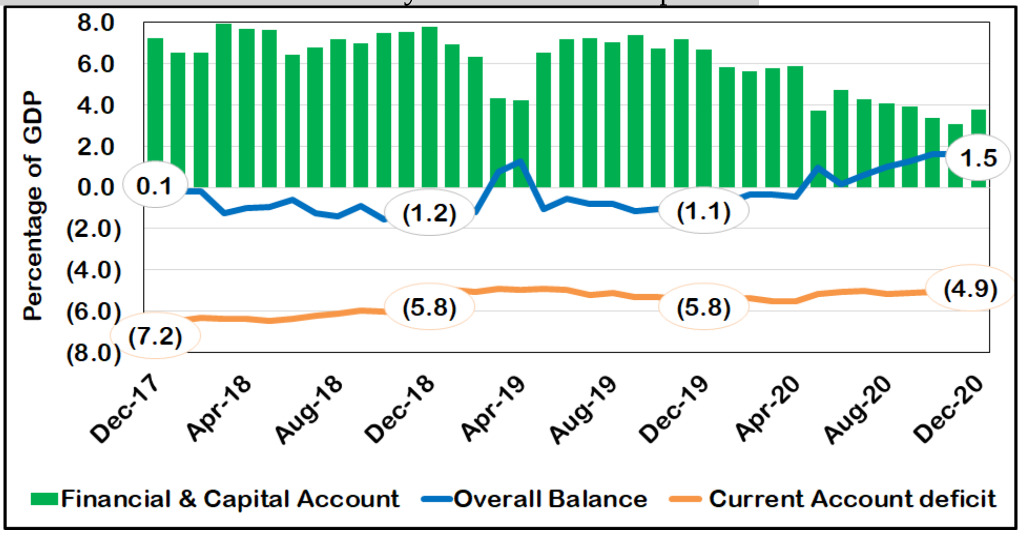
3.3.6 Balance of Payments

The overall balance of payments position improved to a surplus of USD 1,434 million (1.5 percent of GDP) in the year to December 2020 from a deficit ofUSD 1,059 million (1.1 percent of GDP) in the year to December 2019 **(Figure 8).** This was mainly due to an improvement in the current account balance.

The current account deficit was USD 4,744 million (4.9 percent of GDP) in December 2020 from USD 5,541 million (5.8 percent of GDP) in December 2019. The improvement in the current account balance was mainly due to the improvement in the merchandise account balance and the net primary income balance.

The balance in the merchandise account improved by USD 2,302 million to a deficit of USD 8,377 million in the year to December 2020 on account of a decline in imports and a marginal increase in exports. In the year to December 2020, exports grew by 3.3 percent primarily driven by tea exports, on account of increased production. On the other hand, imports declined by 12.5 percent in the year to December 2020 mainly reflecting lower imports of oil products due to relatively low international oil prices.

Figure 8: Performance of Balance of Payments and its Components



Net services declined by 86.5 percent in the year to December 2020 mainlydue to a significant decline in transport services and travel receipts as a result of the uncertainty associated with the Covid-19 pandemic and the resultant containment measures. Cargo throughput performed well during the review periodand provided a buffer in terms of transport receipts.

The capital account balance registered a surplus of USD 130.4 million in the year to December 2020. However, this was a USD 77.3 million decline compared to the balance witnessed in December 2019. Net Financial Inflows declined to USD 3,535 million from USD 6,239 million in the year to December 2019. The financial inflows were mainly in the form of direct investments, financial derivatives and other investments which stood at USD 243.7million, USD 9.1 million and USD 4,671.6 million, respectively in December 2020. The Net Portfolio investments outflows stood at USD 1,389.3 million

3.3.7 Foreign Exchange Reserves

The banking system's foreign exchange holdings remained strong at USD 12,991.9 million in December 2020 up from USD 12,919.2 million in December 2019. The official foreign exchange reserves held by the Central Bank was at USD8,297.3 million (5.1 months of import cover) in December 2020 compared with USD 9,115.8 million (5.5 months of import cover) in December 2019.

This fulfils the requirement to maintain reserves at minimum of 4.0 monthsof imports cover to provide adequate buffer against short term shocks in the foreignexchange market. Commercial banks holdings increased to USD 4,694.6 in December 2020 from USD 3,803.4 million in December 2019.

3.4 Fiscal Performance

Budget execution in the first half of FY 2020/21 was hampered by revenueshortfalls and rising expenditure pressures. The shortfalls in revenues reflect the weak business environment and the impact of the tax reliefs implemented in April2020 to support people and businesses from the adverse effect of Covid-19Pandemic. Revenues are expected to progressively improve in the second half of the fiscal year following the gradual reopening of the economy and the increased demand for imports as well as improved domestic sales. Revenue performance is also expected to get a boost from reversal of tax reliefs, introduced in April 2020,effective January 2021.

The Government has embarked on expenditure rationalization and prioritization to ensure that expenditures are on the most impactful programmes that yield the highest welfare benefits to Kenyans.

3.5 Revenue Performance

Revenue collection to December 2020 declined by 12.9 percent comparedto a growth of 17.1 percent in December 2019. This decline is attributed to the difficult operating environment due to the Covid-19 pandemic which has adverselyaffected revenue performance from March 2020. As at end December 2020, the cumulative total revenue - inclusive of Ministerial Appropriation in Aid (AiA) amounted to Ksh 810.6 billion against a target of Ksh 907.7 billion, with shortfallsrecorded in both ordinary revenues (Ksh 75.8 billion) and Ministerial A-I-A (Ksh 21.3 billion).

Ordinary revenue collection to December 2020 amounted to Ksh 726.4 billion which was a contraction of 15.3 percent compared to a growth of 18.8 percent over the same period in 2019. The contraction was due to a decline in growth of all broad categories of ordinary revenues except import duty which grewmarginally by 0.5 percent during the review period. Specifically; Income tax declined by 15.8 percent, Value Added Tax (VAT) declined by 15.3 percent and Excise taxes declined by 0.6 percent.

Ministerial A-I-A inclusive of the Railway Development Levy amounted to Ksh 84.1 billion against a target of Ksh 105.4 billion majorly on account of lowerthan targeted collections in the tourism and education sectors. Ministerial AIA revenue, recorded 16.0 percent growth for the period ending December 2020 compared to a growth of 0.2 percent over a similar period in 2019, this growth is attributed to better than envisaged performance in the Road Maintenance Levy collection and the positive impact of the upward adjustment in Petroleum Development Levy rate from Ksh 0.4 to Ksh 5.4 per litre.

3.6 Expenditure Performance

Total expenditure and net lending for the period ending December 2020 amounted to Ksh 1,214.8 billion which was below the projected amount by Ksh44.0 billion. Recurrent spending amounted to Ksh 823.4 billion while developmentexpenditures amounted to Ksh 262.8 billion. Transfer to County Governments amounted to Ksh. 128.7 billion of which the equitable share amounted to Ksh.115.0 billion.

Recurrent spending was below the projected target by Ksh 19.5 billion mainly on account of lower than targeted expenditure on operation and maintenance, attributed to depressed operations of the National Government in first half of the FY 2020/21 due to Covid-19 Pandemic and lower thanprojected payments in compensation of employees and foreign interest. Development expenditure was also below target by Ksh 6.9 billion on account of below target disbursements to foreign financed programmes by Ksh 48.8 billion signaling continued challenges with absorption of externally financed projects as well as theeffects of the COVID-19 containment measures. Disbursements to domestically financed programmes on the other hand, was above target by Ksh 44.7 billion reflecting accelerated absorption in the second quarter of the financial year.

Fiscal operations of the Government by end of December 2020 resulted inan overall deficit, including grants of Ksh 359.5 billion against a projected deficitof Ksh 323.9 billion. This deficit was financed through net domestic borrowing ofKsh 345.0 billion and net foreign financing of Ksh 14.5 billion.

3.7Fiscal Policy

Going forward into the medium term, the Government 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. This will curtail growth in public expenditures to ensure it attains its fiscal consolidation path over the medium term and ensure debt is maintained within sustainable levels. The fiscal deficit is expected to decline from 8.7 percent of GDP in FY 2020/21 to 3.6 percent of GDP by FY 2024/25.

To achieve this target, the Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization. The Government has also been cutting down on non-priority expenditures such as: hospitality, training, travel and freezing of employment in non-priority sectors in order to manage the public wage bill.

Further, Public Investment Management (PIM) Unit at the National Treasury continues to play a great role in enhancing efficiency in identification and implementation of priority social and investment projects. This considersthe Government's efforts to increase efficiency, effectiveness, transparency and accountability of public spending. In particular, the implementation of PIM regulations under the PFM Act, 2012 will streamline the initiation, execution and delivery of public investment projects. It will also curtail runaway project costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects

In order to ease the burden of pension payments in future, the Government rolled out the Super Annulation Scheme for all civil servants below the age of 45years in January 2021. The rollout is being implemented in phases to ensure Government expenditures remain within the set ceiling in the current fiscal year and in the medium term. Further, the government will continue to support devolution and ensure quality services are offered by the devolved units. The National Government in FY 2021/22 has increased the shareable revenue to the counties by Ksh 50.0 billion.

In this regard, expenditures as a share of GDP are projected to decline from 25.6 percent in the FY 2020/21 to 24.3 percent in the FY 2021/22 and further to 22.0 percent in the FY 2024/25. On the other hand, revenues as a share of GDP areprojected to decline from 16.6 percent in the FY 2020/21 to 16.4 percent in the FY2021/22, before rebounding to 17.3 percent in the FY 2022/23 and further to 18.1percent in the FY 2024/25.

Revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration and boosted by economic recovery occasioned by the Economic Stimulus Programme and the planned Post Covid-19 Economic Recovery Strategy. In particular, the reversal of tax cut measures which took effectfrom January 2021, will enhance revenue collection. In addition, in the FY2020/21, the Government is implementing a raft of tax policy measures through the Finance Act, 2020 that will boost revenue performance. The measures include:introduction of a minimum tax payable at 1 percent of gross turnover; introductionof a digital services tax on income from services provided through a digital marketplace in Kenya at the rate of 1.5 percent on the gross transactional value; increase of income threshold qualifying for residential rental income tax; and abolishment of incentives under Home Ownership Savings Plans (HOSP).

To ensure timely implementation of these initiatives, the Kenya Revenue Authority (KRA) has embarked on: (i) registration drive for taxpayers in the Digital Service Tax and VAT Digital Marketplace Supply space and followed by compliance monitoring and enforcement, (ii) follow up taxpayers for effective implementation of the Digital Service Tax, (iii) review taxpayers seeking remissionunder the Voluntary Tax Disclosure Programme to ensure only the qualified benefit, (iv) enhanced recruitment of landlords, informal taxpayers, professionals,registered companies and individuals trading online

3.8 Domestic Growth Outlook.

Kenya is not spared of the negative impact of the Covid-19 Pandemic. The Pandemic and the resultant containment measures have adversely affected businesses and economic activities. Nonetheless, there has been an improvement in economic activity in the third and fourth quarters of 2020, albeit at a slow pace, following reopening of the economy. The recovery in economic activities resulted to a contraction of 1.1 percent in the third quarter of 2020, which is an improvement, compared with the contraction of 5.5 percent registered in the second quarter of 2020.

Economic growth outlook for 2020 has been revised down from the initial projection of 2.6 percent in the 2020 Budget Review and Outlook Paper (BROP) to 0.6 percent following receipt of more recent indicators and considering the quarterly GDP releases by Kenya National Bureau of Statistics for second and third quarter of 2020 that showed the economy contracted by 5.5 percent and 1.1 percent, respectively. The revision also considered updated figures from the World Economic Outlook by the IMF in January 2021.

The economic growth is projected to bounce back to 7.0 percent in 2021 reflecting recovery due to reopening after the closure associated with the Covid-19 Pandemic. This also in part reflects the lower base in 2020 when most service sectors especially accommodation and restaurant, education as well transport services contracted in second and third quarters of 2020 with huge margins.

In terms of fiscal years, the economy is projected to expand by 3.8 percent in the FY 2020/21, 6.3 percent in FY 2021/22 and 6.1 percent in FY 2024/25. This growth outlook will be supported by a stable macroeconomic environment, turn around in trade as economies recover from Covid-19 Pandemic, expected favorable weather that will support agricultural output, ongoing investments in strategic priorities of the Government under the “Big Four” Agenda, the ongoing public investments in infrastructure projects, the Economic Stimulus Programme and the implementation of the Post Covid-19 Economic Recovery Strategy. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan III (2018- 2022) of the Vision 2030

3.9 County Economic Outlook

Infrastructure development plays an important role in driving economic growth of the county and its people in general and being one of the economic enablers it enhances mobility, access to public amenities, boost local income levels, safety and productivity despite challenges brought by Covid-19 .The county directed its efforts in opening of 500 kilometers of new road networks ;maintaining of 724 kilometers of existing road networks; gravelling of 250 kilometers of road networks ,construction of 7 new Box Culverts and 3 Footbridges, installed and maintained okonyo welo solar market lights .

Agriculture is the main economic stay of the County this explains the importance of investing heavily in food security related interventions at local levels where a lot of agricultural production takes place .Agricultural sub sector has put in place significant efforts to ensure agricultural productivity this through raft of priorities including ; creating an enabling environment for county specific agricultural development; increasing agricultural productivity and outputs for food security and improved livelihood; promoting market access; promoting credit and input uptake and entrepreneurial culture; promoting sustainable land use and environmental conservation; enhancing institutional efficiency and effectiveness; increasing livestock production and productivity; enhancing livestock extension delivery services; creating an enabling environment for county specific capture and farm fish development and enhance fisheries extension delivery services.

To spur development in our urban centers, through the Kenya Urban Support Program, the County has started the delineation of urban boundaries of the targeted 5 urban areas namely: Homa Bay, Oyugis, Mbita, Kendu Bay and Ndhiwa urban areas. Once the delineation process is complete and necessary legal approval secured this will come with additional mandates bestowed to the urban centers above ranging from waste management, storm water drainage, road connectivity and street lights, urban markets, bus parks and slaughter houses and fire and disaster management this are effort that will spur economic growth of residents from the 5 urban centers.

Over the medium-term, the department focused on improving the quality of delivery and infrastructure facilities for EYE learning; and vocational training; Strengthening the standards in all institutions by conducting quality assurance and standards assessments in VTCs and EYE centers across the county.

3.10 Medium Term Fiscal Framework.

The County in fulling its obligation under planning, has prepared and implementing County Integrated Development Plan (CIDP 2018-2022) as a 5-year planning framework which forms the basis of project identification, sequencing and allocation of budgets for effective implementation of desired County projects meant to improve quality of life and service delivery. The County is in the process of developing guidelines and road map for preparation of the 3rd CIDP generation to guide County development process in the next 5 years (2022-2027).

The fiscal policy objective of the County Government of Homa Bay is focused on enhancing rapid economic growth and development and ensuring effective delivery of public goods and services in a sustainable manner. Specifically, the Fiscal Policy underpinning the FY 2020/21 budget and MTEF is aimed at a revenue growth of 3 percent and 5 percent for recurrent and development respectively over the medium term and containing growth of total expenditure. Further, the policy aims at shifting more public resources from recurrent to capital investment so as to promote sustainable and inclusive growth.

The fiscal policy over the medium term will focus on: Increasing county resources through enhanced resource mobilization (both internal and external resource), broadening of the tax base in order to grow revenue to finance priority development., strengthening revenue administration capacity through organizational and modernization reforms and automation of revenue collection processes in order to enhance revenue collection; Rationalization of expenditures in the non-productive areas to create requisite fiscal space for productive sectors; Additionally, with the on-going public service rationalization, redundancies and duplications will be eliminated in the public service;

Full implementation of the integrated financial management system (IFMIS) as an end-to-end transaction platform and Government Payment Gateway and adoption of leasing of assets in government to ensure revenue and expenditure efficiency; Expenditure tracking and value for money audits to ensure efficiency and effectiveness in use of resources at all levels of government coupled with strengthening of project planning and management as well as engagement with development partners; and Enhancement of revenue collection efforts to ensure all potential taxpayers makes their contribution towards the county's development agenda. In line with this, the County Government of Homa Bay has prepared its finance bill and all revenue collection legislations in order to simplify, modernize and reduce cost of compliance to them.

More specifically, the revenue targets for the FY 2021/22 and the medium term will be achieved through: Improving revenue intake by applying readily available data mining and analytic techniques and by billing appropriately and collecting effectively; Leveraging on the private sector expertise when developing pricing strategies for revenue-generating products and services to ensure optimization of pricing; Making county government physical and digital assets work harder for taxpayers: sell, rent or lease the assets; and offer premium, value-added services related to the asset for which customers will readily pay.

With regard to expenditures, the County Government will continue with the policy of rationalization of expenditures to improve efficiency and reduce wastage. The absorption capacity in capital projects will continue to be improved through e-procurement which will also ensure that public financial resources are used prudently and for intended purposes. The continued use of electronic procurement system through the IFMIS "Procure to Pay" module eliminates manual procurement challenges that the national government had experienced in the past.

The fiscal stance of the county only envisages non-concessional external borrowing that will be limited to capital projects and within the ceiling stated in the County Debt Management Strategy Paper. The debt management strategy aims at ensuring public debt sustainability. The strategy envisages diversification of financing sources beyond commercial sources of financing.

3.10.1 Risks to the Outlook.

The County takes cognizant of risks that are likely to impact on the economic outlook ranging from adverse changes in macro- economic factors such as increase in inflation and interest rates, debt burden, low growth in investments and failure of the National Government to meets its revenue targets.

At the county government level risks arise out of uncertainty both from internal and external factors asshown in table below. Managing such risks calls for various mitigation measures by different County agencies.

Type of Risk	Inherent Risk	Likelihood	Impact	Mitigation	Responsibility Center
Strategic risks	Change in national policies	Medium	Inability to adjust to the changes in the short run leading to inefficiencies	Capacity building and institutionalizing reforms	National Treasury
	Noncompliance with PFMA and government regulations	Low	Increased audit issuesand inefficiencies	Capacity building, adherence to regulations and strengthening of institutions	County Treasury
Organizational /Administrativerisks	Communication Failure &reporting framework	Medium	Weak coordination and collaboration	Enhance county communication strategy	County Public Service & Administration
	Delay in the enactment of the CRA Bill	High	Inability of the county to timely implement its mandate and objectives	Enhance promotion of public private partnership arrangements to bridge the resourcegaps. Leveraging on existing development working in the county.	Senate/National Assembly
	Variation of county allocation formula	High	Inability of the county toreceive sufficient funds to implement planned programmes	Improves OSR andenhanced PPPs	CRA
	Mismanagement/ Misappropriation of Public Finances	Medium	Curtail effective provision of services	Adherence to PFMAand other regulation	County Departments, entities and staff
	Increase in expenditure pressure emanating from ballooning wage bills and contractors	High	Diminishing proportion of development expenditure	Reduce recurrent expenditure and sustainable Planning. Payroll cleansing. Outsourcing cheap labor instead of employing	County Departments andentities. Payroll unit. County Dept/HR

Financial Risks	OSR shortfalls and delay in exchequer release to counties.	High	Low Liquidity levels hence undermining implementation of the county the expenditure plan.	Enhance OSR performance	County Directorate of Revenue
Emergencies/pandemics	Impact of Covid-19. Impact of climate change.	High High	Slow economic growth. Low productivity, hunger, flash floods, Invasion of locust	Implementation of the Post Covid-19 Economic Recovery Strategy. Mainstream Climate change adaptation actions.	County departments. County departments
Technological risks	Failure/ Network challenges with IFMIS	Low	Delayed transactions on IFMIS	Upgrading of systems	National Treasury/ County ICT Department
	Failure /network challenges with Automation machines	Medium	Under collection of various revenue stream targets	Routine monitoring of efficacy of the automation machines.	County ICT departments
	Technology failure.	Medium	Interference with county operations	Improved security of systems	County ICT departments

RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustments to the FY 2021/22 Budget

The Medium-Term Expenditure Framework (MTEF) for the FY 2021/22 emphasizes on the guiding principles namely equity, transparency, effectiveness, efficiency and economy on public spending and improving revenue collection inclusive economic growth, continued fiscal discipline and mitigating the adverse impacts of Covid-19 pandemic to the county's economy and re-position the economy on a steady and a sustainable growth trajectory.

The FY 2021/22 MTEF Budget adheres to the resource allocation criteria which are based on: Pending Bills should be a first charge in terms of PFMA regulations 41(2); Completion and operationalization of ongoing projects; High impact/flagship projects should be given priority; Development of key infrastructure facilities and public works Countywide to stimulate growth, create employment and reduce poverty; Targeted Socio-Economic Sector enablers; Agriculture sector to create stable incomes and reduces poverty; Programmes geared towards Economic recovery from the effects of COVID 19; Linkage of the programme with the Objectives of the CIDP 2018 – 2022; Degree to which a programme addresses Core Poverty Interventions, the National Big Four Agenda and Governor's Manifesto; Degree to which the programme is addressing the Core Mandate of the Department; Cost effectiveness and sustainability of the Programme; and Programmes that communities/stakeholders have identified and recognized as important through public participation forums.

As the FY 2020/21 ended, it was noted that own source revenue collection and expenditure were below target. This has implications on the financial objectives outlined in the 2021 County Fiscal Strategy Paper and the FY 2021/22 MTEF Budget. In this regard, the revenue projections for FY 2021/22 have been revised downwards considering the outcome of the FY 2020/21 where revenues were below target by Ksh. 26 million, on account of the impact of the containment measures against Covid-19 pandemic on economic activities and the tax relief measures implemented to cushion against the adverse impact of the pandemic and to increase liquidity in the economy.

Revenues for the FY 2021/22 are therefore, estimated at Ksh. 8,683,608,185 as overall county revenue, where KSh. 7,805,353,300 is the Equitable share; Ksh 607,761,293 is the conditional grants and other grants; and KSh 270,493,592 is the Own source revenue. On the hand the expenditure estimations equal the revenue projections since there are no borrowings expected on the same year hence a balanced budget. This revenue performance will dependent on the trend of growth of the Kenyan GDP and the ongoing reforms in OSR collection and revenue administration.

4.2 FY 2022/23 Budget Framework

The FY 2022/23 budget framework continues to build on the County Government's efforts to stimulate and sustain economic activities through the Economic Stimulus Programme and the Post Covid19 Economic Recovery Strategy. 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 and adoption of the "no new projects" policy.

Under Shareable Revenue for the financial year 2022/23, the county government overall expenditure is projected at KES 9,227,834,535 up from the revised estimates of KES 8,683,608,185 in FY 2021/2022. This represents a revenue rise of 6.3 %. The expenditure in the FY 2022/2023 will be funded by KES. 8,172,764,470 expected as equitable share of revenue from the National Government, KES 416,352,063 as local revenue collections, KES 565,218,002 as Conditional Grants from National Government plus other grants and loans (from Development Partners) and finally KES 73,500,000 as other receipts including balances from the previous year.

Table 10: Expected Revenue Inflow during the MTEF period 2020/21 and 2021/22

Nature of Revenue	FY 2021/2022	FY 2022/2023
Equitable Share of National Revenue	7,805,353,300	8,172,764,470
Conditional Grants from National Government Other grants and loans (from Development Partners)	607,761,203	565,218,002
Own Source Revenue (including A-in-A)	270,403,592	416,352,063
Other receipts including balances from the previous year	0	73,500,000
Total Revenue	**8,683,608,185**	**9,227,834,535**

4.3 Medium Term Fiscal Projections

Over the medium term, driven by economic recovery strategies, continued reforms in revenue administration and revenue enhancement measures, the County Government's total revenue is projected at Ksh 9.628 billion in FY 2023/24. On the other hand, driven by expenditure rationalization to eliminate non-core expenditures, total revenue shall equal the total expenditure assuming a ceteris paribus situation.

To mobilize revenues and cushion against further revenue shortfalls, the County Government has put in place measures aimed at strengthening tax administration and compliance. These, among others include: Enhanced supervision of revenue collection, decentralization of structured revenue i.e. single business permits and land rates and continued automation of revenue streams.

However to cushion against overspending, the County Government shall strive to reduce the wage bill in the following ways going forward: Those exiting through natural attrition be replaced by redeployment of the existing staff; Employment in crucial positions only; Capacity building and redeployment of the existing staff establishment to enable them handle diverse functions; Contractual engagement of employees in emerging needs e.g COVID 19 pandemics; Continuous auditing of the payroll for proper payroll management to ensure right salaries without exaggeration; Scrapping public entities and merging others with duplicates roles; Increasing the collection of the local revenue; Outsourcing services where necessary and Going forward, new entrants should be engaged on contractual basis to eliminate payment of pensions during retirements.

4.4 Medium-Term Expenditure Framework

Allocation and utilization of resources in the medium term will be guided by the priorities outlined in the County Integrated Development Plan (CIDP 2018-2022), Fiscal Strategy Paper (FSP) and other county plans; public participation fora report and in accordance with section 107 of the PFM Act 2012. The county government will prioritize expenditures within the overall sector ceilings and strategic sector priorities drawn from the county goals included in the CIDP 2018-2022.

The County 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, creation of employment opportunities and improving the general welfare of the people. Realization of these objectives will have implications in the budget ceilings provided in this County Budget Review and Outlook Paper. The following criteria will serve as a guide for allocating resources:

(i) Linkage of Programmes to Post-Covid-19 Economic Stimulus Strategy;
(ii) Linkage of Programmes to the 'Big Four' Plan either as drivers or enablers;
(iii) Linkage of Programmes to the Governor's manifesto;
(iv) Degree to which a programme addresses job creation and poverty reduction;
(v) Degree to which the programme is addressing the core mandate of the Spending entities;
(vi) Expected outputs and outcomes from a programme;
(vii) Cost effectiveness and sustainability of the programme;

Table 13: Expected Expenditure projections during the MTEF period 2021/22 to 2023/24

Vote Code	Department	Approved Budget Estimates 2021/2022			CBROP Projection		% Share of Total Spending entity expenditures		
		Recurrent	Development	Total	2022/2023	2023/2024	2021/2022	2022/2023	2023/2024
5111	Agriculture, Livestock, Fisheries and Food Security	155,127,711	414,300,000	**569,427,711**	642,013,650	613,306,087	6.56	7.68	6.37
5112	Tourism, Sports, Youth Gender, Culture and Social Services	78,836,738	156,300,000	**235,136,738**	174,176,313	256,790,643	2.71	2.08	2.67
5113	Roads, Transport and Public Works	49,296,570	921,362,346	**970,658,916**	725,735,918	1,166,361,108	11.18	8.68	12.11
5114	Energy and Mining	21,684,228	76,900,000	**98,584,228**	107,269,799	107,787,047	1.14	1.28	1.12
5115	Education and ICT	544,914,914	130,100,000	**675,014,914**	707,096,579	721,535,428	7.77	8.46	7.49
5116	Health Services	2,252,067,926	433,300,000	**2,685,367,926**	2,633,057,589	3,059,037,045	30.92	31.50	31.77
5117	Lands, Housing, Urban Development and Physical Planning	51,675,033	119,667,870	**171,342,903**	155,377,045	186,755,870	1.97	1.86	1.94
5118	Trade, Industrialization, Cooperatives and Enterprise Development	132,527,898	83,900,000	**216,427,898**	386,693,151	226,003,904	2.49	4.63	2.35
5119	Water, Environment and Natural Resources	120,100,410	316,300,000	**436,400,410**	465,853,605	496,346,846	5.03	5.57	5.16
5120	Finance, Economic Planning and Service Delivery	433,121,622	104,246,317	**537,367,939**	338,724,243	584,573,294	6.19	4.05	6.07
5121	Office of the Governor	604,298,418	100,000,000	**704,298,418**	674,739,653	763,272,190	8.11	8.07	7.93

Vote Code	Department	Approved Budget Estimates 2021/2022			CBROP Projection		% Share of Total Spending entity expenditures		
		Recurrent	Development	Total	2022/2023	2023/2024	2021/2022	2022/2023	2023/2024
5122	County Public Service Board	78,704,736	5,000,000	**83,704,736**	81,365,412	88,802,334	0.96	0.97	0.92
5123	County Assembly Service Board	1,029,394,205	122,283,800	**1,151,678,005**	1,074,404,305	1,155,738,312	13.26	12.86	12.00
5124	Homa Bay Municipal Board	22,062,013	126,135,430	**148,197,443**	191,269,549	201,556,417	1.71	2.29	2.09
		5,573,812,422	**3,109,795,763**	**8,683,608,185**	**8,357,776,811**	**9,627,866,525**			

CONCLUSION AND NEXT STEPS

The Medium-Term budget and fiscal framework projections presented in this CBROP assumes increased revenues from local and donor/public –private partnerships. To this end, the Government will institute measures to ensure the growth of both domestic and external revenues. This will be done through strengthening of the external resource mobilization unit and Liaison in development project concept note and proposals as a way of sourcing financial and technical assistance from development partners.

Going forward, the set of policies outlined in this CBROP ensures continuity in resource allocation based on prioritized programs that have been earmarked by the county to accelerate County GCP growth and increased domestic income.

The policies and sector ceilings in this document will guide the Sector/Pillar Working Groups and line ministries in the preparations of the FY 2022/23 budget embedded on the priorities of the 2022/23 ADP and the next Homa Bay Third Generation CIDP (2023-2027). The ceilings will form inputs into the next County Fiscal Strategy Paper to be finalized by November 2021.

Accounting officers are advised to plan within the set sector ceilings. Revision of ceilings within a sector will be done during sector hearings where an increase in a sub-sector's ceiling within that sector to offset the changes. This will be facilitated through the resource allocation panel. To ensure meaningful sector-level engagements all accounting officers are requested to commence their departmental expenditure reviews and adequately take charge of their respective Sector Working Groups.

Based on the challenges experienced in participatory budgeting in FY 2020/21, the process will be restructured to ensure: (i) Budget Assessment Performance for FY 2021/22 form the basis for advancement for the budget for FY 2022/23; and (ii) Project technical feasibility/appraisals is done to all community proposals to assist the citizenry in making informed decisions while prioritizing projects.

All accounting officers should ensure they adhere and take part in the budget-making process as outlined in the budget circular issued on 17th August 2021.