

REPUBLIC OF KENYA



MIGORI COUNTY
BUDGET REVIEW AND OUTLOOK PAPER
FY 2021/2022

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Foreword

The County Budget Review and Outlook Paper (CBROP)2022 is prepared in accordance with the Public Financial Management Act, 2012 section 118. It highlights the actual fiscal performance in the financial year 2021/22 compared to the budget appropriation for that year and the challenges encountered in the course of implementing that budget. It further provides updated macro-economic and financial forecasts with sufficient information to show changes from the projections outlined in the County Fiscal Strategy Paper (CFSP) for FY 2022.

The updated macroeconomic outlook therein also provides us with a basis to revise the 2022/23 budget in the context of the Supplementary Estimates, as well as setting out the broad fiscal parameters for the next budget and medium term. This will ensure efficiency in utilization of resources and target areas where impact is needed most and also enable us to evaluate our progress as a county even as we strive to achieve our broad objectives as set out in the 2023-2027 CIDP

We are committed to maintain the trend of economic growth and development in line with the expectations and commitments we have made to the people of Migori County.

MAURICE OTUNGA NYANJAGAH
CECM FINANCE AND ECONOMIC PLANNING
MIGORI COUNTY GOVERNMENT

Legal Basis for the Publication of the County Budget Review and outlook paper

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

1. The County Treasury shall prepare and submit to County Executive committee for approval, by 30th September in each financial year, a County Budget Review and Outlook Paper which shall include:
 - a) Actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
 - b) Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal strategy paper
 - c) Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest County Fiscal strategy paper; and
 - d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2. County Executive committee shall consider the County Budget Review and outlook Paper with a view to approving it with or without amendments, not later than fourteen days after its submission.
3. Not later than seven days after the CBROP has been approved by Executive committee, the County Treasury shall:
 - a) Submit the paper to the Budget and appropriation Committee of the County Assembly to be laid before the County assembly; and
 - b) Publish and publicise the paper not later than fifteen days after laying the Paper before County Assembly.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution, the new Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 107(b)) states that:

- 1) The county government's recurrent expenditure shall not exceed the county government's total revenue
- 2) Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure
- 3) The County government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government revenue as prescribed by the regulations.
- 4) Over the medium term, the County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) Public debt and obligations shall be maintained at a sustainable level as approved by County Government (CG)
- 6) Fiscal risks shall be managed prudently
- 7) 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



EXECUTIVE SUMMARY

The 2021/22 Budget Review and Outlook Paper has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides actual fiscal performance for the FY 2021/22, macro-economic projections and the expected sector ceilings for the FY 2023/24 and the medium-term budget.

This document provides an overview of how the actual performance of the FY 2021/22 affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act as well as information showing changes from the projections outlined in the 2022 Budget Policy Statement.

During the period under review the total amount of money available for spending was Ksh. 9,212,462,976 representing 88.2% of the total revised target of Ksh.10,444,016,812. The Ksh. 9.212 billion comprised of 7.364B (79.9%) equitable share, 386.68 million (4.2%) as locally collected revenue, 271.806 million (3.0%) as conditional grants/donor funds and 1.189B (12.9%) as returned issue (bal b/f). Local revenue collection of Ksh. 386,686,546 surpassed the set target of Ksh. 350,000,000 by 36,686,546 (10.48%).

1.1 Objectives of BROP 2022

The objective of the 2022 Budget Review and Outlook Paper (BROP) is to provide a review of fiscal performance for the FY 2021/22 and how this performance impacts on the financial objectives and fiscal responsibility principles set out in the PFM Act and outlined in the 2022 County Fiscal Strategy paper. This, together with updated macroeconomic developments and outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the FY 2021/22 and the medium-term budget. Details of the fiscal framework and the medium-term policy priorities will be firmed up in the 2023 County Fiscal Strategy paper.

The 2022 BROP is a key policy document that will guide the development of the 2023 County fiscal strategy paper. The 2023 County fiscal strategy paper will highlight the progress in the implementation of the County Agenda and other projects prioritized in the Governors manifesto, the Forth Medium-Term Plan (MTP IV 2023-2027) and 2022-27 County Integrated development plan, while also considering the recent macroeconomic developments.

Expenditure projections for FY 2023/24 have been revised in line with projected average inflation rate for 2023. To meet the resource requirements of the FY 2023/24 and the medium budget, the Government will continue to implement prudent measures aimed at rationalizing expenditures.

The rest of the document is organized as follows: Section II provides a review of the fiscal performance for the FY 2021/22 and its implications on the financial objectives set out in the 2022 BPS. Section III provides highlights of the recent economic developments and outlook while Section IV and V provide for the proposed resource allocation framework and the conclusion respectively.

SECTION TWO: REVIEW OF FISCAL PERFORMANCE IN 2021/22

2.1 Overview of the FY 2021/22 Budget

During the period under review, the combined county government’s budget approved by the County Assembly amounted to Kshs. 10,444,016,812. This comprised Kshs. 6,690,489,123 (64 per cent) and Kshs. 3,753,527,689 (36 per cent) allocated to recurrent and development programmes respectively.

In order to finance the budget, the county expected to receive Kshs.8,005,020,448 (76.6 per cent) as the equitable share of revenue raised nationally, Kshs. 1,189,351,530 (11.4 per cent) as b/f, Kshs. 250,872,019 (2.4 per cent) as total conditional grants, Kshs. 648,772,815 (6.2 per cent) billion from donor funds and Kshs.350,000,000 (3.4 per cent) from own source revenue as summarized in table 1 below.

Table 1: Expected sources of budget of financing in FY 2021/22

Revenue Stream	Amount	As A Percentage of Expected Total Revenue
Equitable share	8,005,020,448	76.6%
Bal b/f	1,189,351,530	11.4%
Conditional Grants	250,872,019	2.4%
Donor Funds	648,772,815	6.2%
Own Source Revenue	350,000,000	3.4%
Total	10,444,016,812	100%

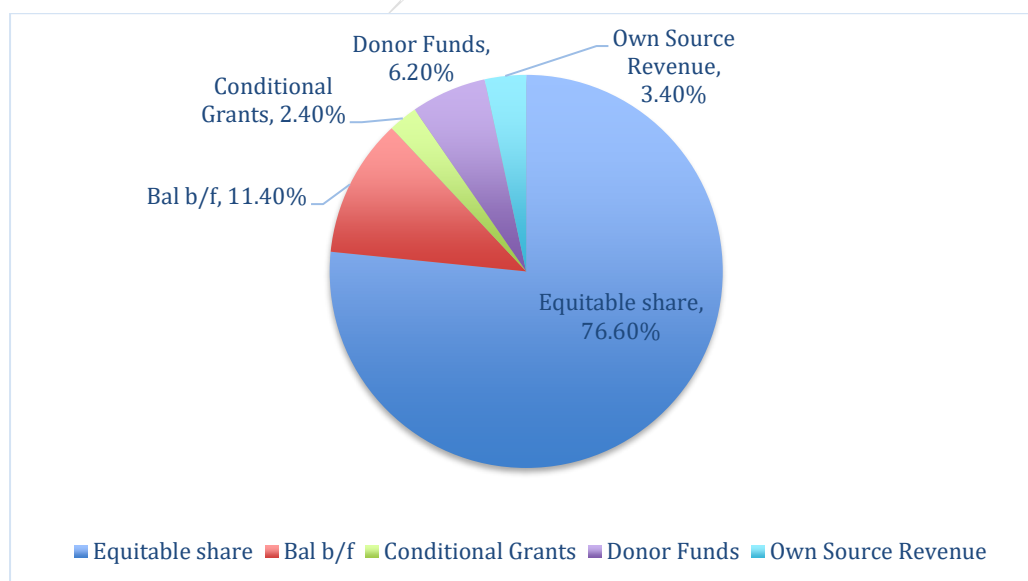


Figure 1: Expected Revenue streams

2.2 Actual Revenue Analysis.

During the period under review, total actual revenue amounted to Ksh.9.212B representing 88.2% of the total revised target of 10.44billion. The 9.212 billion comprised of 7.364B (79.9%) equitable share, 386.68 million (4.2%) as locally collected revenue, 271.806 million (3.0%) as conditional grants/donor funds and 1.189B (12.9%) as returned issue (bal b/f) as shown in table 2 below.

Table 2: Analysis of Revenue Streams

No	REVENUE STREAM	EXPECTED AMOUNT IN KSHS	ACTUAL AMOUNT KSHS	ACTUAL AMOUNT AS A PERCENTAGE OF TOTAL REVENUE
1	Returned Issue	1,189,351,530	1,189,351,530	11.4%
2	Equitable Share	8,005,020,44 8	7,364,618,812	70.5%
3	Local Revenue	350,000,000	386,686,546	3.7%
4	Other Receipts (donor funds, conditional grants etc)	899,644,834	271,806,088	2.6%
	Total	10,444,016,812	9,212,462,976	88.2%

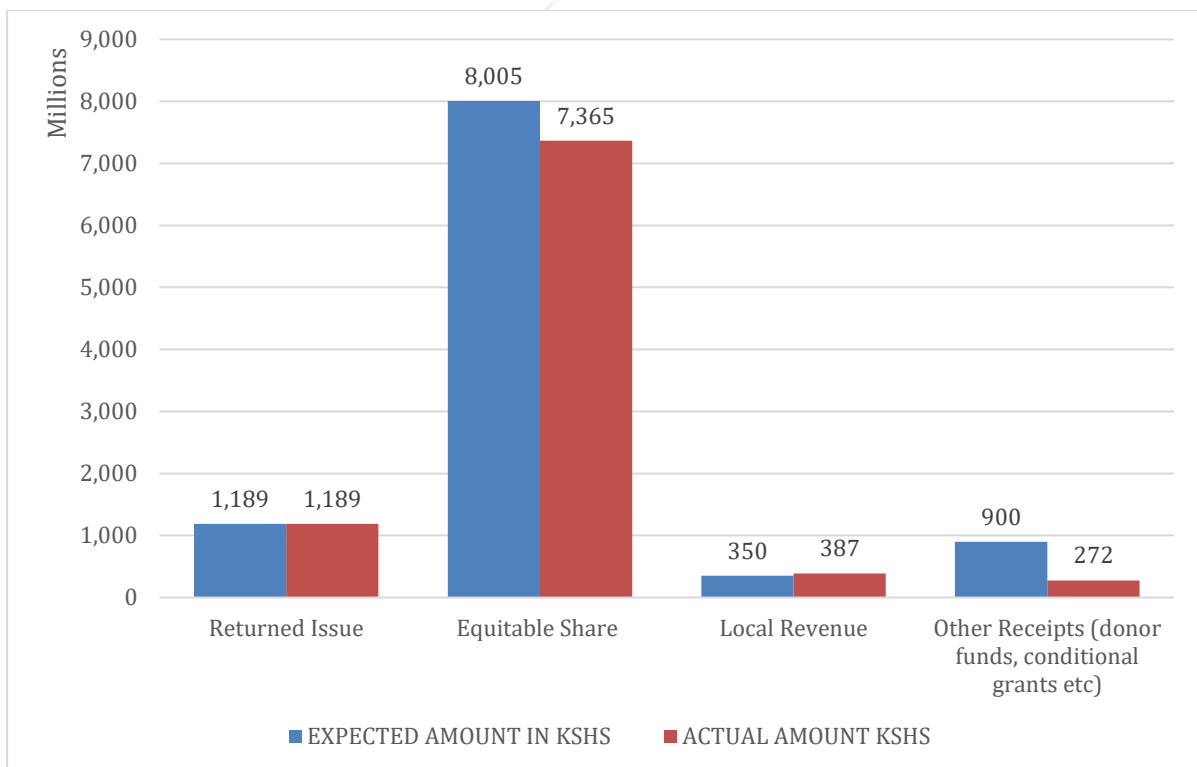


Figure 2: Expected Revenue Versus Amount of Revenue Received

2.2.1 Equitable Share

During the FY 2021/22, the County received **Kshs. 7,364,618,812** as equitable share of the revenue raised nationally representing 77.29 per cent of the total revenue. This represents 0.1% increase from what was received in FY 2020/2021 that stood at 7,355,586,600.

Table 3: Equitable share per quarter

Description	2021-2022	2020-2021
	KShs	KShs
Total Equitable Share for quarter 1	1,320,828,374	582,486,600
Total Equitable Share for quarter 2	1,320,828,374	1,693,275,000
Total Equitable Share for quarter 3	1,320,828,374	1,117,561,500
Total Equitable Share for quarter 4	3,402,133,690	3,962,263,500
Total	7,364,618,812	7,355,586,600

The last quarter recorded the highest receipt while the first, second and third quarters recorded the same amount of receipts as shown in table 3 above.

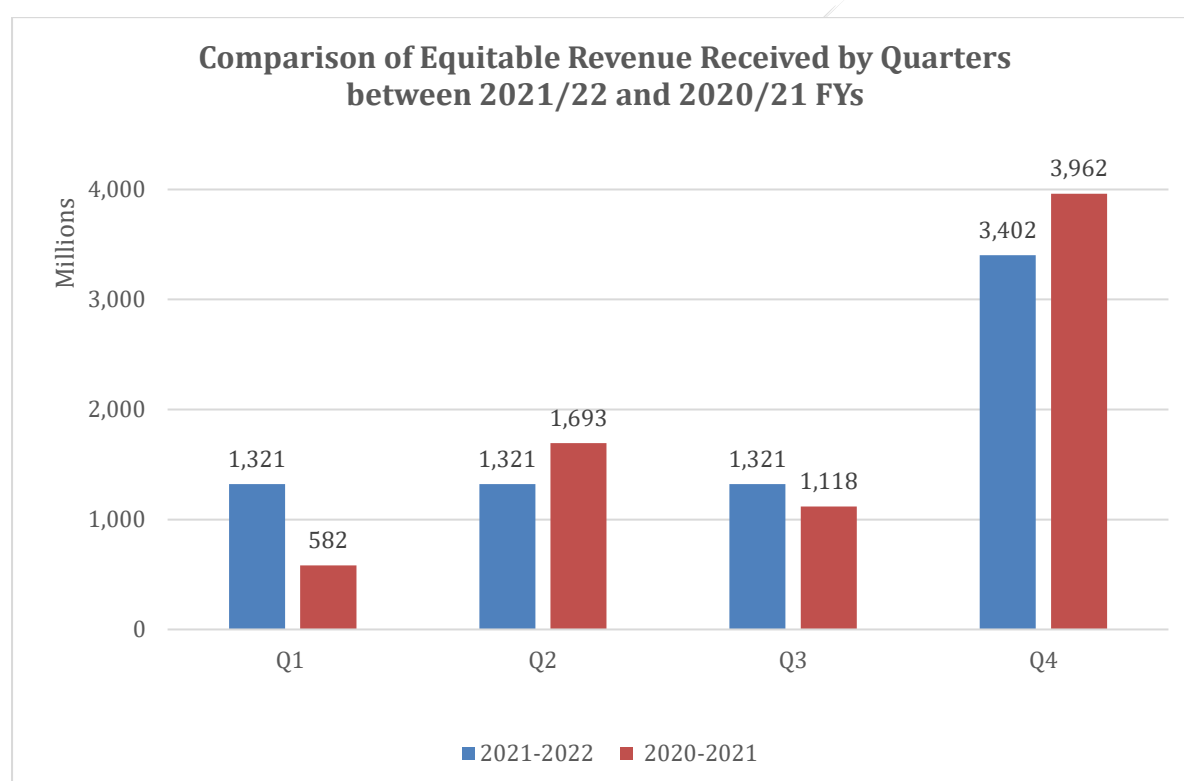


Figure 3: Equitable share per quarter for 2021/22 and 2020/21

2.2.2 Conditional Grants/Donor Funds

During the period under review, the county expected to receive Ksh. 899,644,834 as conditional grants and donor funds as shown in table 4 below.

However, during the period under review, a total of Kshs 271,806,088 or 30.4 per cent of the Conditional grants and donor funds was received in the CRF as highlighted in Table 4 below.

Table 4: Donor funds/grants received through CRF account

No.	Donor Fund/Grant	Amount allocated as provided in CARA 21/22(Kshs.)	Actual receipt of the Conditional Grants, FY 21/22 (Kshs.)
1	Allocation for Leasing of medical equipment	153,297,872	
2	Road Maintenance Fuel Levy (b/d)	59,985,965	
3	External Donor Co-Funding (b/d)	19,603,490	
4	MC VETCs - Rehabilitation of Village Polytechnics (b/d)	17,984,692	
5	DANIDA Grant (Universal Healthcare in Devolved System Program)	15,006,750	7,503,375
6	IDA (World Bank) Credit for National Agricultural and Rural Inclusive Growth Project (NARIGP)	276,072,733	194,942,279
7	EU Grant for Instrument for Devolution Advice and Support (IDEAS)	15,626,168	
8	IDA (World Bank) credit: Transforming Health Systems for Universal Care Project	77,565,365	48,556,702
9	UNFPA - 9th Country Programme Implementation	4,432,000	
10	Sweden - Agricultural Sector Development Support Programme (ASDSP) II	33,198,563	20,803,732
11	Migori County Urban Development Grant	206,871,236	
12	Climate Change	10,000,000	
13	Urban Institutional Grant	10,000,000	
	GRAND TOTAL	899,644,834	271,806,088

Other donor funds and grants were deducted at source and some were channeled directly to their respective accounts.

2.2.3 Own Source Revenue

The county was able to raise Ksh 386,686,546.00 against revised target of Ksh. 350,000,000. The set target was surpassed by Ksh 36,686,545.65 (10.48%). The highest collection of Ksh. 119,615,804 and lowest collection of Ksh. 68,176,203.40 were recorded in the third and second quarters respectively. Revenue types that fell below their targets included; parking fees (81.42% (, permits (90.13%), Cess fees (94%), rates (30.41%), natural resources (53.05%), penalties (25.76%) and transport on land (7.34%). Revenue types that surpassed their targets included; market fees (164.59%), auction fees (280.98%), devolved ministries (149.67%) and bill boards (111.59%) as shown in Table 5 below.

Table 5: Own Source Revenue per quarter

Type Of Revenue	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	%Collection	Projected	Variance
Parking Fees	13,823,400	12,361,800	14,502,300	13,255,310	53,942,810	81.42	66,250,000	-12,307,190
Permits	5,241,930	2,868,350	34,722,090	13,497,600	56,329,970	90.13	62,500,000	-6,170,030
Market Fees	9,053,770	10,252,265	10,511,260	9,684,475	39,501,770	164.59	24,000,000	15,501,770
Cess Fees	19,009,027	10,805,824	9,651,347	11,473,548	50,939,747	94	54,187,500	-3,247,753
Auction Fees	2,021,150	4,216,330	3,586,590	4,224,850	14,048,920	280.98	5,000,000	9,048,920
Rates	64,390	298,206	985,286	1,388,730	2,736,612	30.41	9,000,000	-6,263,388
Natural Resources	3,801,410	2,591,860	3,032,880	1,847,290	11,273,440	53.05	21,250,000	-9,976,560
Devolved Ministries	28,832,525	21,769,116	34,498,705	51,634,289	136,734,635	149.67	91,357,550	45,377,085
Penalties	197,050	167,860	164,220	103,300	632,430	25.76	2,455,000	-1,822,570
Bill Boards	432,750	1,304,112	4,651,300	7,306,420	13,694,582	111.51	12,280,700	1,413,882
Transport On Land	471,190	328,950	349,070	214,870	1,364,080	79.34	1,719,250	-355,170
Others	1,315,264	1,211,530	2,960,756	-	5,487,550	-	-	5,487,550
Grand Totals	84,263,856	68,176,203	119,615,804	114,630,682	386,686,546	110.48	350,000,000	36,686,546.65

Source: County Treasury

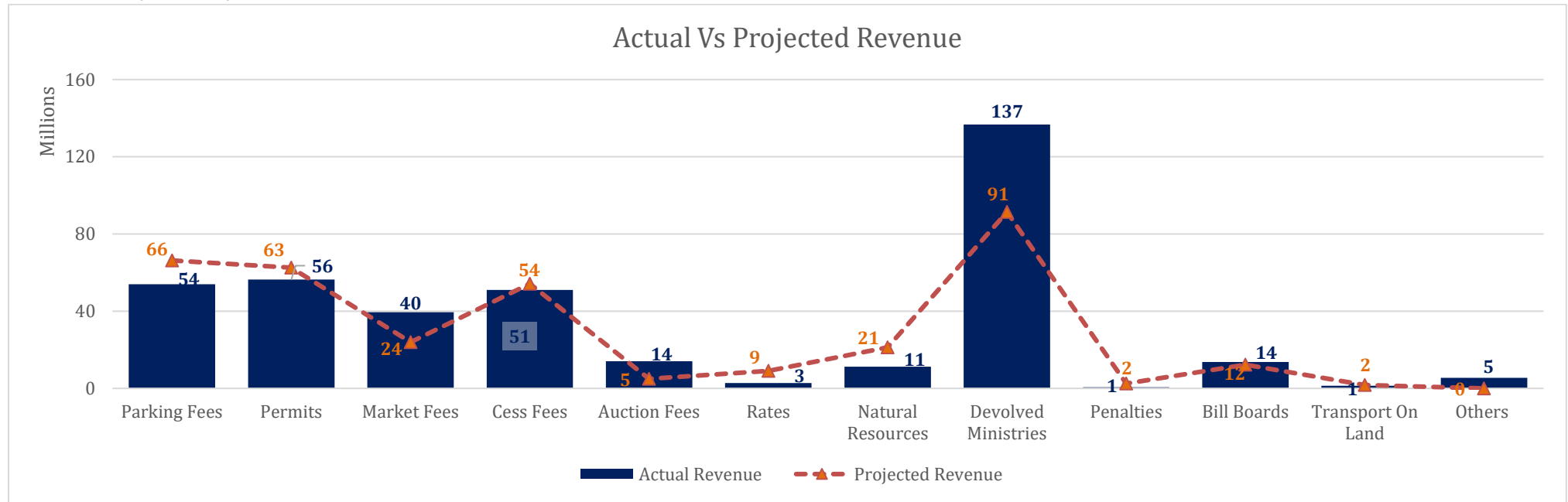


Figure 4: Actual Vs Projected Revenue

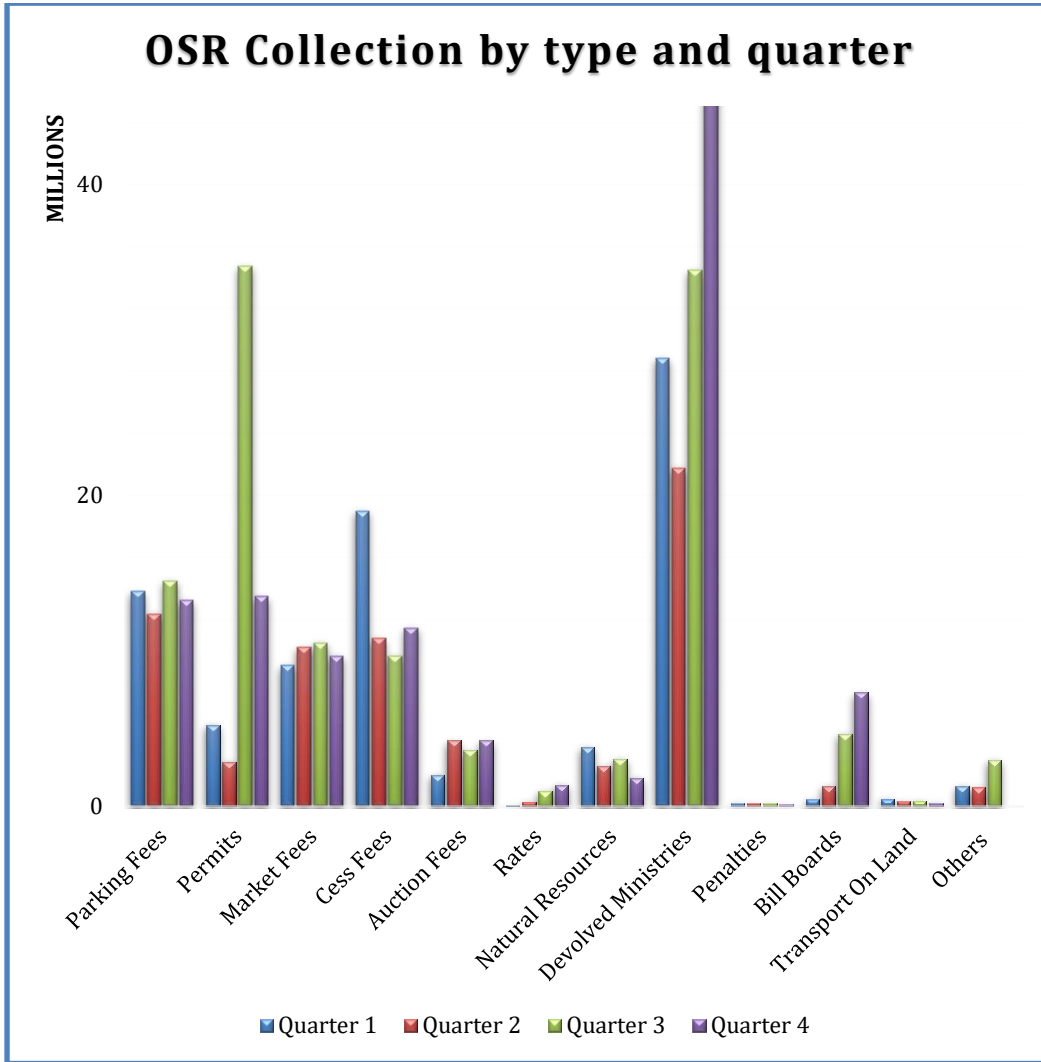


Figure 6: OSR Collection by type and quarter

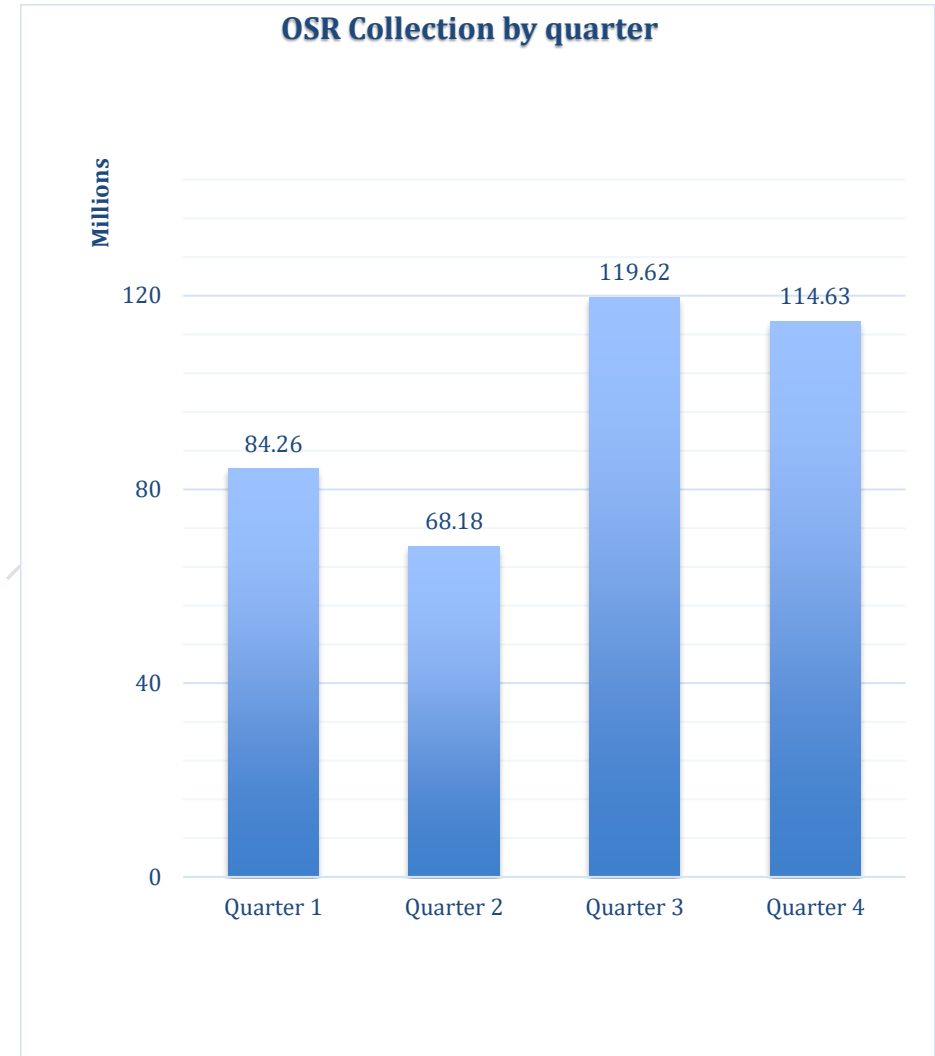


Figure 5: 2021-22 FY OSR Collection by qtrs

The highest and lowest collections of Ksh.136,734,635.00 (35.36%) and Ksh. 632,430.00 (0.16%) were recorded under Devolved ministries and penalties respectively as shown in table 5 above.

Table 6: OSR Collection between FY 2020/21 and FY 2021/22 by Revenue Stream

Type Of Revenue	2020/21 FY	2021/22 FY	-/+
Parking Fees	51,447,280	53,942,810	2,495,530
Permits	68,462,800	56,329,970	(12,132,830)
Market Fees	32,866,265	39,501,770	6,635,505
Cess Fees	45,223,024	50,939,747	5,716,723
Auction Fees	10,187,090	14,048,920	3,861,830
Rates	7,604,497	2,736,612	(4,867,885)
Natural Resources	14,844,490	11,273,440	(3,571,050)
Devolved Ministries	62,268,418	136,734,635	74,466,217
Penalties		632,430	632,430
Bill Boards		13,694,582	13,694,582
Transport On Land		1,364,080	1,364,080
Others	13,888,900	5,487,550	(8,401,350)
Grand Totals	306,792,764	386,686,546	79,893,782

From table 6 above, there was improvement in revenue collection in the FY 2021/22 compared to the previous FY 2020/21 by 79.89 million representing an increase of 26 per cent. In terms of revenue streams, there was improvement in revenue collection from Parking fees, Market fees, Cess fees, Auction fees and Devolved ministries by 2.49million, 6.6million, 5.7million, 3.86million and 74.4million respectively. Revenue collection from Penalties, Billboards and Transport on Land remained the same while there was a decrease in revenue collection from Permits, Rate and Natural resources by 12 million, 4.86million and 3.57million respectively.

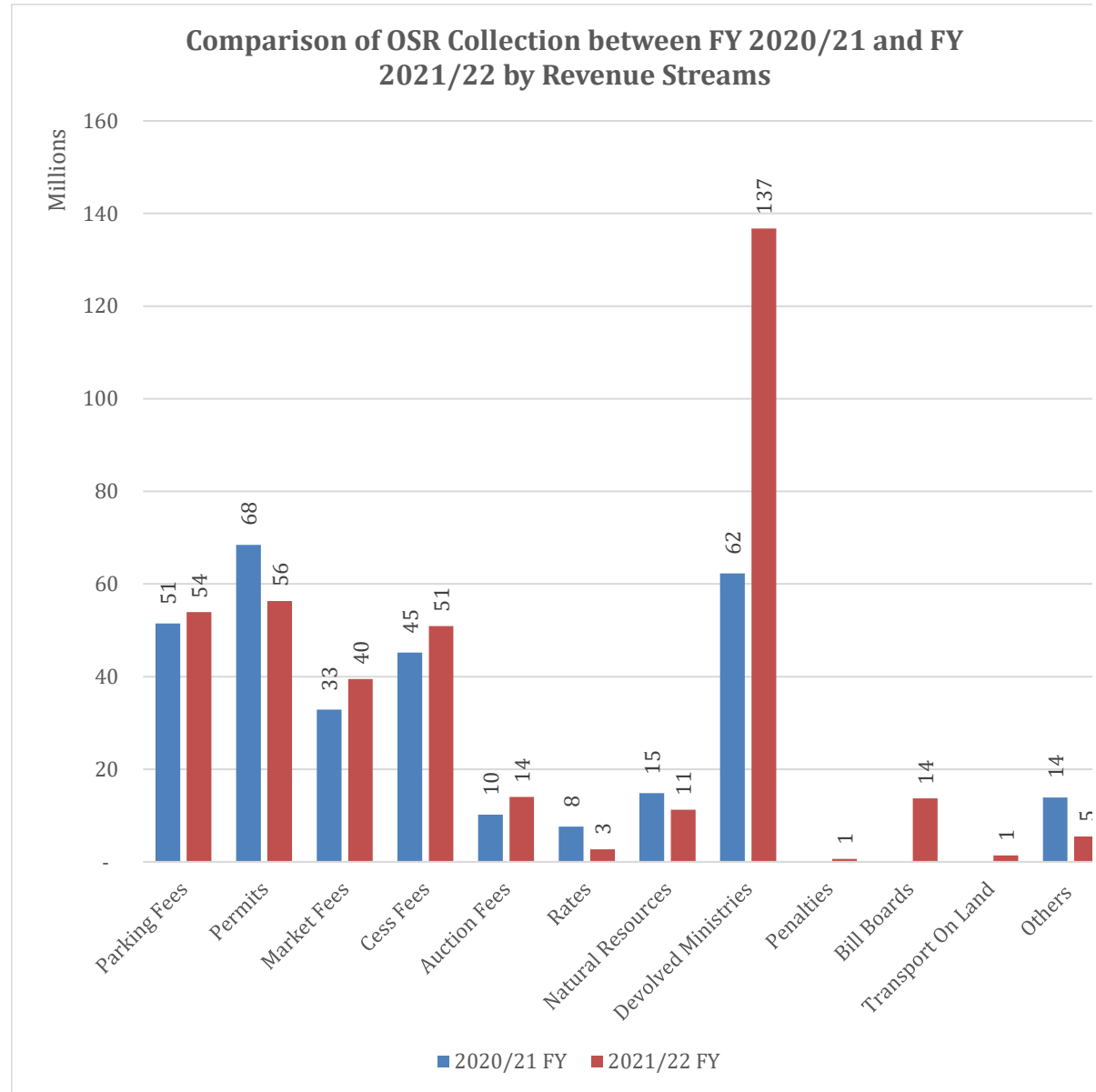


Figure 7: Total Revenue Collected by Type

Table 7: OSR Collection between FY 2020/21 and FY 2021/22 by Qtrs

QTR	FY 2020/21	FY 2021/22	+/-
1	60,392,435	84,263,856.30	23,871,421.30
2	58,035,961	68,176,203.40	10,140,242.40
3	103,348,703	119,615,804	16,267,101.00
4	85,015,665	114,630,682	29,615,017.00
Total	306,792,764	386,686,546	79,893,782

Source: County treasury

From the table 7 above, in terms of revenue collection by quarters, there was improvement in revenue collection in all the four quarters in FY 2021/22 compared to FY 2020/21.

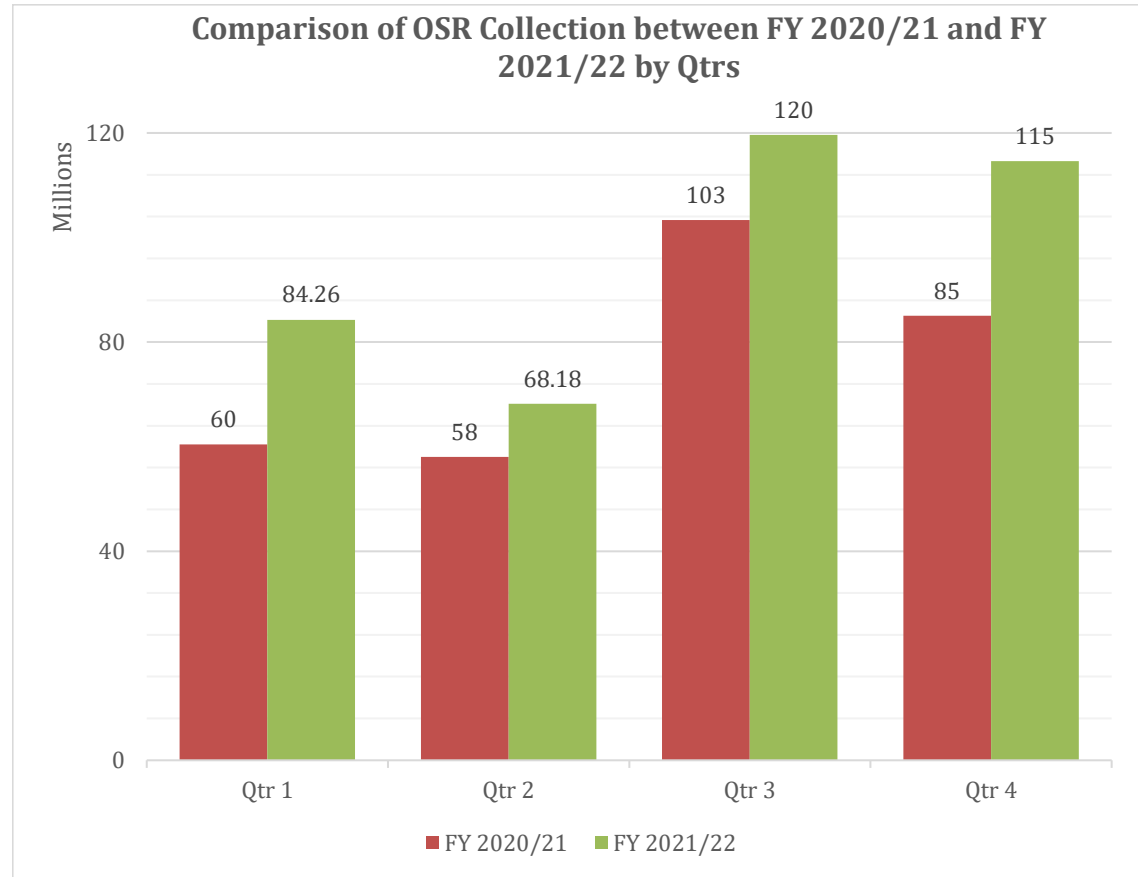


Figure 8: Own source Revenue per quarter for FY 2020/21 and 2021/22

2.3 Exchequer Releases and Returned Issue

Table 8: Exchequer Releases and Returned Issue

Category	REVENUE STREAM	AMOUNT RECEIVED KSHS	AMOUNT RECEIVED AS A PERCENTAGE OF TOTAL REVENUE
a) Exchequer Releases	Equitable Share	7,364,618,812	81.0%
	Local Revenue	267,107,100	2.9%
	Other Receipts (donor funds, conditional grants etc)	271,806,088	3.0%
	Subtotal-Exchequer	7,903,532,000	86.9%
b) Returned Issue	Returned Issue	1,189,351,530	13.1%
	Total	9,092,883,530	100%

During the period under review, total receipts to county amounted to 9.092 billion comprising of exchequer releases (86.9%) and returned issue (13.1%)

a) Exchequer Releases

During the period under review, exchequer releases received through the CRF account amounted to Ksh 7,903,532,000. This amount comprised ksh.7,364,618,812 as equitable share, 271,806,08 as donor funds/grants and ksh.267,107,100 as local revenue as shown in the table 9 below.

Table 9: Exchequer releases by revenue type

TYPE OF REVENUE	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL AMOUNT(Ksh)	AS A PERCENTAGE OF TOTAL EXCHEQUER RELEASES
Equitable Share	1,320,828,374	1,320,828,374	1,320,828,374	3,402,133,690	7,364,618,812	93.18%
Donor Funds	-	2,500,000	-	269,306,088	271,806,088	3.44%
Local Revenue	66,827,000	45,278,800	91,454,000	63,547,300	267,107,100	3.38%
Total	1,387,655,374	1,368,607,174	1,412,282,374	3,734,987,078	7,903,532,000	100.00%

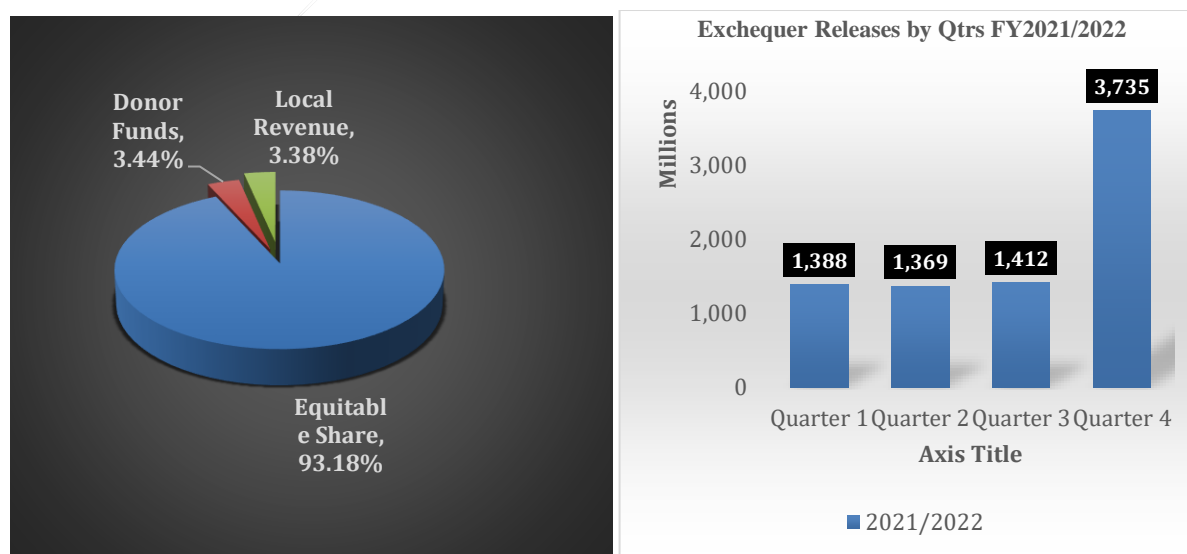


Figure 9: Exchequer Releases by Type

During the period under review, the fourth and second quarter registered the highest receipt of Ksh.3,734,987,078 and lowest receipt of Ksh.1,368,607,174 respectively.

Exchequer Releases between FY 2021/22 and FY 2020/21

Exchequer releases for the FY 2021/22 registered a decrease of Kshs. 669,533,844 (7.81%) compared to exchequer releases in FY 2020/2021 that stood at 8,573,065,844 as shown in the table 10 below.

Table 10: Exchequer Releases Per Quarter

EXCHEQUE RELEASES	2021/2022	2020/2021	VARIANCE
	Kshs	Kshs	Kshs.
Quarter 1	1,387,655,374	582,486,600	805,168,774
Quarter 2	1,368,607,174	1,904,169,563	-535,562,389
Quarter 3	1,412,282,374	1,307,823,668	104,458,706
Quarter 4	3,734,987,078	4,778,586,013	1,043,598,935
TOTAL	7,903,532,000	8,573,065,844	-669,533,844

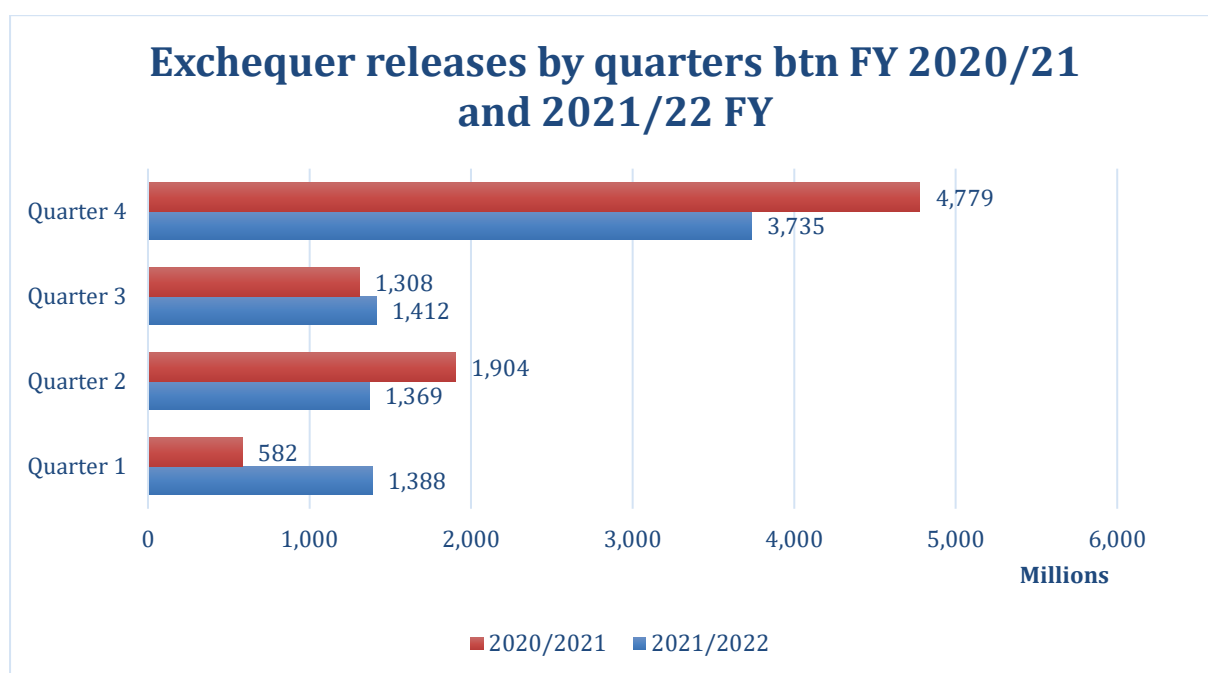


Figure 10: Exchequer Releases Per Quarter (2020/2021 and 2021/2022)

b) Returned Issue

During the period under review, the county had a balance b/f from the previous FY 2020/21 of 1.189 billion representing 11.4 per cent of the total budget.

2.4 Overall Expenditure Review

Total expenditure in the FY 2021/22 was Kshs. 8,796,710,207 against a target of Kshs 10,444,016,812 representing an underspending of Kshs 1,647,306,605 or a 16% variance in appropriation. Ksh 6,655,502,248 (75.66%) was spent on recurrent expenditure while Ksh.2,141,207,959 (24.34%) was spent on development expenditure.

Table 11: Recurrent and Development Expenditure

Type Of Expenditure	Actual Expenditure Kshs.	Revised Target Kshs.	Budget Utilization Difference
Recurrent Expenditure	6,655,502,248	6,690,489,123	34,986,875
Development Expenditure	2,141,207,959	3,753,527,689	1,612,319,730
Total	8,796,710,207	10,444,016,812	1,647,306,605

Expenditures on recurrent represented an absorption rate of 99 per cent while development expenditure represented a 57 per cent absorption rate.

Table 12: Recurrent and Development Expenditure Absorption Rates

Type Of Expenditure	Actual expenditure Kshs.	Revised estimates Kshs.	Actual expenditure as a percentage of revised estimates
Recurrent Expenditure	6,655,502,248	6,690,489,123	99
Development Expenditure	2,141,207,959	3,753,527,689	57
Total	8,796,710,207	10,444,016,812	84

2.5 Analysis of Recurrent Expenditure

The total recurrent expenditure for FY 2021/22 was Kshs. 6,655,502,247 representing 75.66% against a budget of Ksh. 6,690,489,123 posting a deviation in appropriation of 1%. The Ksh.6,655,502,247 recurrent expenditure was spent on; compensation of employees, use of goods and services, transfer to other government entities, and social security benefits as shown in table 13 below.

Table 13: Recurrent Expenditure Per Item

Expenditure Item	Actual Expenditure	Recurrent Expenditure Per Item As A Percentage Of The Total Recurrent expenditure
Compensation of employees	2,964,017,853.00	44.53
Use of goods and services	2,750,570,717.00	41.32
Transfer to other government units	932,828,816.00	14.02

Expenditure Item	Actual Expenditure	Recurrent Expenditure Per Item As A Percentage Of The Total Recurrent expenditure
Social security benefits	8,084,862.00	0.12
Total	6,655,502,248.00	100

2.5.1 compensation of employees

Compensation of employees for FY 2021/22 stood at Ksh. 2.964,017,853 registering an increase of 11.6% compared to the previous period which was at Ksh. 2,657,102,928. A total of Kshs. 2,828,137,284 (95.44%) was spent on permanent employees whereas a total of Kshs 37,879,280(1.28%) was spent on temporary employees and Ksh. 97,001,288 (3.28%) was spent on other personnel payments.

2.5.2 Operations and Maintenance (Use of Goods and Services)

The major O&M categories included Domestic and Subsistence allowance, Specialized materials and supplies, Office & general supplies and services, other operating expenses, hospitality supplies and services, training expenses and routine maintenance-other assets. For the FY 2021/22 the total expenditure on operations and maintenance was **Ksh. 2,750,570,717** against a budget of **Ksh. 2,885,793,582**. In comparison to the previous year's figure that was at **Kshs. 1,799,602,093**, the absorption rate of Operations and Maintenance for FY 2021/22 was at 95%. Highest Expenditure was on domestic travel and subsistence (18.35%) and the least was on foreign travel and subsistence (0.04%). Table 14 below shows a detailed analysis of operations and maintenance.

Table 14: Operations and maintenance

EXPENDITURE ITEMS	FY 2021 - 2022		FY 2020 – 2021	
	KShs	Expenditure Item as A Percentage of Total Expenditure	KShs	Expenditure item as A Percentage of Total Expenditure
Utilities, supplies and services	53,507,257	1.95%	43,999,387	2.44%
Communication, supplies and services	-	-	11,287,442	0.63%
Domestic travel and subsistence	504,821,912	18.35%	308,798,247	17.16%

EXPENDITURE ITEMS	FY 2021 - 2022		FY 2020 – 2021	
	KShs	Expenditure Item as A Percentage of Total Expenditure	KShs	Expenditure item as A Percentage of Total Expenditure
Foreign travel and subsistence	1,180,080	0.04%	3,672,796	0.20%
Printing, advertising and information supplies & services	75,831,712	2.76%	85,850,063	4.77%
Rentals of produced assets	11,180,293	0.41%	22,684,935	1.26%
Training expenses	170,715,754	6.21%	113,613,510	6.31%
Hospitality supplies and services	211,051,795	7.67%	167,626,440	9.31%
Insurance costs	34,022,741	1.24%	16,377,248	0.91%
Specialized materials and services	781,144,293	28.4%	557,767,524	30.99%
Office and general supplies and services	380,264,174	13.82%	139,983,616	7.78%
Fuel, oil and lubricants	58,848,251	2.14%	74,667,991	4.155
Other operating expenses	291,877,773	10.61%	145,167,253	8.07%
Routine maintenance – vehicles and other transport equipment	32,091,488	1.17%	61,403,946	3.4%1
Routine maintenance – other assets	144,025,194	5.24%	46,701,695	2.60%
Total	2,750,570,717	100.00%	1,799,602,093	100.00%

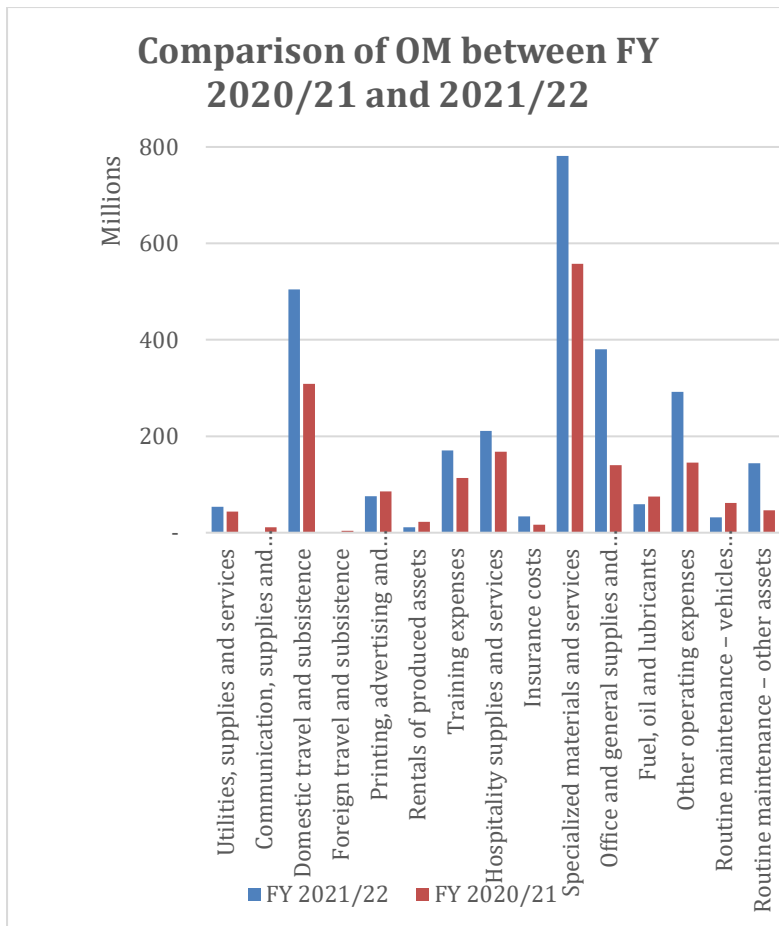


Figure 12: Operations and maintenance

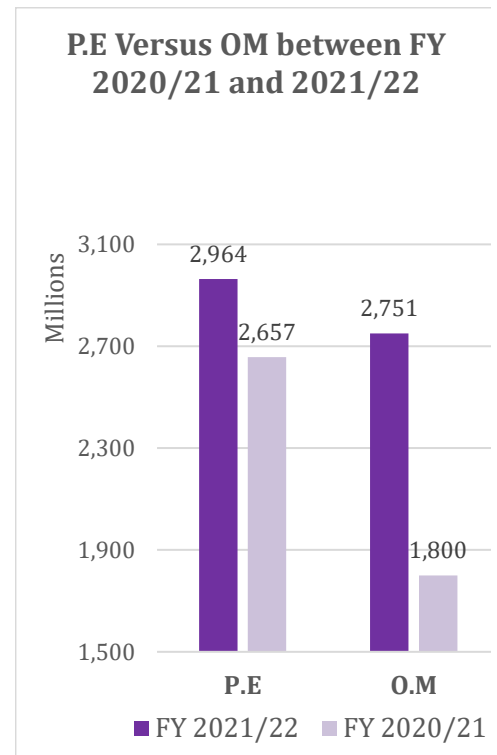


Figure 11: P.E Vs OM

2.6 Development Expenditure Analysis.

The revised budget estimates on development expenditure amounted to Ksh. 3,753,527,689 representing 35.94% of the total revised estimates of Ksh. 10,444,016,812.

The total development expenditure for FY 2021/22 was Kshs.2,141,207,959 posting a deviation in appropriation by 43%. The development expenditure of Ksh. 2,141,207,959 represented 24.34% of the total expenditure of Ksh.8,796,710,207.

Development expenditure per item

The Ksh. 2,141,207,959 development expenditure was spent on transfer to other government units, other grants/transfers and acquisition of assets. Table 15 below shows how the Ksh. 2,141,207,959 was distributed.

Table 15: Development Expenditure Per Item

Expenditure Item	Actual Expenditure	Development Expenditure Per Item as A Percentage of Total Development Expenditure
Transfers to Other Government Units	382,211,506	17.85
Other grants and transfers	235,450,369	11.00
Acquisition of Assets	1,523,546,084	71.15
TOTAL	2,141,207,959	100

Source: County Treasury 2022

Development expenditure analysis

A detailed analysis of development expenditure per item shows that transfer to other government units was underutilized by 19%, other grants and transfer were fully utilized at 100% and acquisition of assets was utilized at 50% as shown in table 16 below.

Table 16: Development expenditure analysis

Expenditure item	Revised budget estimates	Actual expenditure	Budget utilization Difference	Percentage Utilization
Transfers to Other Government Units	473,029,312	382,211,506	90,817,806	81%
Other grants and transfers	236,089,286	235,450,369	638,917	100%
Acquisition of Assets	3,044,409,091	1,523,546,084	1,520,863,007	50%
TOTAL	3,753,527,689	2,141,207,959	1,612,319,730	57%

2.7 Expenditure analysis per sector

During FY 2021/2022 the sector with the highest expenditure was medical services at 101.43% absorption rate while the sector with the lowest expenditure was water and energy with an absorption rate of 49.06% as shown in table 17 below.

Table 17: Expenditure Analysis Per Sector

Sector	Revised budget estimates	Actual expenditure	Budget utilization difference	Absorption rate
Agriculture, livestock and fisheries development	699,202,871	489,108,893.43	210,093,977.57	69.95
County assembly	945,147,830	863,486,098	81,661,732.00	91.36
County attorney	217,151,962	212,945,893	4,206,069.00	98.06
County executive	318,426,344	201,756,232	116,670,111.80	63.36

Sector	Revised budget estimates	Actual expenditure	Budget utilization difference	Absorption rate
Education, youth gender and social services	717,758,050	546,214,770.23	171,543,279.77	76.10
Finance and economic planning	906,792,253	902,156,264.67	4,635,988.33	99.49
Lands and housing	506,519,252	421,274,030.50	85,245,221.50	83.17
Management environment	152,699,771	152,406,555	293,216.00	99.81
Medical services	1,982,471,590	2,010,726,137.70	-28,254,547.70	101.43
Public health	817,728,361	548,668,194	269,060,167.00	67.10
Public service management	1,071,211,852	983,492,789.55	87,719,062.45	91.81
Roads, transport and public works	1,335,806,775	1,032,262,875.78	303,543,899.22	77.28
Trade, tourism and co-operatives	268,347,614	184,601,917.72	83,745,696.28	68.79
Water and energy	504,752,287	247,609,554.83	257,142,732.17	49.06
Total	10,444,016,812	8,796,710,206.61	1,647,306,605.39	84.23

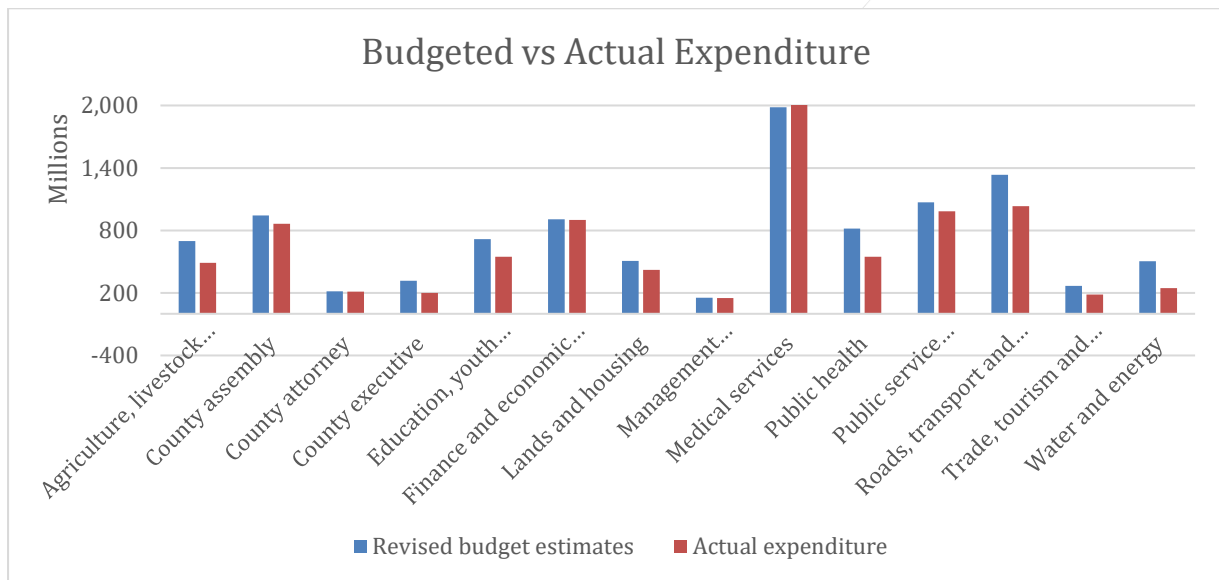


Figure 13: Expenditure Analysis Per Sector

2.8 Implication of 2021/22 fiscal Performance on Financial responsibility principles and financial objectives

2.8.1 Fiscal Performance for the FY 2021/22 in Relation to Financial Objectives

The fiscal performance in the FY 2021/22 is broadly in line with the financial objectives outlined in the PFM Act, 2012 and the Budget for FY 2021/22.

- i. The performance of the revenue was broadly within the Supplementary II targets despite the slight shortfall recorded in the disbursement of the conditional and donor funds. This revenue outcome builds confidence in the revenue projections for the FY 2022/23 and over the medium term. As such, the overall ordinary revenue projections will be adjusted at the levels outlined in the 2022/23 supplementary budget
- ii. With own resource revenues largely expected to increase from those in the 2021 /22 budget, the overall resource envelope for 2022/23 is therefore likely to improve consequently increasing the overall baseline expenditure ceilings for spending departments in 2022Brop.
- iii. The under-spending in development budget for the FY 2021/22 can be explained in part by low absorption of externally funded projects and slow disbursement of exchequer releases. The Government will put in place appropriate measures to improve absorption of resources from development partners and hasten the procurement process so .

As outlined in the 2021 BROP, the county government of Migori will seek to improve revenue collection from Ksh 350m in FY 2021/22 to above Ksh 500m in FY 2023/25. This will involve strengthening revenue administration, sealing of loopholes and other measures aimed at expanding the tax base and improving compliance.

2.8.2. Fiscal Responsibility Principles

22. In line with the Constitution, the PFM Act, 2012, the PFM regulations, and in keeping in line with prudent and transparent management of public resources, the county government of Migori has largely adhered to the fiscal responsibility principles as set out in the statute as follows:

- i. The county government's allocation to development expenditures has been above 30 percent of department government expenditures. In the FY 2021/22, the allocation to development in the budget was 31.0 percent of the total expenditures meeting the set threshold .
- ii. The county government's' share of wages and benefits to revenues was 34.5 percent in the FY 2021/22 which is within the statutory requirement of 35.0 percent of the County Government's equitable share of the revenue plus other revenues generated by the county Government;
- iii. The fiscal responsibility principle spelt out in Section 15(2)(c) of the PFM Act, 2012 requires that over the medium term, the county government's borrowing shall be

used only for financing development expenditure. During the FY 2021/22, The county government did not borrow hence met the threshold.



3. RECENT ECONOMIC DEVELOPMENT AND OUTLOOK

3.1 Recent macroeconomic and financial developments

3.1 Domestic Growth Outlook

Similar to the global economy, Kenya's economy is projected to rebound in 2021 to 6.0 percent from an earlier projection of 7.0 percent in the 2021 BPS. The downward revision was due to the impact of containment measures between March and July period as a result of the third wave of the COVID-19 pandemic and the rebased GDP growth numbers reflected through the 2021 Economic Survey by the Kenya National Bureau of Statistics in September 2021.

The recovery in 2021 reflects the lower base of 2020 when most service sectors were adversely affected by the closure of the economy thereby recording negative growths. The outlook in 2021 will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the government. Projected Improved Weather conditions are expected to support agricultural output. As a result, export of goods and services are expected to expand as global demand normalizes.

The Government is currently focusing on the implementation of the Economic Recovery Strategy (ERS) that aims at restoring the economy to a strong growth path, creating jobs and economic opportunities across all regions of the country with a view to tackling social and income inequalities. It is expected that the successful implementation of the Economic Recovery Strategy will promote inclusive growth and transform the lives of Kenyans.

In terms of fiscal years, economic growth is estimated at 2.9 percent in FY 2020/21 and a rebound to 5.3 percent in FY 2021/22

3.2 Risks to the Domestic Economic Outlook

Among the risk likely to affect the economic outlook and eventually affect flow of resources to counties includes

- (i) The emergence of new COVID-19 variants that may require broader reinstatement of containment measures, in the country and its trading partners could lead to renewed disruptions to trade and tourism .
- (ii) lower agricultural output due to potential adverse weather conditions, which could potentially reduce production of food crops and animal feeds.
- (iii) Increased public expenditure pressures, particularly wage and other recurrent expenditures would put a strain to the fiscal space.

4. RESOURCE ALLOCATION FRAMEWORK

A. FY 2022/23 Budget Framework

In the FY 2022/23 total revenue including own revenue sources is projected at Ksh 10.4 billion. Of this, own revenue is projected at Ksh 450m. This revenue performance will be underpinned by the on-going reforms in revenue raising measures boosted by H.E the governor's strategy to double the county revenue by end of 2022/23FY. On the overall expenditure, recurrent expenditure will amount to Ksh7 billion (69 percent) while development expenditure will amount to Ksh 3.1 billion (31 percent).

B. Medium Term Fiscal Projections

Over the medium term, driven by reforms in revenue administration and revenue enhancement measures, the County Government's total revenue including own resources is projected to rise from ksh8.4billion FY 2022/23 to 9.0b FY 2023/24 and remain above 9.0b over the medium term. On the other hand, the government will continue to rationalize expenditures by eliminating non-core expenditures while improving efficiency in development projects implementation.

C. Medium-Term Expenditure Framework

The County government will continue with its policy of expenditure prioritization with a view to supporting its development agenda as espoused in the Governor manifesto. This agenda is anchored on provision of core services, creation of employment opportunities improving the general welfare of the people and ensuring equity while minimizing costs through the elimination of duplication and inefficiencies. Realization of these objectives will have implications in the budget ceilings provided in this BROP. The following criteria will serve as a guide for allocating resources:

- i. Linkage of programmes to the Governors' manifesto
- ii. Linkage of programmes to MTP IV
- iii. Linkage of programmes to the County integrated development plan (2023-2027)
- iv. Linkage of programmes to the County Fiscal Strategy paper 2023
- v. Linkage of programmes to the Annual Development Plan 2023/2024
- vi. Degree to which programmes address job creation and poverty reduction;
- vii. Expected outputs and outcomes from programmes;
- viii. Cost effectiveness and sustainability of the programmes;
- ix. Extent to which the programme seeks to address the viable on-going/ stalled projects and verified pending bills

Based on the above medium-term expenditure framework resolutions, the county government will prioritize resources towards achievement of the following initiatives:

- ***Agricultural sector***, priority shall be given to the following areas; enhancing food security through strengthened and improved farmers' access to subsidized farm inputs,

Improvement of livestock marketing, disease and pest control and promotion of sustainable capture fisheries. Provision of subsidized farm inputs to farmers.

- Enhancement potato production and processing within Migori County.
- Employment agricultural extension officers to train and educate farmers on agricultural production, productivity, processing and marketing of products.
- Introduction of new high value cash crops such as sunflower, cotton, tea, and coffee through public private partnerships.
- Increment of land under irrigation in Nyatike and other areas
- Introduction of greenhouse technology for tomato and onion farmers to boost our horticulture output.
- Installation of cold storage facilities in major fishing points in Sori, Migingo Island, Muhuru Bay and Migori town.
- Construction of fishponds and provide fingerlings to the farmers.
- Establishment of marketing cooperatives for fish farmers to market their fish at better prices.

Socio-economic sectors (education, water, trade health), priority shall be given to the following areas;

- Provision of clean water; Provide piped water in all major urban centres, equip and drill more boreholes across the county, Construct water pans for livestock across the county
- supply of medicines and medical supplies and expansion of existing health infrastructure in all facilities, Improve Migori County Level IV Hospital to ultra-modern Level V Hospital with a functional ICU, HDU, Cancer Centre and a Renal Unit., Provide adequate drugs in all Sub County Hospitals, health centers and dispensaries. Ensure adequate staff in all health facilities;
- Expanding and adequately equipping existing educational institutions including ECDE Centre and employing of instructors; sport development and talent nurturing; Provide adequate learning materials for all ECDE facilities, Provide sporting equipment and accessories to various clubs in the County, Create Governor's annual sports event, promote programmes for people living with disabilities.
- Promote local contractors through delocalization of tenders to Sub - County level and ensure they are awarded on merit, reduce the levies for the bodaboda operators and small-scale businesses and Provide grants and loans to business community i.e women and youths.

Infrastructure development priority shall be given to the following areas;

- expand and grade/murram existing roads, open new roads, Construct roads within the urban centers, bridges, feeder roads and maintain existing roads in all the sub - counties,
- tarmacking of major roads,
- Street lighting in towns/markets with the view of enhancing security and revenue generation particularly from the SMEs.

Governance and administration priority shall be given to the following areas; facilitating proper and prudent collection, utilization, management and accounting of county resources, streamlining measures aimed at rejuvenating revenue generation, staff rationalization and training, establishment and strengthening of devolved units, Improve the welfare of county employees and ensure timely salary payment., Provide relevant training, capacity building and timely appraisal for all county staff ,Ensure timely remittance of statutory deductions.

Reflecting on the above, the Medium-Term Expenditure Framework provided in Table 18 will guide resource allocation into the medium term.

Table 18: Revenue projections for the MTEF period

Sector/Sub-sector Name	Budget Estimates FY 2022/23(Ksh.)	Proposed FY 2023/2024
County Assembly	886,834,225	945,472,209
County Executive	260,061,494	516,901,342
County Attorney	162,500,000	162,500,000
Agriculture, Livestock Production and Fisheries Development	624,043,182	680,000,000
Education, Sports, Youth, Culture, Gender and Social Services	813,436,156	780,231,885
Public Health and Nutrition	596,836,176	624,718,326
Medical services	1,886,734,503	2,088,199,123
Roads, Transport and Public Works	992,796,358	1,105,805,734
Finance and Economic Planning	714,149,048	773,659,510
Trade, Tourism and Co-operative Development	174,947,915	225,478,079
Lands, Housing and Physical Planning	494,954,905	514,674,083
Environment and Disaster Management	102,937,035	145,349,230
Public Service Management	849,527,655	940,000,000
Water and Energy	413,224,276	463,214,652
Total	8,972,982,928	9,966,204,173

4. CONCLUSION AND NEXT STEPS

The set of policies outlined in this CBROP reflect the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM Act 2012. They are also consistent with the national strategic objectives pursued by the County Government as a basis of allocation of public resources.

As budgetary resources are finite, it is critical that CSWGs prioritize their programmes within the available ceilings to ensure that use of public funds is in line with county government priorities. There is also need to ensure that current resources are being utilized efficiently and effectively before further funding is considered for programmes. CSWGs needs to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, and administration and implementation plans in allocation of resources.

The County shall endeavor to implement the following recommendations in order to improve budget execution:

- i. Clear all the on-going projects and the pending bills before commencements of new projects.
- ii. Ensure that all funds are utilized for intended purposes through timely exchequer advices to the departments and stringent controls on application of funds.
- iii. Set realistic targets especially in revenue collection in order to minimize stalled projects and pending bills.

Annex 1: Revenue Streams

Table 19: Revenue Streams

Revenue Stream	Approved Budget	Supplementary Budget 1	Supplementary Budget 2
	FY 2021/2022	FY 2021/2022	FY 2021/2022
Opening balance (CRF Account)	0	1,189,351,530	1,189,351,530
Equitable share (CRA)	8,005,020,448	8,005,020,448	8,005,020,448
Conditional Grants	153,297,872	231,268,529	250,872,019
Allocation for Leasing of medical equipment	153,297,872	153,297,872	153,297,872
Road maintenance fuel levy fund(b/d)	0	59,985,965	59,985,965
External donor co-funding(b/d)	0	0	19,603,490
Rehabilitation of Village Polytechnics	0	17,984,692	17,984,692
Donor Funds	391,091,244	705,326,415	648,772,815
DANIDA Grant (Universal Healthcare in Devolved System Program)	15,006,750	15,006,750	15,006,750
IDA (World Bank) Credit for National Agricultural and Rural Inclusive Growth Project (NARIGP)	276,072,733	276,072,733	276,072,733
EU Grant for Instrument for Devolution Advice and Support (IDEAS)	15,626,168	15,626,168	15,626,168
IDA (World Bank) credit: Transforming Health Systems for Universal Care Project	48,944,473	77,565,365	77,565,365
Migori county urban development grant	0	283,424,836	206,871,236
Climate change	0	0	10,000,000
Urban institutional grants	0	0	10,000,000
UNFPA-9 th Country program implementation	4,432,000	4,432,000	4,432,000
Sweden - Agricultural Sector Development Support Programme (ASDSP) II	31,009,120	33,198,563	33,198,563
Locally Collected Revenue	280,000,000	300,000,000	350,000,000
GRAND TOTAL	8,829,409,564	10,430,966,922	10,444,016,812

