

COUNTY GOVERNMENT OF KISII



FINANCE, ECONOMIC PLANNING AND ICT DEPARTMENT

COUNTY BUDGET REVIEW AND OUTLOOK PAPER FOR FINANCIAL YEAR 2022/2023

SEPTEMBER, 2023

FOREWORD

This is the second County Budget Review and Outlook Paper (CBROP) prepared in line with the Public Finance Management Act (PFM) Act, 2012 under the new administration. It presents the fiscal outcome for 2022/2023 and how it affects the financial objectives set out in the PFM Act, 2012. The updated macro-economic and fiscal forecasts therein also lays the basis for the revision of the Financial Year 2023/2024 budget in the context of the Supplementary Estimates. It also sets out the broad fiscal parameters for the 2024/2025 budget and the medium term. The fiscal performance was largely as programmed, despite shortfalls in revenues and low absorption in development expenditures.

In this 2023 CBROP, the County Government's main emphasis is on the fiscal policy strategy, whose focus is on maintaining a strong revenue effort and building a strong growth of total expenditure while shifting the composition of revenue expenditure to productive capital expenditures and ensuring efficiency and effectiveness in the use of public resources. A strategy that recognizes the need to strike a balance between development and fiscal debt sustainability, with emphasis on higher investments in the key county priorities namely: Wealth creation, Social development, environmental conservation, infrastructure, ICT and devolution and governance.

In the medium term, the County will lay emphasis on completion of on-going projects and programmes while aligning new to the key priority objectives of the County outlined above. Cross-cutting and emerging issues will be mainstreamed to the development agenda accordingly across the county sectors.

It is imperative that as we continue with the implementation of the County Integrated Development Plan (CIDP) 2023-2027, the Accounting Officers should ensure that resources are directed towards the completion of on-going projects and the clearance of pending bills in their respective departments as they also align programmes in their respective departments to the Governor's Manifesto.

This CBROP forms the basis for the revision of the Financial Year 2023/2024 budget and the preparation of the medium term budget. It is therefore my expectation, that this policy paper will play a key role in the enhancement of financial discipline and adherence to the fiscal responsibilities as outlined in section 107 of the PFM Act 2012.

Kennedy Okemwa Abincha

County Executive Committee Member for Finance, Economic Planning and ICT services

ACKNOWLEDGMENT

The County Budget Review and Outlook Paper (CBROP) has been prepared in line with Section 118 of the Public Finance Management (PFM) Act, 2012. The document provides the fiscal outturn for the Financial Year 2022/ 2023, the recent economic developments and sets the indicative ceilings for the FY 2024/2025 and the Medium Term Budget.

The implementation of the FY 2022/23 budget progressed well despite the, lower than expected revenue performance and lower absorption of expenditures particularly development funds. The issue of low absorption remains a top priority of the County Government and the County Treasury has issued a budget circular containing guidelines on budget preparation and implementation. In this regard, therefore, the Sector Working Groups are expected to allocate funds only to projects that have the necessary supporting documentation and linked to the Third County Integrated Development Plan (CIDP 2023-2027) and priorities under the Governor's Manifesto.

The preparation of the 2023 CBROP was a collaborative effort of all County Government departments and entities. My special gratitude goes to the County Executive Committee Member for Finance, Economic Planning and ICT Services for his overall stewardship in the County Treasury and County Government on financial matters. We thank all the departments and entities for providing data in a timely manner and their input on the performance of year under review in the compilation of this CBROP.

Finally, I take this opportunity to appreciate the efforts of the entire staff of the County Treasury for their continued commitment and dedication in serving the County.

Edwin Orina Atege

Chief Officer, Economic Planning and ICT

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
BETA	Bottom- Up Economic Transformation Agenda
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
FLLOCA	Financing Locally-Led Climate Action
FY	Financial Year
GDP	Gross Domestic Product
ICT	Information and Communications Technology
Kshs	Kenya Shillings
LPG	Liquefied Petroleum Gas
MTEF	Medium Term Expenditure Framework
NARIGP	National Agricultural and Rural Inclusive Growth Project
OSR	Own Source Revenue
PFM	Public Finance Management
SWG _s	Sector Working Groups
UHC	Universal Health Care

Basis for the preparation of the County Budget Review and Outlook Paper

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

1) The County Treasury shall prepare and submit to the County Executive for approval, by 30th September in each financial year, a 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 macroeconomic and financial forecasts with sufficient information to show changes from the forecasts in the most recent CFSP.

c. Information on how actual financial performance for the previous fiscal year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest CFSP; 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) 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.

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.

County Government Fiscal Responsibility Principles

The Public Financial Management Act 2012, Section 107 states that the County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.

In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

- (a) The county government's 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 its 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 only for the purpose of financing development expenditure and not for recurrent expenditure;
- (e) The county debt shall be maintained at a sustainable level as approved by county assembly;
- (f) The fiscal risks shall be managed prudently; and
- (g) 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 Kisii County Budget Review and Outlook Paper 2023 has been prepared in line with the provisions of Section 118 of the Public Finance Management (PFM) Act, 2012. It provides details on the actual fiscal performance for the Financial Year 2022/2023, economic development on macro-economic indicators and the indicative ceilings for the FY 2024/2025 and Medium Term. The Paper further demonstrates compliance with the fiscal responsibility principles and financial objectives as spelt out in the PFM Act and the Fiscal Strategy Paper through the actual performance of the period under review.

During the period under review, the County's actual revenues stood at **KShs 10.33 Billion** against a target of **11.1 Billion** while the total expenditure stood at **KShs 8.08 Billion** representing an overall absorption rate of 78 percent. Moving forward, implementation of FY 2023/24 budget and formulation subsequent budgets in the medium term will be premised on the lessons drawn from the performance of the period under review.

In the same period, collection from Own Source Revenue (OSR) was **KShs 414 Million** against a target of **KShs 750 Million** representing a performance of 55 percent. It is estimated that **KShs.650 million** will be realized in the FY 2023/2024. This Medium Term Expenditure Framework (MTEF) revenue performance will be underpinned by on-going investments on revenue sources, revenue administration and change in policy.

These strategies complimented with expenditure rationalization measures will create the necessary fiscal space for the implementation of the County strategic priorities as outlined in the CIDP (2023-2027).

The current FY budget is aimed at the settlement of outstanding pending bills, completion of on-going projects and implementation of projects aimed at poverty reduction and wealth creation in the county. Over the Medium term, the County will seek partnership and cooperation from the National Government, development partners and new frontiers for resource mobilization.

CHAPTER ONE

1.0 Introduction

This County Budget Review and Outlook Paper (CBROP) provides a review of the fiscal performance for the previous Financial Year 2022/2023. It further expounds on how such a performance impacts on the financial objectives and fiscal responsibility principles as set out in County Fiscal Strategy Paper (CFSP) 2023. This CBROP will be significant in the revision of the current budget FY 2023/2024 in the context of the supplementary estimates and the broad fiscal parameters. It will also go a long way in guiding the FY 2024/2025 budget and the medium term. The specifics of the fiscal framework will be firmed up by the CFSP 2024 and the medium-term policies.

In the previous financial year 2022/2023, the County registered a shortfall in both revenues and expenditures. This posed serious implication in adherence to the financial objectives as outlined in the CFSP 2022 and the fiscal projections of the FY 2022/2023 Budget. This CBROP further presents a fiscal outlook underpinned by revenue administration and financial management measures to enhance compliance.

The budget process as provided in the PFM Act 2012 is intended to promote efficiency and effectiveness in the utilization of resources. In this regard, the County Government of Kisii will continue instituting prudent measures aimed at enhancing revenue and rationalization of expenditures so as realize the resource requirements of the FY 2023/2024 budget and the medium term. This CBROP provides indicative sector ceilings which will form the basis for the budget preparation for the FY 2024/2025 and the medium term. These sector ceilings are guided by the overall resource envelope that is informed by the macro-economic and fiscal outlook as presented in chapters two and four of this document respectively.

1.1 Structure of the Paper

The Paper is structured into four chapters. Chapter one provides the introduction and significance of the Paper. Chapter two presents the recent economic developments and Outlook while chapter three provides a review of the fiscal performance in FY 2022/2023 and its implications on the financial forecasts set out in the County Fiscal Strategy Paper and lastly, chapter four provides the resource allocation framework.

1.2 Significance of the Paper

The CBROP is significant due to its linkage of planning with budgeting. It plays a key role in the budget making process given that it reviews the previous year's fiscal performance with deviations from the budget.

It further demonstrates how fiscal responsibility principles were adhered to as provided for in Section 107 of the Public Finance Management (PFM) Act, 2012.

In addition, the CBROP is significant in the revision of the budget through its review of the updated macroeconomic and financial outlook.

Further, its significance is notable in the provision of indicative sector ceilings for the forward budget and over the medium term which guides the Sector Working Groups (SWGs) in coming up with final figures in the County Fiscal Strategy Paper.

CHAPTER TWO

RECENT ECONOMIC DEVELOPMENT AND OUTLOOK

2.1 Introduction

This chapter highlights the recent economic developments that had a bearing on the implementation of FY 2022/23 and the medium-term budget.

2.2 Recent Economic Performance

In 2022, the Kenyan economy sustained the growth momentum that started in 2021, after the recovery from the effects of the COVID-19 pandemic that had significantly slowed down economic activity. With a real GDP growth of 4.8 percent in 2022, economic performance decelerated after the strong rebound from the COVID-19 crisis at 7.6 percent in 2021. The magnitude of growth was somewhat subdued by suppressed agricultural production due to adverse weather conditions during the year; a decline in household consumption and private investment resulting from rising global inflation and tightened monetary policies (KNBS Economic Survey, 2023).

Gross Domestic Product (GDP) performance in 2022 was spread across all sectors of the economy but was more pronounced in service-oriented activities. Industry-related activities accounted for 17.7 percent, while service activities accounted for 61.1 percent of the total GDP in 2022. Some of the key sectors that supported this growth were Financial and Insurance (12.8%), Information and Communication (9.9 %), and Transportation and Storage (5.6 %).

The agriculture, forestry, and fishing sector contracted by 1.6 percent in 2022 compared to a contraction of 0.4 percent in 2021, accounting for about 21.2 percent of the overall GDP in 2022. This was attributed to prolonged drought conditions that characterized the period under review. Kisii County was among the counties that contributed significantly to overall agricultural production, especially in the tea sector. The average contribution to Agriculture, Forestry, and Fishing activities by Kisii County is about 3.8 %, with the top contributor in the sector being Meru County at 7 %.

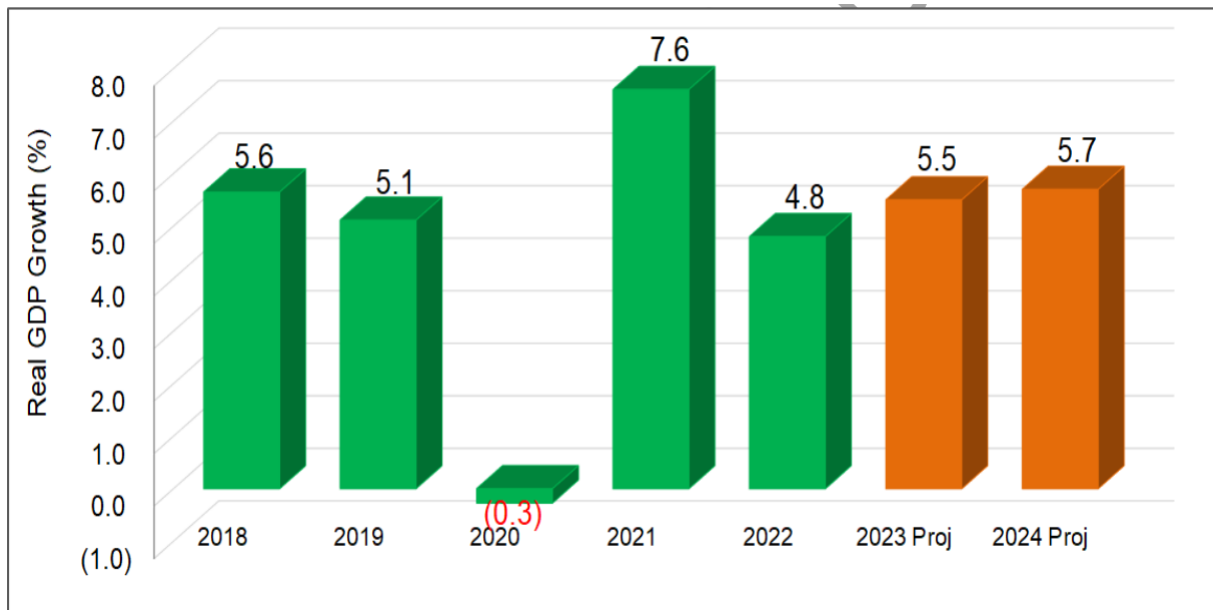
The manufacturing sub-sector expanded by 2.0 percent in the first quarter of 2023 mainly supported by the manufacture of food products that included bakery products and processing

and preservation of fish. In non-food manufacturing, the growth performance was supported by substantial growth in the manufacture of basic metals and fabricated metal products.

The energy sector was characterized by high prices and low demand for petroleum products, with demand declining by 1.1 percent to 5.1 million tonnes in 2022. The first half of 2022 registered the highest inflation-adjusted crude oil prices since 2014. The increased prices of petroleum products globally led to an increase in total import costs by 45 % from 2021 to 2022 and an increase in prices of petroleum products. Liquefied Petroleum Gas (LPG) average price of a 13-kg cylinder for instance increased by 31.1 percent to KSh 2,990.41 in 2022. Electricity and Water Supply sub-sector expanded by 2.3 percent supported by increased generation of electricity from renewable sources such as geothermal and wind that more than offset the decline in generation from hydroelectric sources.

Available economic indicators in the first three quarters of 2023 remain strong with the continued recovery in the agricultural sector and sustained performance of the services sector. In this respect, economic growth is projected at 5.5 percent in 2023 and 5.7 percent in 2024 supported by broad-based private sector growth and sustained government investment in the nine priority value chains under the Government's BETA Strategy (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials). Additionally, public sector investments in infrastructure and the implementation of prudent fiscal and monetary policies will continue to support economic activity. This is illustrated in Figure 2.2.

Figure 2.2: Annual Real GDP Trends and Projections



Source of Data: Kenya National Bureau of Statistics

Inflation has shown an upward trend, remaining above the Government target range of 5 ± 2.5 percent from June 2022 to June 2023. Kenya's year-on-year inflation has been increasing over time, from 5.24 percent in 2019 to 5.4 percent in 2020, 6.11 percent in 2021, and stands at 7.6 percent in 2022. In August 2023, the year-on-year food inflation increased to 7.5 percent, with food prices dropping since March 2023. In comparison to October 2022, food inflation stood at 15.8 percent.

Fuel inflation remained elevated driven by high energy prices. It increased to 14.2 percent in August 2023 from 8.6 percent in August 2022. The increase reflects the gradual withdrawal of the fuel subsidize from September 2022; the upward adjustment of VAT on petroleum products in July 2023 from 8.0 percent to 16.0 percent and the upward adjustment of electricity tariff from April 2023. However, prices of cooking gas continued to decline and moderated inflation reflecting the impact of the zero-rating of VAT on liquefied petroleum gas (LPG).

Growth in private sector credit from the banking system remained resilient as business activities improved and grew by 10.3 percent in the year to July 2023 compared to a growth of 14.2 percent in the year to July 2022. Improved credit expansion was registered in various sub-sectors that include finance and insurance, mining, transport and communication, agriculture, and manufacturing.

In terms of foreign exchange, the Kenyan foreign exchange market remained under pressure due to global economic uncertainty regarding the ongoing Russian-Ukraine conflict; an increase in interest rates in advanced economies (specifically the increasing interest rates in the U.S), and elevated commodity prices. The exchange rate to the Kenya shilling weakened at a rate of 20.5 percent in the 12 months to August 2023 compared to 9.3 percent in the 12 months to August 2022.

2.3 County Economic Outlook and Risks

Over the medium-term resources will be channelled to the County Priorities, namely: Wealth creation; Devolution and Governance; Social Development; Roads, ICT and Infrastructure, and finally Environmental conservation.

Given increased investment and focus by both the County and National Governments in Agriculture and Climate Change interventions, it is expected that local agricultural production will continue to be resilient and economic performance increase. Fertilizer subsidy programs and climate-smart agriculture interventions are some of the key interventions likely to improve production. This will also support growth in the hospitality, food and accommodation sector, besides the wholesale and retail trade sectors.

The persisting revenue and expenditure pressures, resultant cash flow challenges, and deficits at the National level are likely to affect the realization of enough revenue to support County Government programs. To address this, the County will collaborate and partner with development and implementing partners within the County to substitute government resources from the Equitable Share.

On the downside, the growth will be hampered by a decline in domestic demand as a result of elevated inflation rates. The reduction in domestic demand is likely to suppress private investment. At a more local level, this is likely to affect the attainment of the projected Own Source Revenue amounts.

2.4 Risks to the economic outlook

The County is exposed to risks related to the national economy that may affect growth within the County:

- i. At the local level, risks relate to unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural production and result in food insecurity and inflationary pressures since most of the agriculture practiced in the County is rain-fed.
- ii. On the national front, the weakening Kenya Shilling and strengthening of the US dollar against other global currencies arising from aggressive monetary policy tightening presents significant risks to financial flows and puts pressure on the exchange rate with implications for growth and inflation at the local level.
- iii. The continued increase in discretionary expenditure on operations and maintainable and non-discretionary expenditure especially on debt redemption at the National Government will continue to put a squeeze on County Government sharable revenue.
- iv. The anticipated El-Niño rains are likely to pose a risk not only to farm production but also to the destruction of infrastructure like roads, bridges, and drainages and increased displacement of both human and animal settlements (form phenomena like landslides and mudslides), all of which have a social and economic impact on county development.
- v. The ever-increasing and volatile global oil process are likely to lead to a loss in output across various sectors and higher inflation in oil-importing countries like Kenya. This will have an effect on both public and private consumption.

CHAPTER THREE

REVIEW OF FISCAL PERFORMANCE IN FY2022/2023

3.1 Overview

This Chapter reviews the fiscal performance for the FY 2022/2023 budget. It provides analysis on County revenues, expenditure and Exchequer releases.

3.2 Fiscal Performance

The fiscal performance and absorption of approved budget of FY 2022/2023 was slightly laxed as compared to the previous FY 2021/2022. This was as a result of the general elections and change of government. In addition, there was delayed disbursement of both Conditional Funds and equitable share due to the delayed approval of the County Governments Additional Allocations Bill, 2023 and County Allocation of Revenue Bill 2023 by the National Assembly and the Senate respectively. These delays affected absorption of most of these developmental funds.

3.2.1 Analysis of Revenue Sources

The County's FY 2022/23 projected revenue was **KShs.11.11 billion** comprising of transfers from National Government, Loans and Grants, Unspent Balances from previous financial year and Own Source Revenue. However, the actual receipts were **KShs.10.33 billion** which represented **94 percent** of the total projected revenue. This is presented in Table 3.1.

Table3. 1: Analysis of Revenue sources

ITEM	BUDGET 2022/2023	ACTUAL RECEIPTS	REVENUE PERFORMANCE (%)
Equitable Share	8,894,274,509	8,894,274,509	100
Leasing of Medical Equipment	110,638,298	0	0
National Agricultural and Rural Inclusive Growth Project	171,890,010	172,091,140	100
Agriculture Sector Development Support Program - SIDA	10,517,407	10,517,407	100
National Agricultural Value Chain Development Project (NAVCDP)-World Bank Credit	70,000,000	67,192,657	96
DANIDA	25,045,875	25,045,875	100
Kenya Urban Support Programme (KUSP)	2,339,915	2,339,915	100

Finance for Locally-Led Climate Action Program (FLLoCA)	22,000,000	22,000,000	100
Unspent balances FY 2021/2022	1,057,149,481	792,330,286	75
Local Revenues	750,000,000	413,988,596	55
TOTAL REVENUE	11,113,855,495	10,331,344,307	94

Source: Kisii County Treasury, 2023

- I. By the closure of the FY under review, The County had received the full amount of Equitable Share as was budgeted i.e., **KSHs. 8.89 billion**, Representing 100 percent disbursement.
- II. Conditional Loans and Grants i.e., World Bank Funded, National Agricultural and Rural Inclusive Growth Project, SIDA-Funded Agricultural Sector Development Support Project, Danish Government Funded DANIDA, Kenya Urban Support Program (KUSP), and Finance for Locally-Led Climate Action Program (FLLoCA), from development partners were all received as budgeted. However, by the closure of the Financial Year, World Bank Funded National Agricultural Value Chain Development Program, which was budgeted at **KSHs. 70 Million**, managed to receive **KSHs. 67.19 million** representing **96 percent**.
- III. Allocations for Leasing of Medical equipment of **KSHs.110.64 million** is deducted at source and therefore not disbursed to counties.
- IV. The County projected to collect **KSHs. 750 million** during FY 2022/23 and managed to collect **KSHs. 413.99 million** representing **55 percent**

3.2.2. Exchequer Releases and Requisitions to Operations Account for FY 2022/2023

The Exchequer releases into the CRF account for FY2022/23 amounted to **KSHs.10.33 billion** comprising of Own Source Revenue, Equitable Share, refunds from operations account, unreleased balances carried forward from **FY2021/2022** and Loans and Grants from development partners. Further, **Kshs. 8.08 billion** was requisitioned to the operations account comprising of **Kshs. 566.5 million** and **Kshs. 7.53 billion** for Development and Recurrent expenditures respectively. This represents **7 percent and 93 percent** for Development and Recurrent expenditure respectively as shown in Table 3.2.

Table 3. 2: Exchequer Releases and Requisitions to Operations Account for the FY 2022/23

KISII COUNTY GOVERNMENT				
REVENUE AND EXCHEQUER RELEASES ANALYSIS				
FY 2022-2023				
DATE		REVENUE	DEVELOPMENT	RECURRENT
04-Jul-22	NARIGP	417,866.00		
08-Jul-22	NARIGP	3,443.05		
28-Jul-22	EQUITABLE SHARE	711,541,962.00		
02-Aug-22	OSR	15,750,299.00		
10-Aug-22	OSR	3,584,419.00		
10-Aug-22	UHC			62,692,134.00
10-Aug-22	EQUITABLE SHARE			414,964,619.00
10-Aug-22				8,369,500.00
10-Aug-22				53,958,227.00
10-Aug-22				70,604,130.00
10-Aug-22				45,126,040.00
12-Aug-22				17,509,400.00
17-Aug-22	OSR	2,495,442.00		
17-Aug-22			81,253,933.00	
17-Aug-22			4,286,547.00	
24-Aug-22	OSR	2,668,470.00		
30-Aug-22	OSR	2,444,448.00		
06-Sep-22	OSR	3,062,968.00		
07-Sep-22				2,000,000.00
07-Sep-22				24,846,207.00
15-Sep-22	OSR	6,477,279.00		
16-Sep-22	EQUITABLE SHARE	756,013,333.00		
19-Sep-22				15,835,288.00
22-Sep-22				216,815,366.00
22-Sep-22				414,136,255.00
22-Sep-22				28,351,979.00
27-Sep-22	OSR	7,459,249.00		
28-Sep-22	EQUITABLE SHARE	711,541,961.00		
04-Oct-22	OSR	4,310,966.00		
07-Oct-22				2,824,181.00
07-Oct-22				11,294,422.00
07-Oct-22				16,853,844.00
11-Oct-22	OSR	4,806,692.00		
14-Oct-22				13,837,718.00
18-Oct-22				199,489,013.00
18-Oct-22				411,925,092.00

18-Oct-22				1,097,115.00
18-Oct-22				7,785,600.00
18-Oct-22				17,719,513.00
19-Oct-22				4,690,791.00
19-Oct-22			22,127,103.00	
25-Oct-22	OSR	7,683,783.00		
25-Oct-22				3,077,739.00
25-Oct-22				3,483,040.00
25-Oct-22				5,511,400.00
31-Oct-22				2,352,900.00
31-Oct-22				7,027,407.00
31-Oct-22				7,978,300.00
31-Oct-22				15,842,400.00
09-Nov-22	SIDA		2,750,000.00	
09-Nov-22	NARIGP		421,309.00	
09-Nov-22	Climate Change		10,000,000.00	
09-Nov-22				31,110,663.00
09-Nov-22				2,793,824.00
10-Nov-22	OSR	8,674,356.00		
10-Nov-22				5,564,786.00
10-Nov-22				18,895,612.00
11-Nov-22				23,450,865.00
15-Nov-22	OSR	3,335,813.00		
16-Nov-22	EQUITABLE SHARE	756,013,333.00		
17-Nov-22				3,628,512.00
18-Nov-22				411,948,624.00
22-Nov-22	OSR	3,376,554.00		
30-Nov-22	OSR	3,748,360.40		
02-Dec-22				5,304,384.00
02-Dec-22				10,278,500.00
02-Dec-22				19,739,603.00
02-Dec-22				20,372,800.00
06-Dec-22	OSR	2,940,526.00		
06-Dec-22	DANIDA			8,856,000.00
06-Dec-22				100,000,000.00
09-Dec-22				23,150,000.00
09-Dec-22				74,367,574.00
09-Dec-22				5,769,767.00
13-Dec-22	OSR	4,751,096.00		
14-Dec-22				2,906,320.00
14-Dec-22				50,000,000.00
14-Dec-22				4,060,000.00
20-Dec-22	EQUITABLE SHARE	711,541,961.00		
20-Dec-22	OSR	2,482,360.00		

20-Dec-22				25,000,000.00
22-Dec-22				336,472,193.00
29-Dec-22				27,560,868.00
29-Dec-22				7,372,754.00
29-Dec-22				41,049,370.00
03-Jan-23				1,899,000.00
03-Jan-23				83,155,842.00
03-Jan-23				2,220,061.00
10-Jan-23	OSR	8,960,188.00		
11-Jan-23				3,000,000.00
11-Jan-23				19,010,171.00
11-Jan-23				160,701,075.00
11-Jan-23				2,336,226.00
11-Jan-23				23,487,976.00
17-Jan-23	OSR	12,899,151.00		
19-Jan-23				7,000,000.00
19-Jan-23				8,349,881.00
20-Jan-23				11,608,000.00
24-Jan-23	OSR	13,128,527.00		
24-Jan-23				11,633,500.00
25-Jan-23				2,880,755.00
25-Jan-23				11,392,655.00
26-Jan-23	SIDA	4,115,777.00		
26-Jan-23	SIDA	6,401,630.00		
26-Jan-23	NARIGP	49,741,439.75		
26-Jan-23	NARIGP	81,048,547.00		
26-Jan-23	EQUITABLE SHARE	756,013,333.00		
31-Jan-23	OSR	9,156,455.00		
06-Feb-23				196,503,562.00
06-Feb-23				11,007,181.00
06-Feb-23				11,878,662.00
06-Feb-23				16,508,006.00
07-Feb-23	OSR	12,023,517.00		
09-Feb-23				3,586,675.00
09-Feb-23				52,188,940.00
09-Feb-23				2,603,503.00
10-Feb-23	SIDA		9,525,128.00	
10-Feb-23	NARIGP		130,789,987.00	
10-Feb-23				9,888,792.00
10-Feb-23				418,812,603.00
15-Feb-23	OSR	19,862,713.00		
22-Feb-23	OSR	13,358,445.00		
22-Feb-23				5,918,278.00
27-Feb-23				12,378,300.00
28-Feb-23	OSR	10,192,400.00		

06-Mar-23				25,000,000.00
07-Mar-23	OSR	15,494,190.00		
13-Mar-23				5,600,000.00
13-Mar-23				7,953,000.00
13-Mar-23				14,514,273.00
14-Mar-23	OSR	19,236,076.00		
15-Mar-23				22,663,336.00
21-Mar-23	OSR	11,523,487.00		
23-Mar-23	EQUITABLE SHARE	711,541,961.00		
28-Mar-23	OSR	16,179,412.00		
31-Mar-23	Climate Change	11,000,000.00		
03-Apr-23				408,950,492.00
03-Apr-23				18,844,129.00
03-Apr-23				49,683,453.00
04-Apr-23				3,653,433.00
04-Apr-23				4,500,000.00
04-Apr-23				16,270,000.00
04-Apr-23				16,270,000.00
04-Apr-23			8,431,148.00	
06-Apr-23	OSR	37,001,062.00		
12-Apr-23	OSR	11,647,614.00		
13-Apr-23				36,814,768.00
14-Apr-23	Climate Change		11,000,000.00	
14-Apr-23	Climate Change		20,000,000.00	
14-Apr-23				25,000,000.00
18-Apr-23	OSR	8,761,335.00		
18-Apr-23				8,107,420.00
18-Apr-23				15,043,200.00
19-Apr-23				3,139,170.00
20-Apr-23	EQUITABLE SHARE	756,013,333.00		
25-Apr-23	OSR	6,982,925.00		
26-Apr-23	DANIDA	9,778,500.00		
26-Apr-23	EQUITABLE SHARE	756,013,333.00		
03-May-23	OSR	10,580,559.00		
05-May-23	SIDA		992,279.00	
05-May-23	SIDA		2,750,000.00	
05-May-23	EU-IDEAS		7,000,000.00	
05-May-23				80,355,261.00
05-May-23				4,384,500.00
05-May-23				4,956,186.00
09-May-23	OSR	18,750,554.00		
12-May-23				1,239,000.00
12-May-23				2,182,800.00

12-May-23				11,311,155.00
12-May-23				50,653,054.00
12-May-23				51,436,652.00
15-May-23	UIG	2,339,914.85		
16-May-23	DANIDA			9,778,500.00
16-May-23				34,507,536.00
16-May-23				49,646,940.00
16-May-23				380,531,824.00
16-May-23				6,691,350.00
16-May-23				28,732,070.00
19-May-23				410,529,982.00
19-May-23				5,768,700.00
19-May-23				7,547,446.00
24-May-23				2,742,200.00
25-May-23	EQUITABLE SHARE	711,541,961.00		
25-May-23				8,934,319.00
25-May-23				2,552,050.00
25-May-23				11,811,400.00
25-May-23				15,491,740.00
25-May-23			12,728,111.00	
26-May-23				2,302,000.00
26-May-23				38,990,755.00
26-May-23			13,335,082.00	
30-May-23				4,120,260.00
30-May-23				9,505,530.00
30-May-23				2,400,000.00
07-Jun-23				339,709.00
07-Jun-23				20,951,874.00
07-Jun-23				25,000,000.00
07-Jun-23				50,721,015.00
07-Jun-23			2,384,820.00	
09-Jun-23	EQUITABLE SHARE	800,484,706.00		
14-Jun-23				135,000,000.00
14-Jun-23				706,881.00
16-Jun-23	OSR	53,924,815.00		
20-Jun-23	EQUITABLE SHARE	756,013,333.00		
21-Jun-23	EU-IDEAS		12,352,246.00	
21-Jun-23				6,000,000.00
23-Jun-23	NARIGP	40,879,844.30		
23-Jun-23	OSR	8,775,951.00		
23-Jun-23	UIG			2,339,915.00
23-Jun-23				2,811,479.00
23-Jun-23				11,760,000.00

23-Jun-23				31,797,908.00
23-Jun-23				37,932,251.00
23-Jun-23				414,354,711.00
23-Jun-23				49,970,384.00
26-Jun-23	EQUITABLE SHARE	711,541,961.00		
27-Jun-23	OSR	2,533,174.00		
29-Jun-23				10,016,000.00
30-Jun-23	NAVCDP	67,192,657.00		
30-Jun-23	OSR	2,962,966.00		
30-Jun-23				157,052,000.00
30-Jun-23	DANIDA	15,267,375.00		
30-Jun-23	NARIGP		40,678,714.00	
30-Jun-23				6,785,217.00
30-Jun-23				7,941,505.00
30-Jun-23				8,671,688.00
30-Jun-23				10,000,000.00
30-Jun-23				10,445,445.00
30-Jun-23				35,398,029.00
30-Jun-23				67,082,930.00
30-Jun-23				18,214,006.00
30-Jun-23			5,236,068.00	
30-Jun-23			61,378,244.00	
30-Jun-23			73,496,349.00	
30-Jun-23			10,166,963.00	
30-Jun-23	Climate Change	11,000,000.00		
30-Jun-23				9,378,862.00
30-Jun-23				19,969,953.00
30-Jun-23			3,069,499.00	
30-Jun-23			8,203,669.00	
		10,331,344,307.20	566,513,199.00	7,529,353,929.00

Source: Kisii County Treasury, 2023

3.3 OWN SOURCE REVENUE

In the FY 2022/2023, the County generated a total of Kshs. 414 million from OSR. This amount represented an increase of 2.3 per cent compared to Kshs. 404 million realized in FY 2021/2022 and was 63.7 per cent of the annual target and 4.6 per cent of the equitable revenue share disbursed during the period. The contribution of each revenue stream is shown in Table 3.4

Table 3.3: Own Source Revenue Outturns for FY 2022/23

Revenue Stream	Budget FY2021/22	Actual collections FY 2021/22	Actual collections FY 2022/23
1-2101 Property rates	25,000,000	12,845,291	10,115,712
1-2201 Business Permits Current Year	210,000,000	110,016,261	108,438,178
1-2311 Fruits & Vegetables / Agricultural Produce Cess	20,000,000	6,270,797	1,189,366.50
1-3105 Miscellaneous income	3,500,000	1,000	-
1-3501 County Premises Monthly Rent	10,000,000	5,012,500	5,457,310
1-5101 Market Entrance / Gate Fee	100,000,000	43,836,640	44,696,320
1-5102 Market Plots Rent	15,000,000	5,682,547	4,175,247
1-5201 Enclosed Bus Park Fee(Matatu monthly stickers)	76,000,000	56,165,700	43,203,300
Motorcycle parking stickers	30,000,000	13,737,813	2,684,400
1-5221 Street Parking Fee	60,000,000	41,186,820	41,406,300
1-6301 Social Hall Hire	500,000	63,000	86,000
1-6311 Stadium Hire	1,000,000	-	765,000
1-8401 Slaughter House Fee	1,000,000	505,900	616,850
1-9112 Buildings Plan Approval Fee	80,000,000	35,817,250	43,765,457
1-9132 Sign Boards & Advertisement Fee	70,000,000	40,396,515	52,609,610
1-9201 Fire-Compliance Fee	15,000,000	21,120,700	21,329,500
Administrative fees and charges	14,000,000	3,050,800	1,312,208
Disposal of Assets	10,000,000	0	0
Environmental fees and charges	5,000,000	5,581,300	21,231,550
Weights and measures	1,000,000	932,520	1,516,160
Sale of fingerlings	1,000,000	310,501	338,503
Revenue from Kisii Agricultural Training Centre	2,000,000	2,000,145	-
TOTAL	750,000,000	404,534,000	413,988,596

Source: Kisii County Treasury, 2022

The County government has come up with a raft of measures and strategies to realize the targeted revenue which include:

- Continued modernization and automation of revenue.
- Proper mapping of all revenue streams in each sector of the county so as to determine the potential of each stream upon which targets will be set.
- Strengthening internal revenue administration, control systems and procedures for revenue collection, accounting and reporting.
- New relevant revenue laws while operationalizing the already existing ones.
- Pursuance of project financing through public private partnerships.
- Intensive and a well-coordinated civic education programme on revenue matters as a way of public participation.
- Use of USSD for revenue collection across the streams

3.4 Recurrent and Development Expenditure

The County's expenditure is classified into Recurrent and Development expenditure. Recurrent expenditure is further classified to Personnel Emoluments and Operations & Maintenance.

3.4.1 Recurrent Expenditure

During the FY 2022/23, recurrent expenditure was budgeted at **KShs.7.81 billion** representing **70 percent** of the entire budget. However, **KShs.7.53 billion** was disbursed by the exchequer and **KShs.7.52 billion** utilized by the Executive and County Assembly as shown in Table 3.5

Table 3.4: Recurrent Expenditure Analysis for FY2022/23

Department	Approved Budget (KShs)	Exchequer Releases (KShs)	Actual Expenditure (KShs)	Balance (KShs)	Absorption Rate %
	(a)	(b)	(c)	(b-c)	
County Assembly	1,290,629,982	1,271,165,621	1,266,959,724	4,205,897	100
County Executive and Public Service board	394,035,187	339,512,495	337,782,082	1,730,413	99
Administration and Stakeholder Management	463,373,741	451,531,679	449,939,149	1,592,530	100
Finance and Economic Planning	1,019,085,650	962,692,073	962,787,438	-95,365	100
Agriculture, Livestock Fisheries & Co-operative Development	299,933,651	279,158,115	278,471,547	686,568	100
Energy, Water, Environment and Natural Resources	105,786,800	98,176,360	97,504,065	672,295	99
Education, Labor, and Manpower Development	575,291,157	570,896,371	572,062,855	1,166,484	100
Health Services	3,045,829,738	2,983,864,945	2,983,625,600	239,345	100
Lands, Physical Planning and Urban Development	130,655,500	119,959,707	119,289,154	670,553	99
Roads, Public Works and Housing	171,932,555	154,854,261	154,822,856	31,405	100
Trade Tourism and Industry Development	75,526,448	71,069,447	71,052,532	16,915	100
Culture, Sports, Youth and Social Services	77,045,778	74,714,628	75,779,723	1,065,095	101
Kisii Municipality	158,770,271	149,828,707	150,130,896	-302,189	100
Ogembo Municipality	2,200,000	1,929,520	0	1,929,520	0
Totals	7,810,096,458	7,529,353,929	7,520,207,621	9,146,308	100

Source: Kisii County Treasury, 2023

3.4.2 Development Expenditure

During the FY2022/23, the County Government estimated to spend **KShs. 3.30 billion** on development programs and projects which represented **30 percent** of the entire budget. However, **KShs.457.82 million** was spent by the Executive and County Assembly out of a released amount of **KShs. 566.51 million** as presented in Table 3.6.

Table 3.5: Development Expenditure Analysis for FY2022/23

Department	Approved Budget (KShs)	Exchequer Releases (KShs)	Actual Expenditure (KShs)	Balance (KShs)	Absorption Rate %
	(a)	(b)	(c)	(b-c)	
County Assembly	219,350,465	45,629,148	45,629,148	0	100
County Executive and Public Service board	23,000,000	0	0	0	0
Administration and Stakeholder Management	46,557,570	450,000	450,000	0	100
Finance and Economic Planning	77,482,391	14,989,864	14,989,864	0	100
Agriculture, Livestock Fisheries & Co-operative Development	503,938,480	253,499,393	125,718,264	127,781,129	50
Energy, Water, Environment and Natural Resources	184,817,577	61,609,287	22,366,465	39,242,822	36
Education, Labor, and Manpower Development	148,235,618	17,876,831	17,706,099	170,732	99
Health Services	715,439,060	17,447,785	83,424,488	-65,976,703	100
Lands, Physical Planning and Urban Development	105,092,482	22,968,445	22,968,445	0	100
Roads, Public Works and Housing	779,120,684	109,123,974	106,623,974	2,500,000	98
Trade Tourism and Industry Development	131,780,748	9,719,565	4,719,565	5,000,000	49
Culture, Sports, Youth and Social Services	104,227,835	4,077,960	4,077,960	0	100
Kisii Municipality	221,416,127	9,120,947	9,141,576	-20,629	100
Ogembo Municipality	43,300,000	0	0	0	0
Totals	3,303,759,037	566,513,199	457,815,848	108,697,351	81

Source: *Kisii County Treasury, 2023*

CHAPTER FOUR

RESOURCE ALLOCATION FRAMEWORK

4.1 Implementation of the FY 2023/2024 Budget

The implementation of the FY 2023/2024 has started in a slightly slow pace in the last two months but the County government has affirmed its strong commitment to its fiscal consolidation plan. Total revenues for the FY 2023/2024 are projected at Ksh 13.8 billion with Own Source Revenue (OSR) projected at 650 million. Development expenditure is projected at Ksh 5.2 billion and Ksh 8.6 billion for recurrent expenditures. Conditional loans and grants from development partners is projected at 1.1 billion while conditional allocations from the National Government is projected at 421 million.

4.2 Adjustments to 2023/2024 Budget

The FY 2023/24 emphasizes on efficiency and effectiveness of public spending and improving revenue collection to position the county economy on a steady and sustainable growth trajectory.

The underperformance in both revenue collection and expenditure in the FY 2022/23 has implications on the financial objectives outlined in the 2023 CFSP and the FY 2023/24 Budget. Increase in local revenue is paramount and more efforts will be geared towards growing the revenue base. The Own Source Revenue (OSR) performance will be underpinned by on-going investments on revenue sources, revenue administration and change in policy.

The county fiscal framework guiding the FY 2023/24 budget is informed by the performance in FY 2022/23 budget and the updated fiscal outlook. The underperformance was as a result of the late disbursement of the exchequer funds, transitional challenges following the August 2022 elections and a short fall in the projected local revenue which hindered full implementation of the budget and led to pending commitments by the end of the financial year which are also going to be addressed by the FY 2023/2024 budget.

Expenditure burdens with respect to personal emoluments that are way above the ceiling prescribed in the PFM (county government) regulations), 2015 also limits the amount for development, operations and maintenance. In addition, implementation pace in the spending units and county departments continues to be a source of concern especially with regard to the

development expenditures and absorption of funds. These risks will be monitored closely and the County Treasury will take the appropriate measures through revised budgets.

In adjusting the 2023/24 budget, rationalization of expenditure is critical and this will be guided by the approved revenue allocations, projected local revenue collection, and revised timeframes for implementation of programmes and emerging issues/concerns. Critical areas like personnel emoluments, pending bills and the county key strategic priorities as outlined in the County Integrated Development Plan (2023-2027), Annual Development Plan (ADP) and the Governor's manifesto will be prioritized in order to fast-track economic growth for social economic transformation and prosperity.

In the Finance Bill, 2023, the County Treasury proposed measures to help expand the revenue base and curb possible revenue leakages. This will be achieved through enhancement of compliance and enforcement. The revenue management system and automation of the revenue streams will greatly enhance revenue collection and more efforts will put towards improvement and excellence of this system.

4.3 FY 2024/25 and the Medium -Term Budget Framework

The 2024/25 and the Medium-Term Budget Framework will focus on the implementation of the five key county priorities as prioritized in the County Integrated Development Plan (CIDP) and the ADP. Investments will be directed to these priorities given that they are envisaged to have the largest impact to the county economy as well as household welfare. These priorities are; Wealth Creation; Social Development; Environmental Conservation; Enablers and ICT and Devolution and Governance. Implementation of these priority areas will realize the county agenda of prosperity for all.

To achieve these priorities, the County government will implement strategic interventions under Agriculture and livestock, Trade and Industry, Culture and Sports development, Water and environment, Health care, Education, Roads and Public Works, ICT and Administration.

On the other hand, the County Government will sustain efforts to improve efficiency in public spending so as to realize value for money by; eliminating non-priority expenditures rationalizing revenue expenditures; venturing into public Private Partnerships (PPPs) to finance capital projects.

At the same time, emphasis will be placed on aggressive revenue mobilization through a combination of revenue administration and revenue policy reforms. The County treasury will continue to employ the use technology to curb revenue leakages

4.4 Criteria for Resource Allocation

The County departments will be encouraged to adopt efficiency in allocation of resources through cost budgeting and reviewing the externally funded projects. The departments will also be encouraged to restructure and re-align with the county government priority programmes. Realization of these objectives will be achieved within the budget ceilings provided in this CBROP. The following criteria will serve as a guide for allocation of resources:

- i) Completion of ongoing development projects before embarking on new projects to minimize the risks of cost overruns;
- ii) Settlement of outstanding commitments to contractors so as to minimize costs accruing from interest and penalty;
- iii) Strategic projects prepared in line with the County Integrated Development Plan.
- iv) Provision for mandatory expenditures such as salaries, rent, utilities, etc.
- v) Degree to which a projects/programme addresses core poverty interventions.
- vi) Cost effectiveness and sustainability of the projects/programmes.
- vii) Linkage with other projects/programmes

4.5 Indicative Ceilings

The County priorities will be implemented through the Programme Based Budgeting approach. Table 4.1 presents indicative ceilings over the medium Term. The projections are comprised of transfers from National Government and grants and loans from development partners.

Table 4. 1: Total Sector Estimates for MTEF FY 2023/2024 – 2025/2026

DEPARTMENT	Approved 2023/24		Projections 2024/2025		Projections 2025/2026	
	Recurrent	Development	Recurrent	Development	Recurrent	Development
County Assembly	1,232,890,743	224,491,231	1,282,206,373	233,470,880	1,333,494,628	242,809,715
Executive	408,746,720	130,000,000	425,096,589	135,200,000	442,100,452	140,608,000
Public Service, County Administration and Public Participation	641,900,447	143,559,553	667,576,465	149,301,935	694,279,523	155,274,013
Finance, Economic Planning and ICT Services	1,113,422,148	200,000,000	1,157,959,034	208,000,000	1,204,277,395	216,320,000
Medical Services, Public Service and Sanitation	3,005,667,498	1,130,965,955	3,125,894,198	1,176,204,593	3,250,929,966	1,223,252,777
Agriculture, Livestock, Fisheries and Cooperative Development	336,550,000	839,610,575	350,012,000	873,194,998	364,012,480	908,122,798
Water, Environment, Energy, Natural Resources and Climate Change	138495000	409,129,787	144,034,800	425,494,978	149,796,192	442,514,778
Trade, Tourism, Industry And Marketing	153,012,240	255,280,450	159,132,730	265,491,668	165,498,039	276,111,335
Lands, Physical Planning, Housing And Urban Development	145,700,000	234,000,000	151,528,000	243,360,000	157,589,120	253,094,400
Infrastructure and Public Works	189,000,000	1,039,328,406	196,560,000	1,080,901,542	204,422,400	1,124,137,604
Education, Technical Training, Innovation and Manpower Development	1,035,000,000	236,106,661	1,076,400,000	245,550,927	1,119,456,000	255,372,965
Youth, Sports, Culture, Arts and Social Sciences	131,855,000	97,750,000	137,129,200	101,660,000	142,614,368	105,726,400
Kisii Municipality	115,000,000	150,000,000	119,600,000	156,000,000	124,384,000	162,240,000
Ogembo Municipality	14,000,000	60,000,000	14,560,000	62,400,000	15,142,400	64,896,000

4.6 Revenue Projections

The proposed budget will be financed by transfers from National Government, own-source revenue, loans and grants from development partners as shown in Table 4.2. However, any shortfall in revenues will be addressed accordingly.

Table 4. 2: Revenue projections

ITEM	APPROVED BUDGET 2023/24	2024/25	2025/2026
Equitable Share	9,248,560,518	9,618,502,939	10,003,243,056
Leasing of Medical Equipment	124,723,404	124,723,404	124,723,404
Aquaculture Business Development Programme	23,165,743	23,165,743	23,165,743
National Agricultural and Rural Inclusive Project	150,000,000	150,000,000	150,000,000
Agriculture Sector Development Support Program - SIDA	3,168,601	3,295,345	3,427,159
Industrial Park	100,000,000	150,000,000	250,000,000
Library Services	8,557,807	8,900,119	9,256,124
National Agricultural Value Chain Development Project (NAVCDP)-World Bank Credit	250,000,000	260,000,000	270,400,000
DANIDA	14,206,500	14,774,760	15,365,750
Livestock Value Chain Support Program-Poland	35,809,200	35,809,200	35,809,200
Provision of Fertilizer Subsidy	186,645,942	194,111,780	201,876,251
Allocation for Mineral Royalties	682,562	709,864	738,259
Finance for Locally-Led Climate Action Program (FLLoCA) County Climate Institutional Support (CCIS) Grant	11,000,000	11,440,000	11,897,600
Finance for Locally-Led Climate Action Program (FLLoCA) County Climate Resilient Investment Grant	33,192,137	136,519,822	140,000,000
Construction of Cancer Center	620,000,000	644,800,000	670,592,000
Unspent balances FY 2022/2023	2,350,000,000	750,000,000	0
Local Revenues	650,000,000	700,000,000	750,000,000
TOTAL REVENUE	13,809,712,414	12,826,752,976	12,660,494,546

The County Government's equitable share is expected to increase from **Kshs 9.2 billion** in 2023/2024 FY to **Kshs 9.6billion** and **Kshs 10 billion** in FY 2024/2025 respectively. OSR is also projected to rise from Kshs 650 million in FY 2023/24 700million and 750 million in FY 2024/25 and 2025/2026 respectively. Unspent balances is projected to reduce from Kshs 2.35 billion in FY 2023/2024 to Kshs 750 million in FY 2024/2025 and zero in FY 2025/2026 respectively.

4.7 Challenges experienced in the Implementation of FY 2022/2023

The implementation of FY 2022/2023 budget has experienced many challenges among them:

- i. Pending bills that affect implementation of new projects.
- ii. Delayed project implementation occasioned by contract administration and delayed financing.
- iii. Shortfalls in domestic revenue collection.
- iv. Delayed release of funds by the National Treasury.