

THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF MURANGA

COUNTY BUDGET REVIEW AND OUTLOOK

PAPER

SEPTEMBER 2021

© County Budget Review and Outlook Paper (CBROP) 2021.

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Foreword

The County Budget Review and Outlook Paper (CBROP) 2020 has been prepared in line with section 118 of the Public Finance Management (PFM) Act 2012 which requires the county government to prepare the County budget review and outlook paper in respect for each financial year; and submit it to the County Executive Committee by 30th September.

This CBROP reviews fiscal performance of the county for the 2019/20 financial year while comparing it with the budget appropriation. In addition, it provides information on changes in forecasts as indicated in the County Fiscal Strategy Paper (CFSP) 2019; and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the county financial objectives for that year. It further gives reasons for any deviation from the county financial objectives in the fiscal strategy paper together with proposals to address the deviations. Most importantly, this CBROP is the first one reviewing the performance of the County Government in implementing the second generation CIDP and also provides a future outlook for the remaining implementation period 2021/22 and beyond.

The updated economic and financial outlook presented in this paper will set out the broad fiscal parameters for preparation of the next budget. In particular, the provisional ceilings presented are intended to act as a guide to sector working groups in preparing their budgets.

It is therefore my expectation that the policy paper will be useful in enhancing financial discipline and fiscal responsibilities outlined in section 107 of the PFM Act 2012 that will contribute towards the realization of aspiration of the residents of the county.

David W. Waweru
Executive Committee Member
Murang'a County Treasury

Acknowledgement

Briefly acknowledge the teams that supported the preparation process for the CBROP.

The County Budget Review and Outlook paper 2019 reviewing the performance of the year 2019/20 has been prepared in line with section 118 (1) (a) of the Public Finance Management Act 2012. It has made an attempt to review performance of the year and provide the Budget outlook in the medium term. It is my belief that it shall serve as a guide in the preparation of the County Fiscal Strategy Paper and the next fiscal year's budget.

The information contained was obtained from the County Treasury and I want to appreciate the efforts made by the entire County Treasury team in preparing the Document.

Peter G. Kahora
Chief Officer-Economic planning

ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
CRA	Commission of Revenue Allocation
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
GDP	Gross Domestic Product
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PE	Personnel Emoluments
PFM	Public Finance Management
SRC	Salaries and Remuneration Commission
SWG	Sector Working Group

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Preamble

Legal Basis for Preparation of the County Budget Review and Outlook Paper

The Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management (PFM) Act 2012. The law stipulates that:

- 1) A county Treasury shall;
 - a. Prepare a CBROP in respect of the County for each year; and
 - b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.
- 2) In preparing its CBROP, the County Treasury shall specify;
 - a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year
 - b. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP)
 - c. Information on:
 - (i) Any changes in the forecasts compared with the CFSP; or
 - (ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and
 - d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- 3) The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the CBROP is approved by the CEC, the County Treasury shall:

- a. Arrange for the paper to be laid before the County Assembly; and
- b. As soon as practicable after having done so, publish and publicise the paper.

Fiscal Responsibility Principles in the Public Financial Management Law

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

- 1) Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;
- 2) The county Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly;
- 3) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;
- 4) The County debt shall be maintained at a sustainable level as approved by County Assembly;
- 5) The fiscal risks shall be managed prudently; and
- 6) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

1. INTRODUCTION

The County Budget Review and Outlook Paper (CBROP) is prepared in line with section 118 of the Public Finance Management (PFM) Act, 2012. The paper reviews the fiscal performance of the county for the financial year 2019/2020; the updated macro-economic and financial forecasts; and deviations from the approved County Fiscal Strategy Paper (CFSP) 2019 and the reasons for such deviations.

1.1 Objective of CBROP

The objective of CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in the CFSP. This together with macroeconomic outlook provides a basis for revision of the current year's (2020/2021) budget in the context of the broad fiscal parameters underpinning the next budget (2021/2022) and the medium term (2022/2023 -2023/2024). The fiscal framework and the medium term policy priorities will be firmed up in the CFSP.

Specifically, the CBROP provides:

- i. Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- ii. Details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- iii. Any changes in the forecasts compared with the CFSP;
- iv. Indication on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- v. Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

1.2 Significance of CBROP

The paper is a policy document and links planning with budgeting. It is significant in the budget making process within the Medium Term Expenditure Framework (MTEF) as it reviews previous year's fiscal performance and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal

responsibility principles were adhered to as provided for in section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative sector ceilings for the FY 2021/2022 budget and in the medium term to guide Sector Workings groups (SWGs) before being affirmed in the CFSP 2021.

1.3 Structure

This paper has four other sections. Section Two, reviews the county's fiscal performance for the year 2019/2020. It is further divided into three sub-sections, namely: The Overview; Fiscal Performance; and Implications of Fiscal Performance. Section three reviews recent economic developments and has four subsections comprising of: Recent Economic Developments; Economic Outlook & Policies; Medium Term Fiscal Framework and Risks to the Outlook. Section four, sets out how the county government intends to operate within its resource envelope. It establishes the resources envelope (total revenues) it expects, and allocates these across departments by setting expenditure ceilings for each department. In addition, it has four sub-sections: **adjustment to the proposed budget**; the medium term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing. Lastly, section five gives a conclusion of the entire paper.

2. REVIEW OF COUNTY FISCAL PERFORMANCE IN 2020/21.

2.1 Overview

In the year 2020/21 the County Government had a total budget of KShs. 8,049,911,795. The Development allocation was KShs. 3,104,161,752 and the recurrent allocation was KShs. 4,945,750,043. The estimates were revised upwards to KShs. 8,079,769,573. The revised estimates comprised of recurrent allocation of KShs. 5,020,715,043 and Development allocation of KShs. 3,029,054,530. The expenditure outturn was; Development expenditure KShs. 2,541,831,332 and Recurrent expenditure KShs. 4,451,616,415 comprising absorption rate of 87%.

2.2 Fiscal Performance

The fiscal year 2020/2021 was a very challenging year for the County Government given that the economy was still reeling from the shock of the global covid-19 pandemic. The pandemic continued to negatively affect the local revenues and also release of equitable allocation to the County Government. Further, the standoff between the National Treasury and the Senate also affected the County Government's expenditure outturn as the County Government achieved an absorption rate of 11% in the 1st quarter of the fiscal year.

Table 2.1: Summary of County Fiscal Performance

	2019/20 FY	2020/21 FY			Growth %
	Actual	Approved	Actual	% Deviation	
TOTAL REVENUE & GRANTS	6,876,611,244		6,993,447,783	-21%	1.67%
Unspent Bal from Previous FY	400,000,000	540,658,099		-100%	
Revenue (Total)	7,276,611,244	8,284,116,023	6,993,447,783	-16%	-4.05%
Equitable Share Allocation	5,756,691,900	6,298,350,000	5,530,594,420	-12.19%	-4.09%
Local Revenue	552,768,796	900,000,00	627,164,598	-30%	11.86%
Grants (Total)	661,826,499	1,085,766,023	835,668,765	-23%	20.80%
Total Expenditure	6,833,883,082	8,049,769,573	6,993,447,783	-13%	2.28%
Recurrent	4,037,665,957	5,020,715,043	4,451,616,451	-11%	9.30%
Development	2,796,217,125	3,029,054,530	2,541,831,332	-16%	-10.01%

Unspent Bal Current			1,021,490,277	17%	36.86%
FY					

2.2.1 Revenue Performance

The County collected a total of Kshs. 627,164,598.42 against the previous year's collection of Kshs. 551,677,222.40. This was an increase of 14% in revenue from the previous year's performance. The increase is attributed to an increase in economic activity in the second half of the year as well as co-ordinated effort from the revenue department to seal loopholes in revenue collection. The revenue lines with the highest increases were single business permits, plot and land rates and conservancy charges.

Table: 3.1: Analysis of County Revenue Streams

This table shows revenue collected per stream over the last four years.

SOURCE	2017/2018	2018/2019	2019/2020	2020/2021
LICENCES	100,095,924	126,378,883	98,535,344.19	137,683,456
PLOT RENT/LANDRATES	37,600,098	60,126,961	53,226,460.86	64,442,748
MARKET FEES	27,204,081	53,712,820	42,109,538.92	45,390,801
PENALTIES		1,625,805	461,200.18	1,632,704
BUILDING MATERIAL CESS (sand, stones)	45,758,290	62,713,630	44,979,407.02	29,827,952
BUS PARK FEES	16,185,040	28,719,937	18,962,827.79	24,631,551
PARKING FEE	10,202,620	18,592,165	21,238,708.70	26,056,136
MOTOR BIKES	2,365,460	6,833,610	2,216,045.75	2,651,387
LIQOUR LICENCE	25,642,410	28,003,100	36,924,059.00	22,056,184
PLAN APPROVAL	12,434,670	36,907,306	9,738,904.39	2,848,192
CONSERVANCY	8,563,200	13,515,289	10,244,978.00	16,085,549
OTHER CESS REVENUE	719,900	20,174,817	6,918,950.14	41,272,008
SALE OF FORMS	5,192,420	8,565,260	3,126,132.98	7,884,076
TENDER FORMS	20,340	10,000	-	
ADVERVISEMENTS	10,371,043	17,027,999	7,848,196.10	10,463,947
SELF HELP GROUP	1,705,070	3,825,810	1,335,807.87	1,471,325
LAND SUBDIVISION/TRANSFER	7,015,130	7,114,440	6,285,858.08	8,692,414
HOUSE/STALLS RENT/S.HALL	5,976,080	8,151,673	5,423,449.18	6,088,784
OTHER LAND BASED REVENUE	1,669,776	3,242,610	3,781,063.49	2,749,224
MORGUE FEES	2,020,870	2,341,690	1,784,566.13	1,545,454
SLAUGHTER FEES	466,850	3,010,010	1,925,601.73	1,068,984
IMPOUNDING	830,490	5,277,070	1,477,577.65	1,544,129

COFFEE CESS			-	
EDUCATION & POLYTECHNICS	144,000	2,380,606	166,189.00	139,776
FIRE			11,692,551.06	17,373,124
OTHERS	982,060	3,183,230	-	
SUB-TOTAL		521,434,721	-	
B) DEVOLVED FUNCTIONS				
HOSPITALS	68,928,546	139,482,031	126,185,812.73	104,427,094
NHIF			-	
PUBLIC HEALTH	21,484,306	24,008,915	19,469,831.38	24,866,755
LIVESTOCK (A.I)	1,102,360	3,331,125	2,188,222.76	1,357,474
MEAT INSPECTION	6,284,060	8,210,880	8,861,763.34	10,920,614
VET. CLINICAL SERVICES	220,370	47,220	1,489,553.00	-
FISHERIES	126,000		-	
COOPERATIVES	481,890	840,110	651,505.78	495,988
HOUSING & PHYSICAL PLANNING	646,990	1,302,650	1,266,919.67	8,421,631
WEIGHT & MEASURES	601,950	1,067,250	943,422.17	2,879,303
MARIIRA FARM	472,067	2,483,171	216,773.38	195,835
WATER	482,621	123,930	-	
NEMA			-	
SUB-TOTAL		180,897,282		
TOTAL	423,996,982	702,332,003	551,677,222.40	627,164,598.42

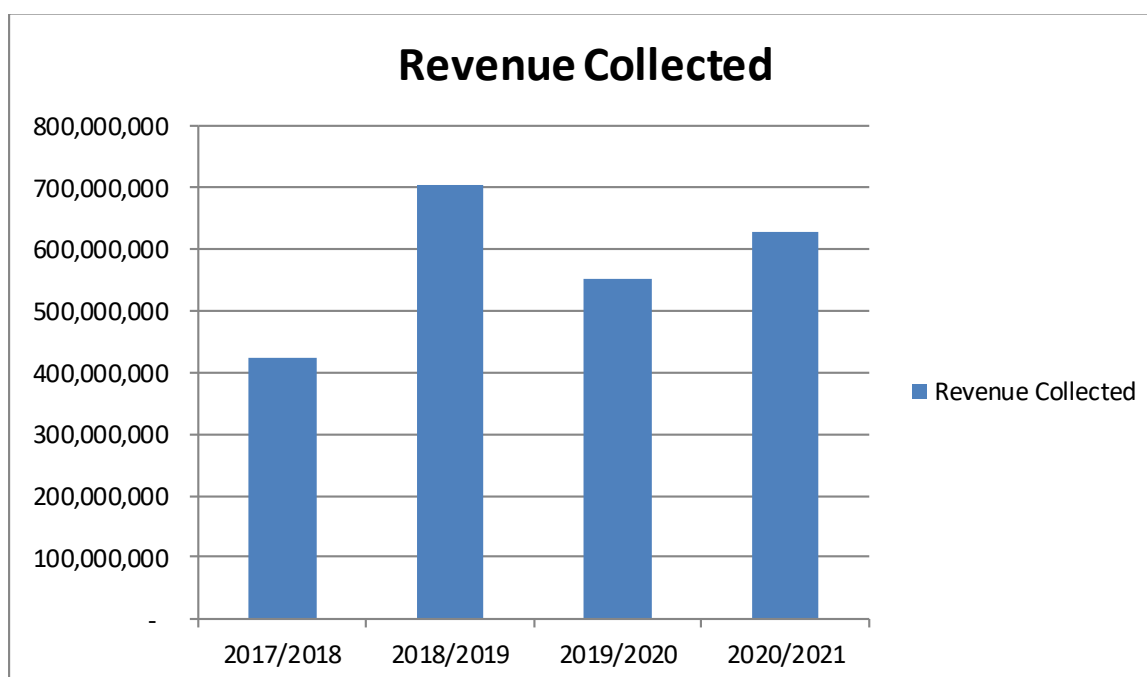


Table 2.2 Revenue Performance per stream

During the financial year 2020/2021 the County had a revenue target of KShs. 900 Million. The county managed to achieve 70% of this target to collect Kshs. 627,164,598.42. To achieve 70% of the target, the revenue streams that contributed majorly include:

	<u>TARGET</u>	<u>COLLECTED</u>	<u>ACHIEVEMENT</u>
Single Business Permit	99,800,260	137,683,456	138%
Land rates	62,656,433	64,442,748	103%
Other Cess revenue	5,747,331	41,272,008	718

These targets had been based on the previous year’s performance and consideration of the effects of the global covid 19 pandemic to the economy of the County. However, in the two critical revenue sources; single business permit and land and plot rates, the county increased revenues and surpassed the set target.

2.2.2 Expenditure Performance

The County had a total budget of KShs. 8,844,912,813 in the year 2020/2021. Out of this budget, the County Assembly’s budget was KShs. 795,143,240 comprising of KShs. 785,143,240 as recurrent and Kshs. 10M as development. The County Executive’s budget on the other hand, was 8,049,769,573. This comprised of KShs. 5,020,715,043 as recurrent allocation and Kshs. 3,029,054,530 as development allocation.

Out of this total budget, Equitable share was KShs. 6,839,008,099; Grants from the National Grants amounted KShs. 440,867,096; Grants from foreign donors amounted to KShs. 665,037,618 and own source revenue was KShs. 900,000,000.

During the period, the County Government absorbed a total of KShs. 7,728,513,480 representing an absorption rate of 87%. Of this, the county executive’s expenditure was KShs. 6,993,447,783 and the County Assembly’s expenditure was KShs. 735,065,697. The total recurrent expenditure was KShs. 5,182,016,448 and development expenditure was KShs. 2,546,497,032. This represented absorption rates of 67% and 33% respectively for recurrent and development expenditure. However, in the absence of the Assembly’s expenditure, the County Executive realized an absorption rate of 37% on development expenditure. This is above the minimum 30% prescribed by fiscal responsibility principles.

The absorption rate of 87% was higher than the realized absorption rate of 77.5% achieved in the year 2019/2020. This was achieved despite erratic and unpredictable exchequer releases, the prevailing covid 19 pandemic and an unstable macroeconomic environment. The County Government did not achieve 100% absorption rate due to unrealized local revenue, late disbursement of equitable share and donor funds. These funds shall be utilized in the current year 2021/2022.

As can be seen in table 2.3 most Departments had more than 50% budget absorption rate. The department with the highest budget allocation was the Department of Health with a total Budget of KShs. 3.77Bn. Out of the KShs.3.77Bn the department realized an expenditure of approximately KShs.3.62Bn comprising of an absorption rate of 96%. This was an increase of 2% in absorption from the previous year's expenditure.

Table 2.3 Showing Absorption rates by sectors and Comparison with CFSP 2021 (Illustrative) ¹

SECTOR	MINISTERIAL DEPARTMENTS	CFSP 2021			BUDGET ALLOCATION 2021/22		Cumulative Expenditure 2020/21			Absorption (%)	Deviation (%) CFSP - BUDGET
		REC	DEV	TOTAL	REC	DEV TOTAL	REC	DEV	TOTAL		
PUBLIC ADMIN.	Governor's Office										
	Finance										
	County Public Service Board										
	Public Administration										
	Public Service Management										
	Economic Planning										
	County Assembly										
	SUB-TOTALS										
INFRASTRUCTURE	ICT and E-Government										
	Roads, Transport and Infrastructure										
	Water, Environment, Energy and Natural Resources										
	SUB-TOTALS										
HEALTH	Health Services										
	TOTAL										

¹ See annex 1 on this Document.

2.2.2.1 Recurrent and development expenditure

The County Government had a recurrent expenditure of KSh. 4,451,616,415. This comprised of KShs. 3,934,636,771 as compensation to employees and KShs. 516,979,644 as costs of operation and maintenance. This was achieved from a budget allocation of KShs. 3,957,077,205 to compensation to employees and an allocation of KShs. 1,063,637,838 to costs of operations and maintenance thus leading to an absorption rate of 99% and 49% of each category's budget allocation. The County assembly on the other hand had a recurrent budget allocation of KShs. 785,143,240, out of which they achieved an expenditure of KShs. 730,399,997. This translates to an absorption rate of 93%.

Development expenditure was KShs. 2,541,831,332 against a budget allocation of KShs. 3,029,054,530. This represented an absorption rate of 84% over the overall allocation to development in the budget. The County assembly achieved development expenditure of approximately KShs. 4,665,700 against an allocation of KShs. 10M representing an absorption rate of 46%.

2.2.2.3 Implications for the FY 2021/22 performance

The fiscal year 2020/21 was a very challenging year. This was because the Country's economy was still reeling from the effects of Covid 19. As such, it was very difficult to predict on various macroeconomic factors that have a direct impact on the County's sources of revenue. Further, there was delay in approval of the County Allocation of Revenue Act 2020 which delayed budget implementation.

In the fiscal year 2021/2022, most of the above challenges have been mitigated. The ongoing national vaccination against Covid 19 is expected to reduce the effect of the pandemic in the economy. However, being an election year, and going by the past, the economic and political environment could hamper the Government's ability to achieve its set revenue target. As such, release of equitable allocation may be negatively affected.

In the year 2021/2022, inflation shall remain a risk to observe and it is likely to hamper implementation of the budget. This is especially given the increase in fuel prices which have an impact on all sectors of the economy. This situation could be exacerbated by any drought that could be experienced in the country.

The County Treasury will monitor expenditure to ensure that any unforeseen events are mitigated and addressed.

3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Recent Economic Developments

The fiscal year 2020/21 was very challenging for both the County and the National Government. The Government collected lower revenue in the first half of 2020/21 compared to the previous year 2019/20 by approximately 121.4Bn. The GDP also declined by approximately 0.3% in the Calendar year 2020. However in the second half of the fiscal year 2020/21, revenues increased to surpass revenues collected in the year 2019/2020 by approximately KShs. 21Bn. Government deficit financing widened from 791.18 in 2019/20 to 836.48 in 2020/21 a pointer of the need for Government to borrow to finance it's expenditure.

The economy in the year 2021/2022 is however, expected to perform better than in the year 2020/21. This is due to efforts made globally to deal with the pandemic which has been the greatest challenge affecting the global economy. The global economy is expected to grow by approximately 6% in the year 2021 and 4.9% in the year 2022. The Kenyan economy is expected to grow by approximately 4.5% in 2021 and over 5% in 2022 to 2023. This will be predicated on better market of agricultural products due to better global demand anchored on rising demand; increased industrial output supported by economic reopening and capital spending and recovery in services sector due to success in vaccination rollout. A responsive monetary policy shall also be very critical especially in the event of inflationary shocks. Out of these, the economic outlook for the year 2021/2022 is promising compared to the year 2020/2021.

3.1.1 County Economic Outlook and Policies

The County Government shall continue to invest in programs that shall empower improve productivity of its' populace. These programs shall involve improvement of infrastructure in the production zones, enhanced agro-processing and marketing, support to small and medium enterprises, affordable and accessible health care and provision of agricultural inputs to farmers. All these programs shall contribute to the County's economic growth and development.

3.2 Medium Term Expenditure Framework

In the medium term the County Government, shall seek to spend its resources on improving the welfare of its citizens. In this light, its resources shall be deployed in development and efforts shall be put into fiscal consolidation to ensure that recurrent expenditure is minimized in order to free resources for development. The main sectors for focus shall be Agriculture, Infrastructure, Health and

Agromarketing. These are the sectors with significant multiplier effects to the economy and touch on the livelihoods of all the County's citizens.

To achieve this, the County shall ensure that it sets very realistic local revenue targets, constantly monitor its expenditures and various fiscal risks inherent in its budget implementation. This shall ensure that any unforeseen deficits are addressed during supplementary in order to ensure that the County reigns on pending bills and other debts. The County debt shall also seek to foster working relationships with development partners in order to raise financing and attract investments in these high multiplier areas.

In order to expand the resource envelope, the County Government shall continue to look at ways in which it can raise its own source revenue. Efforts shall be made to ensure that plot and land rates are collected in full and their arrears realized as well. The County Government shall also widen its revenue base by finding revenue lines that have not been exploited to now such as land rates on big farms, local agricultural cess on big farms and also creating an investor friendly environment that shall lead to firms investing in the County and paying licenses.

In the medium term, the leadership of the County Government shall be transitioning from one leadership regime to another. This is expected to realign projects to be implemented moreso, the flagship projects. This does not pose a major risk, however, it is likely to impact on ongoing projects. The County Government therefore intends to complete its ongoing projects within the year 2021/22 and avoid initiating long running projects. To this end, the County Government shall continue to rationalize its workforce and increase their productivity to ensure that maximum value of its workforce is achieved.

3.3 Risks to the Outlook

The County's main activity is agriculture, and the various factors affecting the agricultural sector such as drought, poor quality of farm inputs or a shock to the sector will have a negative effect to the County's economy.

The Country's high debt levels continue to be a matter of concern. This is because debt servicing is consuming a huge promotion of the Nation's resources and this could impact on exchequer releases.

The ever evolving Covid 19 virus variant, continues to remain a risk. The high political campaign fever could lead to an increase in infections which would lead to lock down and its emergent effects.

4. RESOURCE ALLOCATION FRAMEWORK

This section establishes the resource envelope the county expects and how it will be allocated across all the sectors for 2022/23 Financial Year and the MTEF.

4.1 Adjustment to the FY 2021/22 Budget

The County Government prepared a balanced budget totaling to KShs.10,656,671,245. This will be funded with; Equitable share KShs. 8,219,378,605; Grants from Donor agencies total to KShs. 783,994,858, Grants from National Government KShs. 153,297,782 and Local revenues total to KShs. 1,500,000,000.

The County Government shall consider within the law, need for adjustment to the budget for the financial year 2021/2022. In adjusting the budget, the County Treasury shall consider broadly the following issues:

- Flagship projects shall rank the highest and shall be adequately funded since they have transformative outcomes.
- Priority shall be given to on-going projects; new projects allocations will be scaled down to initiation stage or done away with completely.
- Recurrent allocation shall also be rationalized in order to ensure that Fiscal responsibility principles are adhered to.

4.2 Medium Term Expenditure Framework

Allocation and utilization of resources in the medium term will be guided by the priorities outlined in county integrated development plan and other county plans; and in accordance with section 107 of the PFM Act 2012. For effective utilization of public finances for enhanced expenditure productivity, the county government will prioritize expenditures within the overall sector ceilings and strategic sector priorities.

Table 5 below therefore provides indicative sector ceilings for the 2022/2023 – 2024/25 MTEF period. The projections are inclusive of conditional allocations and grants/loans.

Table 5 Summary of Indicative Sector Ceilings for FY 2022/23 MTEF²

Sector	MDAs	Total Expenditure Kshs.					% Share of Total Expenditure				
		Revised Estimates	Estimates	Projections			Estimates	Ceilings	Projections		
		2020/21	2021/22	2022/23	2023/24	2024/25	2020/21	2021/22	2022/23	2023/24	2024/2025
PUBLIC ADMIN.	Governor's Office										
	Finance										
	Economic Planning										
	Public Service Management										
	De volution & Public										
	County Public Service Board										
	County Assembly										
	Live stock Development &										
	Trade, Investment & Industrialisation										
	Co-op & Enterprise Dev										
	Physical Planning & Urban										
	Land s and Housing										
	Water, Environment, Natural Resource										
ICT & e-govt.											
Health	He alth Services										

See annex 3 of the Document.

² See Annex 3

The Department of Health and Sanitation shall take the highest allocation within the MTEF period at 40.4%, followed by agriculture at 12.34% and Roads and Public works at 8.80%. this is in line with the priorities of the citizenry to address issues along health, food security and accessibility. These are also sectors that require massive investment and government intervention as private sector players would be limited by the high capital low returns in these sectors.

4.3 The Proposed 2022/23 Budget Framework

In the fiscal year 2022/23 the County Government expects its equitable allocation shall remain at KShs. 7,180,155,855, local revenues KShs. 900M and shall receive all its outstanding donor funds not released.

4.3.1 Revenue Projections

PROJECTED REVENUE BUDGETS PER SOURCE FOR F/Y 2022/23/24/25			
FINANCIAL YEAR	2022/23	2023/24	2024/25
Equitable share	7,251,957,414	7,251,957,414	7,251,957,414
Equitable share C/F	900,000,000	900,000,000	900,000,000
Local Revenue	900,000,000	900,000,000	900,000,000
Donor Grants	783,994,858	13,954,875	13,954,875
TOTAL REVENUE(KSHS)	9,835,952,272	9,065,912,289	9,065,912,289

In projecting the estimates of revenue the County Treasury has taken a conservative approach. The County Treasury expects that as at the end of the year the County shall not have received approximately KShs. 900m of its current year's allocation, this is going by the previous year's trend. The target own source of revenue shall remain at KShs. 900M, this is given the County's potential to collect upto KShs. 1Bn per annum. Donor grants shall reduce significantly given that most of these grants shall come to an end in the year 2022. However, Danida in the department of health shall continue into the near future but it's annual allocation shall reduce and the County Government shall provide counterpart funding to top up the reduction. However, some of these grants could be extended or renewed with a different focus area.

4.3.2 Projected Fiscal Balance

The proposed county budget 2022/23 and the medium term is balanced, however, any shortfall in revenue that may occur within the year will be addressed through supplementary as approved by the Public Finance Management Act 2012.

5. CONCLUSION

Due to the prevailing economic situation, the County Government shall continue exercising prudence in its expenditure and budget management. Further, going by the performance of the fiscal year 2020/2021 and the ongoing global pandemic whose effects cannot be reliably predicted, the fiscal risks that befell Counties are still lurking.

The electioneering period that is set to begin in the middle of the fiscal year 2021/2022, could affect implementation of the current year's budget. This is due to Counties losing key staff who will be vying for elective positions. Further, a heated political environment has led to reduction of revenue in the past due to political interference or closure of businesses as investors take a wait and watch stance which leads to reduced economic activity. The County government shall be very keen to mitigate on any negative effects of an electioneering period.

The ceilings indicated shall be reevaluated and firmed up in the County Fiscal Strategy Paper 2022. These ceilings shall act as a guide to departments in preparing their budgets for the year 2022/23. However, the ceilings for the medium term period 2023/24 and 2024/25 are likely to change following a regime change in the fiscal year 2022/23, as this could lead to changes in budget priorities.

