

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF KERICHO

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER (C- BROP)

SEPTEMBER

2022

FOREWORD

The County Budget Review and Outlook Paper (CBROP) 2022 has been prepared in line with Section 118 of the Public Finance Management (PFM) Act 2012. It presents the recent economic developments and actual fiscal performance of the FY 2021/2022 and makes comparisons to the budget appropriations for the same year. In this Paper, we will also provide an overview of how the actual performance of the FY 2021/2022 affected the County's compliance with the fiscal responsibility principles and the financial objectives.

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 Kericho County.

Hon. Dr. Shadrack Mutai

**C.E.C – Finance and Economic Planning and Head of County Treasury & Ag.
C.E.C Public Works, Roads and Transport**

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ACRONYMS

CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CPI	Consumer Price Index
FIF	Facility Improvement Fund
FY	Financial /Fiscal year
GDP	Gross Domestic Product
SDR	Special Drawing Rights
IFMIS	Integrated Financial Management Information Systems
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTP	Medium Term Plan
PFM Act	Public Finance Management Act

1.0 BACKGROUND

The main objective of the County Budget Review and Outlook Paper (CBROP) are to provide a review of the actual fiscal performance in the previous year compared to the budget appropriation for that year and to specify the updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP). Finally, to give 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.

1.1 LEGAL BASIS FOR THE PREPARATION OF THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER (C-BROP)

Section 118 of the Public Financial Management Act, 2012 states that:

- 1) A County Treasury shall –
 - (a) Prepare a County Budget Review and outlook Paper in respect of the County for each Financial Year, and
 - (b) Submit the paper to the County Executive Committee by the 30th September of that year.
- 2) In preparing its County Budget Review and Outlook Paper, the County Treasury shall specify-
 - (a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year
 - (b) The updated economic and financial forecasts with sufficient information to show changes from the forecast in the most recent County Fiscal Strategy Paper.
 - (c) Information on –
 - (i) Any changes in the forecasts compared with County Fiscal Strategy Paper, or

- (ii) How actual financial performance for the previous Financial Year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that Financial Year; and
 - (d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- 3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall-
- a) arrange for the Paper to be laid before the County Assembly; and
 - b) as soon as practicable after having done so, publish and publicize the Paper.

Under section 137 of the PFM Act 2012, the County Budget and Economic forum purpose shall be;

- (a) Preparation of county plans, the County Fiscal Strategy Paper and the Budget Review and Outlook Paper for the county; and
- (b) Matters relating to budgeting, the economy and financial management at the county level.

1.1.1. Fiscal Responsibility Principles in the Public Financial Management Law.

1. The Public Financial Management Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. Section 107 avers that:

- 1) A County Treasury shall manage its public finances in accordance with the principle of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- 2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-
 - (a) The County government recurrent expenditure shall not exceed the county government's total revenue.
 - (b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure:
 - (c) The county government's expenditure on wages and benefits for the Public Officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly.
 - (d) Over the medium term, the government's borrowings shall be used for the purpose of financing development expenditure and not for recurrent expenditure i.e. the county debt shall be maintained at a sustainable level as approved by the County Assembly.

2.0 REVIEW OF FISCAL PERFORMANCE IN FINANCIAL YEAR 2021/2022

2.1 OVERVIEW

The County's approved final Supplementary Budget for FY 2021/22 was Kshs.8.4 billion, comprising of Kshs.5.2 billion (63 per cent) and Kshs.3.1 billion (37 per cent) allocation for development and recurrent programmes respectively

To finance the budget, the County expected to receive Kshs.6.4 billion (77 per cent) as equitable share of revenue raised nationally, Kshs.122.5 million (1.46 per cent) as total conditional grants, Kshs 735.6 million (8.75 per cent) as donor funds, generate Kshs.842 million (10 per cent) from own sources of revenue, Insurance

Compensation of Kshs 5.8 million (0.07 per cent) and had Kshs.266.7 million (3.17 per cent) as cash balance from FY 2020/21.

Table 1: Summary of Final 2 Supplementary Budget FY 2021/22

	Line Ministries/Departments	RECURRENT SUPPL 2	DEVELOPMENT SUPPL 2	TOTAL SUPPL 2	%
1	County Assembly Services	728,813,928	18,981,929	747,795,857	9%
2	Public Service & Administration	368,740,346	22,852,233	391,592,579	5%
3	Office of the Governor & Deputy governor	148,113,284	-	148,113,284	2%
4	County Public Service Board	65,415,254	-	65,415,254	1%
5	Finance & Economic Planning	295,460,750	225,868,769	521,329,519	6%
6	Health Services	2,610,510,198	432,410,433	3,042,920,631	36%
7	Agriculture, Livestock Development & Fisheries	166,543,149	485,907,182	652,450,331	8%
8	Education, Youth Affairs, Culture & Social Services	411,069,759	111,189,309	522,259,068	6%
9	Public Works, Roads & Transport	95,056,317	955,328,395	1,050,384,712	12%
10	Trade, Industrialization, Tourism, Wildlife & Cooperative Development	73,963,768	54,963,339	128,927,107	2%
11	Water, Energy, Natural Resources & Environment	165,712,551	305,088,466	470,801,018	6%
12	Land, Housing & Physical Planning	88,100,691	127,309,397	215,410,088	3%
13	Information, Communication & E-Government	66,216,581	27,876,262	94,092,843	1%
14	Municipal Boards	16,000,000	10,000,000	26,000,000	0%
	STRATEGIC INTERVENTION		326,511,878	326,511,878	4%
	TOTAL EXPENDITURE	5,299,716,576	3,104,287,592	8,404,004,168	100%

Table 2: Shows the expected sources of budget financing in the FY 2021/22

COUNTY GOVERNMENT OF KERICHO	
FINANCIAL YEAR 2021/22	Supplementary II
SOURCES OF REVENUE	
Revenue Description	
1.CRA Equitable share	6,430,664,924
2.Local Collections	319,592,000
3.Facility Improvement Fund & NHIF Rebates	523,044,240
4.CONDITIONAL GRANTS	
4A. Routine Maintenance Fuel Levy	63,569,007
4B. User fee Reimbursement	36,097,578
4C. Development of Youth polytechnics fund	22,866,170
5. DONOR FUNDS	
5A. DANIDA FUND	11,921,250
5B. Agricultural Sector development support Fund(ASDSP II)	43,114,132
5C. Transformative health system (world bank)	75,948,635
5D. Kenya Devolution Support Project (world bank)	176,956,013

5E. Climate Smart Agriculture Project (world bank)	350,000,000
5F. Kenya Urban Support Program UDG (SIDA)	66,394,492
5F. Kenya Urban Support Program UIG (SIDA)	~
5G. Climate Change Institutional Support (World bank)	11,320,000
5H. Other Donor Funds	~
Insurance compensation	5,800,000
UNSPENT FUND	266,715,728
Gross Total	8,404,004,168

2.2 FISCAL PERFORMANCE

2.2.1 Revenue

During the FY 2021/22, the County received Kshs.5.916 billion as equitable share of revenue raised nationally, Kshs.81.6 million as total conditional grants, Kshs 400.3 million as donor funds and had a cash balance of Kshs.267.5 million from FY 2020/21. The County also raised Kshs.566.8 million from own source revenue.

In overall, actual income received by the County Treasury reflected a deficit of Kshs 1.17 billion attributable to delayed releases by both the exchequer and the Donors Funds. Own source revenue target was not achieved by Kshs 275.8 million including the FIF and NHIF rebates.

Table 3: Analysis of Exchequer Releases per Quarter

	KShs
Total Exchequer Releases for quarter 1	1,061,059,713
Total Exchequer Releases for quarter 2	1,607,666,232
Total Exchequer Releases for quarter 3	1,061,059,713
Total Exchequer Releases for quarter 4	2,186,426,075
Total	5,916,211,733

Table 4: Analysis Own Source Revenue by Streams

Revenue Stream	ANNUAL PROJECTION FY 2021-22	2021/2022 Q1 ACTUAL	2021/2022 Q2 ACTUAL	2021/2022 Q3 ACTUAL	2021/2022 Q4 ACTUAL	YTD ACTUAL	VARIANCE
FIF from Hospitals	523,044,240	95,398,406	69,415,337	92,748,634	53,917,838	311,480,215	(211,564,025)
Bus Park Fees	22,182,750	5,058,840	5,040,070	5,031,240	4,389,500	19,519,650	(2,663,100)
Market Fees	30,000,000	4,429,610	5,091,300	4,680,180	4,035,910	18,237,000	(11,763,000)
Car Park Fees	15,000,000	4,212,550	3,815,300	3,891,750	3,265,900	15,185,500	185,500
Single Business Permit	65,000,000	4,508,700	2,074,100	34,010,600	15,525,900	56,119,300	(8,880,700)
Advertisement, Branding and Billboard Fees	12,394,250	4,742,033	1,041,150	6,146,375	1,576,443	13,506,001	1,111,751
Land and Property Rates Fees	90,000,000	3,195,640	1,506,786	52,106,466	4,813,107	61,621,999	(28,378,001)
Public Health Payments	15,000,000	1,990,020	695,300	11,112,380	1,153,700	14,951,400	(48,600)
House Rent Fees	10,000,000	1,563,200	1,119,500	2,460,730	3,318,626	8,462,056	(1,537,944)
Building Plan Approvals Fees	8,000,000	1,110,280	1,495,720	1,416,261	1,111,340	5,133,601	(2,866,399)
Weights and Measures Fees	2,500,000	421,820	930,320	444,420	186,080	1,982,640	(517,360)
Quarry Stone Cess	3,000,000	579,500	594,200	814,200	429,200	2,417,100	(582,900)
Agriculture Livestock, Veterinary Payments and Machinery Services.	2,500,000	572,720	555,130	534,035	472,780	2,134,665	(365,335)
Signages Fees	6,000,000	593,434	322,000	3,605,800	790,200	5,311,434	(688,566)
Slaughter House Operation Fees	1,500,000	351,960	373,280	391,220	347,780	1,464,240	(35,760)
Stockyard Sales Fees	2,000,000	241,760	455,220	414,560	428,520	1,540,060	(459,940)
Boda Boda Payments	3,000,000	402,260	216,300	81,200	5,400	705,160	(2,294,840)
Reserved Parking Fees	2,000,000	248,400	364,000	2,371,200	367,600	3,351,200	1,351,200
Refuse Fees	8,000,000	331,000	159,600	3,637,200	1,721,200	5,849,000	(2,151,000)
Plot Rent	2,000,000	378,522	105,472	527,534	385,448	1,396,976	(603,024)
Produce Cess	2,500,000	234,810	230,520	152,380	1,845,613	2,463,323	(36,677)
Nema Fees, Drilling Services	250,000	287,500	100,000	480,000	287,500	1,155,000	905,000
Fire License Fees	6,000,000	184,900	169,300	2,556,900	919,800	3,830,900	(2,169,100)
Survey Fees	700,000	188,000	137,000	210,100	98,000	633,100	(66,900)
Murram, Ballast, Sand & Scrap Metal Cess Fees	1,000,000	201,200	97,200	90,500	215,900	604,800	(395,200)
Inspection Fees	2,500,000	203,900	47,600	1,075,600	691,400	2,018,500	(481,500)
Application/Registration Fees	2,500,000	157,000	35,600	749,200	558,200	1,500,000	(1,000,000)
Forest Cess/Seedling Sale Yard	500,000	60,700	101,400	209,300	43,200	414,600	(85,400)
Clamping, Fines and Impounding Fees	300,000	81,150	72,600	36,200	58,300	248,250	(51,750)

Business Permits Late Payment Penalties, Current Year	500,000	107,450	15,580	10,500	325,209	458,739	(41,261)
Tea Transport Cess fees	100,000	29,250	-	51,000	0	80,250	(19,750)
Audit Fees	50,000	14,900	3,850	31,300	53,400	103,450	53,450
Cemetery Fees	15,000	8,000	5,500	1,400	2,400	17,300	2,300
Hire Of Social Hall/Park & Stadium Fees	450,000	-	9,000	44,000	65,000	118,000	(332,000)
Alcoholic Drink License Fees	1,000,000	-	-	0	121,670	121,670	(878,330)
Coffee Fees	750,000	-	-	0	0	-	(750,000)
Land Cultivation Fees	400,000	-	-	683,125	1,500	684,625	284,625
Kabianga Tea Farm Payments	0	-	-	-	2,000,000	2,000,000	2,000,000
TOTAL REVENUE STREAMS	842,636,240	132,089,415	96,395,235	232,807,490	105,529,564	566,821,704	(275,814,536)

Table 5: Analysis of Receipt from Conditional Grants

CONDITIONAL GRANTS	
Routine Maintenance Fuel Levy	63,569,007
User fee Reimbursement	18,048,789
Total Conditional Grants	81,617,796

Table 6: Analysis of Donor Funds Receipts.

DONOR FUNDS	
DANIDA FUND	5,960,625
Agricultural Sector development support Fund(ASDSP)	19,413,897
Transformative health system (world bank)	75,443,658
Kenya Devolution Support Project (world bank)	102,491,953
Climate Smart Agriculture Project (world bank)	130,425,846
Kenya Urban Support Program UDG (WORLD BANK)	66,394,492
	400,130,471

2.2.2 Expenditure performance

Total expenditure amounted to Kshs. 6.36 billion comprising of Kshs 4.33 billion and Kshs 2.03 billion for recurrent and development expenditure respectively compared to previous year 2020/21 with a total of Kshs 6.14 billion of which Kshs 4.28 and Kshs 1.861 billion represented expenditures for recurrent and development respectively

Table 7: FY 2021/2022 Total Expenditure Analysis(Excluding County Assembly)

Expense Category	Final Approved Budget	Total Expenditure	Variance (Kshs)	Absorption Rate (%)
Recurrent	5,299,716,576	4,329,204,534	970,512,042	82%
Development	3,104,287,592	2,030,852,312	1,073,435,280	65%
TOTAL	8,404,004,168	6,360,056,846	2,043,947,322	76%

Source: County Treasury

Global Expenditure analysis

Overall, the absorption rate for consolidated expenditure was 76% which was equivalent to Kshs. 6,360,56,846 against allocation of Kshs. 8,404,004,168. The County Public Service Board had the highest absorption rate of 97% while Agriculture, Livestock and Fisheries had the least absorption rate of 42.98%.

Delays in exchequer releases and long procurement procedures affected the overall absorption rates.

Table 8: Expenditure Analysis by County Entity

DEPARTMENT: GOVERNOR'S OFFICE

Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
County Coordination Services	County Coordination Services	148,113,284	131,989,001	16,124,283	89.11%
		148,113,284	131,989,001	16,124,283	89.11%

DEPARTMENT: FINANCE AND ECONOMIC PLANNING

Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
Administration, Planning and Support Services.	Administration Services.	450,104,082	291,374,481	158,729,601	64.73%
Administration, Planning and Support Services.	Monitoring Budget Implementation and Reporting	36,075,639	27,938,676	8,136,963	77.44%
Public Finance Management	Budget Formulation co-ordination and management	350,511,676	138,580,782	211,930,894	39.54%
Audit Services	County Audit	9,950,000	7,954,621	1,995,379	79.95%
		846,641,397	465,848,561	380,792,836	55.02%

DEPARTMENT: AGRICULTURE, LIVESTOCK AND FISHERIES

Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
Policy, Strategy and Management of Agriculture	Development of Agricultural Policy, Legal & Regulatory framework.	37,452,435	24,305,274	13,147,161	64.90%
Crop Development and Management	Agriculture Extension Services	544,127,994	213,426,554	330,701,440	39.22%
Livestock Resource Management and Development	Livestock Disease Management and Control.	11,106,381	9,109,638	1,996,743	82.02%
Livestock Resource Management and Development	Livestock Production and Extension Services	52,000,523	32,260,290	19,740,233	62.04%
Fisheries development	Management and Development of Capture Fisheries	7,762,998	1,303,642	6,459,356	16.79%
		652,450,331	280,405,398	372,044,933	42.98%

DEPARTMENT: WATER, ENERGY, NATURAL RESOURCES AND ENVIRONMENT

Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
Environment policy development and coordination	Planning Coordination Policy and Administrative Services	175,418,651	151,499,095	23,919,556	86.36%
Water supply services	Rural Water Supply	295,382,366	282,122,175	13,260,191	95.51%
		470,801,017	433,621,271	37,179,746	92.10%

DEPARTMENT: EDUCATION, YOUTH AFFAIRS, CULTURE AND SOCIAL SERVICES

Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
General Administration & planning services.	Policy Development and Administration	272,251,091	257,879,672	14,371,419	94.72%
Basic Education	Early Childhood Development Education	171,298,939	171,298,939	-	100.00%
Gender and Social Development	Social Welfare Services/Social Infrastructure Development	22,799,998	17,669,642	5,130,356	77.50%
Youth development and empowerment services	Youth development (YP) Training	55,909,040	49,136,058	6,772,982	87.89%
		522,259,068	495,984,311	26,274,757	94.97%

DEPARTMENT: HEALTH SERVICES

Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
Curative Health	Administration and Planning	1,705,104,024	1,517,965,366	187,138,658	89.02%
Preventive and Promotive Health	Preventive Medicine and Promotive Health	1,337,816,607	1,258,315,337	79,501,270	94.06%
		3,042,920,631	2,776,280,703	266,639,928	91.24%

DEPARTMENT: LANDS, HOUSING AND PHYSICAL PLANNING

Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
Administration & support services	General Administration and Planning	125,563,278	116,737,571	8,825,708	92.97%
Housing Development and Human Resource	Housing Development	47,044,359	40,295,416	6,748,943	85.65%
Land policy and planning	Development Planning and Land Reforms	63,900,008	41,634,313	22,265,695	65.16%
Land policy and planning	Land Use Planning	6,102,443	6,102,443	0	100.00%
		242,610,088	204,769,742	37,840,346	84.40%

DEPARTMENT: PUBLIC WORKS, ROADS AND TRANSPORT

Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
Transport Management and safety	General Administration Planning and Support Services	83,550,000	79,669,543	3,880,457	95.36%
Infrastructure, Roads and Transport	Rehabilitation of Road	950,728,395	867,652,024	83,076,371	91.26%
Infrastructure, Roads and Transport	Maintenance of Roads and Bridges/Periodic Maintenance	16,106,317	10,791,534	5,314,783	67.00%
		1,050,384,712	958,113,101	92,271,611	91.22%

DEPARTMENT: TRADE, INDUSTRIALISATION, TOURISM, WILDLIFE AND COOPERATIVE MANAGEMENT

Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
Trade development and investment	Fair trade Practices and Consumer Protection (weight & measures)	73,835,176	69,111,447	4,723,729	93.60%
Trade development and investment	Administrative and Support Services.	18,125,061	11,910,194	6,214,867	65.71%
Cooperative development and management	Cooperative Advisory & Extension Services.	33,966,870	28,500,212	5,466,659	83.91%
Tourism development and marketing	Local Tourism Development.	3,000,000	3,000,000	-	100.00%
		128,927,107	112,521,852	16,405,255	87.28%

DEPARTMENT: ICT AND E-GOVERNMENT

Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
Information & Communication Service	News and Information Services	66,216,581	61,227,089	4,989,492	92.46%
Information & Communication Service	ICT and BPO development services	27,876,262	22,380,298	5,495,964	80.28%
		94,092,843	83,607,388	10,485,455	88.86%

DEPARTMENT: COUNTY PUBLIC SERVICE BOARD

Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
Administration of Human Resources and Public Service	Establishment, Appointment, Discipline and Board Management.	65,415,254	63,465,850	1,949,405	97.02%

		65,415,254	63,465,850	1,949,405	97.02%
DEPARTMENT: PUBLIC SERVICE MANAGEMENT					
Programme	Sub-Programme	Supplementary 2 Estimates FY (Kshs.)	Expenditure (Kshs.)	Variance (Kshs.)	Implementation Status
		A	B	C=A-B	D=B/A*100
Administration of Human Resources and Public Service	General Administration, Planning and Support Services	306,029,266	282,903,455	23,125,811	92.44%
Administration of Human Resources and Public Service	Human Resource Development	85,563,313	70,546,217	15,017,096	82.45%
		391,592,579	353,449,672	38,142,907	90.26%
County Executive Grand Total		7,656,208,311	6,360,056,847	1,296,151,464	83.07%

Recurrent Expenditure Analysis

The aggregate budget absorption of recurrent budget exclusive of County Assembly Transfers stands at 95% of which KShs. 4,329,204,534 was spend against a recurrent budget of KShs. 4,570,902,648. The recurrent transfer to county assembly was wholly done. Further, the Public Service Board, Department of Agriculture, Livestock and Fisheries and Department of Education, Youth Affairs, Sports Culture and Social Services had the highest absorption at above 97%.

Table 9: Recurrent expenditure analysis

RECURRENT SUMMARY 2021/2022				
Departments	ESTIMATE	ACTUALS	Variance	%
Agriculture, Livestock and Fisheries	166,543,149	162,842,674	3,700,475	98%
County Public Service Board	65,415,254	63,465,850	1,949,404	97%
Education, Youth Affairs, Culture and Social Services	411,069,759	398,380,163	12,689,596	97%
Finance And Economic Planning	295,460,750	259,892,604	35,568,146	88%
Health Services	2,610,510,198	2,500,714,017	109,796,181	96%
IC & EGovernment	66,216,581	61,227,089	4,989,491	92%
Lands, Housing and Physical Planning	104,100,691	99,449,472	4,651,219	96%
Office Of the Governor	148,113,284	131,989,001	16,124,283	89%
PSM	368,740,346	338,459,790	30,280,556	92%
Public Works, Roads &Transport	95,056,317	90,461,077	4,595,240	95%
Trade, Industrialization, Tourism, Wildlife and Cooperative Management	73,963,768	70,823,702	3,140,066	96%
Water, Energy, Natural Resources and Environment	165,712,551	151,499,095	14,213,456	91%
Grand Total	4,570,902,648	4,329,204,534	241,698,114	95%

Development Expenditure Analysis

In the period under review, the development expenditure amounted to KShs. 1,821,035,216 against a budget of KShs. 3,085,305,663 representing 59 percent absorption. This expenditure excludes the transfer to County Assembly, Donor Funds and Conditional Grants. The Department of Public Works, Roads and Transport had the highest expenditure at KShs. 810,933,420 against a budget of KShs. 955,328,395 this represent 85% absorption, while the highest absorption rate was recorded from the Department of Water, Energy, Natural Resources & Environment at 92 per cent.

Table 10: Development Expenditure Analysis

DEVELOPMENT SUMMARY 2021/2022				
Departments	ESTIMATE	ACTUALS	Variance	%
Public Service Management	22,852,233	14,989,882	7,862,351	66%
Finance & Economic Planning	552,380,646	148,235,252	404,145,394	27%
Health Services	432,410,433	258,016,471	174,393,963	60%
Agriculture, Livestock Development & Fisheries	485,907,182	117,562,724	368,344,458	24%
Education, Youth Affairs, Culture & Social Services	111,189,309	86,171,066	25,018,243	77%
Public Works, Roads & Transport	955,328,395	810,933,420	144,394,975	85%
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	54,963,339	41,698,150	13,265,189	76%
Water, Energy, Natural Resources & Environment	305,088,466	282,122,175	22,966,291	92%
Land, Housing & Physical Planning	137,309,397	38,925,777	98,383,620	28%
Information, Communication & E-Government	27,876,262	22,380,298	5,495,964	80%
TOTAL EXPENDITURE	3,085,305,663	1,821,035,216	1,264,270,448	59%

3.0 IMPLEMENTATION OF FY 2022/2023 BUDGET

3.1 RECENT ECONOMIC DEVELOPMENTS

The economy is likely performing well compared to its regional peers so far in 2022, amid healthy credit growth and strong activity in the construction, IT, retail, transport and manufacturing sectors. The war in Ukraine, global supply constraints and the domestic drought have spurred both consumer and producer price pressures in recent months.

In the first quarter of 2022, the economy expanded further by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021. It marks the sixth consecutive quarter of economic expansion amid the ongoing recovery from the Covid-19 pandemic, driven by transport and storage (8.1% vs 6.5% in Q4), accommodation and food services (56.2% vs 116.6%); finance & insurance (14.4% vs 9.9%) and wholesale & retail trade (8.7% vs 8.4%). Other key sectors like construction (6.4% vs 6%), real estate (6.1% vs 5.7%), and information

communication (6.1% vs 5.3%) also grew at a faster pace. Agriculture, which is the biggest contributor to output, contracted by 0.7%, as reduced rainfall during the fourth quarter of 2021 as well as delayed onset of rains during the quarter under review, weighed on key horticultural and tea production.

The Kenyan economy grew by 7.5% in 2021. Growth was driven by services on the supply side and by private consumption on the demand side, both benefiting from supportive policies and eased COVID-19 restrictions. Inflation climbed to 6.1% in 2021 reflecting increased input costs. The fiscal deficit nudged down to 7.9% of GDP in 2021 due to improved revenue, reversed tax cuts as the economy recovered, and rationalized spending. Public debt surged to 68% of GDP at end-June 2021, driven by the primary deficit. Kenya is assessed as being at high risk of debt distress. The current account deficit widened to 5.2% of GDP in 2021 on the back of an increased trade deficit. International reserves reached \$8.8 billion as at end-November 2021 against \$8.1 billion in 2020 (5.4 months of import cover), reflecting the SDR allocation of \$737.6 million, about half of which was used to finance the fiscal deficit. The exchange rate depreciated by 3.7% year on year in 2021. The banking sector is profitable, liquid, and well-capitalized; yields on government securities and the NSE-20 index, and market capitalization, increased. The number of people in extreme poverty declined to 16% in 2021 from 17% in 2020, and unemployment fell to 12.3% from 14.3% over the period, attributable to per capita income growth, social safety-net programs, and economic recovery.

Growth is projected to decelerate to 5.9% by end of 2022 and 5.7% in 2023, driven on the demand side by a decline in domestic and external demand caused by lower income and by an increase in food and fuel import costs and on the supply side by tepid economic activity across sectors due to cost-push factors. Inflation is projected to edge up to 7%, close to the upper end of the target band (7.5%), caused by greater energy and food inflation. The fiscal deficit will narrow

to 6.5% of GDP in 2022 and to 5.5% in 2023 with the resumption of the IMF-supported fiscal-consolidation and debt management program. The current account deficit is projected to widen further to 6.1% and 5.2% of GDP over the two years, attributable to higher fuel and food import bills

3.2 Medium Term Fiscal Framework

The county government will continue to pursue fiscal responsibility to ensure prudence and transparency in the management of public resources as per the Public Finance Management Act section 107.

On the expenditure side, the County Government will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with implementation of the Integrated Financial Management Information System (IFMIS) across Departments.

The county will continue reorienting expenditure towards those priority programmes as identified in public consultative forums. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic development.

3.3 Risks to the Outlook

Various risks impact on the county economic performance. These may include adverse changes in macro-economic factors such as rise in inflation and interest rates and low growth in investments

At the county government level risks arise out of uncertainty both from internal and external factors. Managing such risks by recognizing and preparing for possible eventualities is an integral part of planning.

The main challenges that continue to be experienced relate to unrealized projected local revenue collection against the targeted projected collection by 32.7 per cent from the previous Financial Year, bloated wage bill at 42 per cent of total revenue and huge pending bills of over Kshs 613 million as indicated in the last County Debt Management strategy Paper, some of which are statutory deductions that accrue huge interests.

The county revenue projections are subject to a number of general risks that can affect collections. These include resistance that may arise from County Finance Bill, tax evasion and avoidance, weak revenue administrative structures and significant fluctuations in major revenue sources due to changes in the economic environment. These challenges may result in a significant deviation from revenue projections and consequently lead to huge unfunded budget deficits.

4.0 RESOURCE ALLOCATION FRAMEWORK FOR FY 2023/2024 FINANCIAL YEAR

4.1. 2023/2024 Budget framework

The FY 2023/24 and the Medium-Term Budget framework builds up on the Government's efforts to stimulate and sustain economic activity, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a sustainable and inclusive growth trajectory. This will be achieved through implementation of programmes in the Economic Recovery Strategy, The Third Generation County Integrated Development Plan and priority programmes outlined in the Fourth Medium Term Plan (MTP IV) of the Vision 2030. Additionally, the County Government will continue to implement its fiscal consolidation plan to contain the pace of growth in debt. In this regard, particular emphasis will be placed on aggressive revenue mobilization including policy measures to whip in additional revenue and reign on expenditures to restrict its growth.

4.1.1 Medium Term Fiscal Projections

Going forward, and in view of the limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors. In the Meantime, the resource allocation will be based on the Annual Development Plan and the Fiscal Strategy Paper.

The priority social sectors will continue to receive adequate resources in the budget and are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors

Table 11: Income Projection under MTEF 2023-2024

COUNTY GOVERNMENT OF KERICHO	Base year				Ratio
FINANCIAL YEAR	2022/2023	2023/24	2024/25	2025/26	2023/24
SOURCES OF REVENUE					
Revenue Description					
1.CRA Equitable share	6,430,664,924	6,623,584,872	6,954,764,115	7,302,502,321	82%
2.Local Collections	325,071,600	425,071,600	446,325,180	468,641,439	5%
3.Facility Improvement Fund & NHIF Rebates	528,196,453	528,196,453	554,606,276	582,336,589	7%
4.CONDITIONAL GRANTS	-	-	-	-	
4A. Routine Maintenance Fuel Levy	-	-	-	-	
4B. User fee Reimbursement	-	-	-	-	
4C. Development of Youth polytechnics fund	-	-	-	-	
5. DONOR FUNDS					
5A. DANIDA FUND	11,921,250	11,921,250	12,517,313	13,143,178	0%
5B. Agricultural Sector development support Fund (ASDSP II)	43,114,132	43,114,132	45,269,839	47,533,331	1%
5C. Transformative Health System (world bank)	75,948,635	0	-	-	0%
5D. Kenya Devolution Support Project (world bank)	102,491,953	102,491,953	107,616,551	112,997,378	1%
5E. Climate Smart Agriculture Project (world bank)	350,000,000	350,000,000	367,500,000	385,875,000	4%
5F. Kenya Urban Support Program UDG (SIDA)	-		-	-	0%
5F. Kenya Urban Support Program UIG (SIDA)	-		-	-	0%
5G. Climate Change Institutional Support (World bank)	11,320,000	11,320,000	11,886,000	12,480,300	0%
Gross Total	7,878,728,947	8,095,700,260	8,500,485,273	8,925,509,536	100%

Expenditure Forecasts

The expenditure comprises recurrent and development votes. The County Treasury will endeavor to maintain fiscal responsibility principle of 70:30 in 2023/2024 for recurrent and development expenditures as required by section 107 of the Public Finance Management Act, 2012.

5.0. RECOMMENDATION

During the FY 2021/22, equitable share and additional allocations from conditional grants and donor funds account for 89.97% of total budgeted revenue by County Government of Kericho while revenue from Own Source Revenue accounts for 10.03%. In this regard, there is need to improve revenue collection to avoid over reliance on revenue raised nationally. This is important more so to ensure the County Government plans for expenditure with a reliable degree of predictability as opposed to heavily relying on the revenue raised nationally which may be subjected to delays occasioned by external factors. The County Government should develop institutional framework, structures and systems aimed at enhancing revenue collection matched to realistic projection of own source revenues.

In regards to the wage bill accounting to 42 per cent of total County Budget, the County Public Service Board should establish an optimal staffing structure to ensure expenditure on personnel emoluments complies with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

6.0 CONCLUSION AND WAYFORWARD

The CBROP 2022 is being prepared against the backdrop of a Global economic outlook that has become more uncertain reflecting, the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures, elevated inflationary pressures, volatile financial markets, and persistent supply chain disruptions. To strengthen the economic recovery, the budget for FY 2023/24

and the medium term will focus on revenue mobilization and reduction on non-core expenditures.

Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds by the various departments will be crucial in ensuring the county delivers her functions. Plans and programme are strictly adhered to achieve the objectives of the County government.