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COUNTY GOVERNMENT OF TRANS NZOIA
OFFICE OF COUNTY EXECUTIVE COMMITTEE MEMBER.
FINANCE & ECONOMIC PLANNING

Ref; CGTN/FIN/20/75

Date: 21st October, 2022

✓ The Clerk
County Assembly of Trans-Nzoia
P.O. Box 4211-30200
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RE COUNTY BUDGET REVIEW AND OUTLOOK PAPER- 2022

Enclosed please find County Budget Review and Outlook Paper 2022 for your consideration and approval.

A handwritten signature in blue ink, appearing to be 'Bonface Wanyonyi'.

BONFACE WANYONYI
AG. C.E.C.M. FINANCE AND ECONOMIC PLANNING

CC

- H.E. The Governor
- County Secretary
- Speaker to County Assembly
- Chief Officer Finance



COUNTY GOVERNMENT OF TRANS-NZOIA

THE COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2022

Foreword

This County Budget Review and Outlook Paper (CBROP) has been prepared in line with the Public Finance Management (PFM) Act, 2012 and its enabling legislations and regulations. The paper presents a review of the fiscal performance for 2021/22 financial year and how this affects the financial objectives set out in the 2022 County Fiscal Strategy Paper (CFSP). The updated macroeconomic outlook therein also provides us with a basis to revise the 2022/2023 budget.

The fiscal outcome for FY 2021/2022 and the first quarter of financial year 2022/2023 call for a review of the 2022/2023 budget estimates and forms the basis of the sector ceiling provided in this policy document for the financial year 2023/24 for the County.

The ceilings have been underpinned by the county's desire to address the key development objectives of the CIDP 2023-2027 whose preparation is underway. The objectives include: completion of ongoing projects/programmes, investments in the economic sectors of agriculture, trade, manufacturing and services; post COVID -19 social economic recovery strategy & provision of social safety nets; promoting access quality education and vocational training; providing access to quality affordable healthcare; mainstreaming cross cutting issues and emerging issues including climate change adaptation, Disaster risk Reduction (DRR), SDGS and special interest groups; deepening devolution, strengthening governance and accountability as well as public service transformation to enhance efficiency and effectiveness service delivery; creating enabling environment for promoting private sector growth and faster growth of SMEs; and expansion county physical and social infrastructure in addition to improving land management and planning for physical spaces.

This CBROP outlines the medium term policies and strategies that the county government seeks to implement in order for it to live up to its mandate given the prevailing socio-economic circumstances and in conformity with the fiscal responsibility principles outlined in the PFM Act 2012 and the County's development Strategic objectives as contained in the county development plans. The fiscal framework presented in this 2022 CBROP provides a strong basis for a sustained county development process that is aligned to the national development agenda and the county development goals as outlined in the county development plans. This CBROP is premised on great fiscal discipline, transparency and stakeholder involvement as a prerequisite to achievement of the aspirations of the people of Trans Nzoia County. This policy strategy will be emboldened in the next County Fiscal Strategy Paper (CFSP) to be released in February 2023.

BONIFACE WANYONYI
COUNTY EXECUTIVE COMMITTEE MEMBER,
FINANCE AND ECONOMIC PLANNING

Acknowledgement

The successful formulation of CBROP 2022 was a collaborative effort of all the County Government departments and entities. I wish to express my sincere appreciation to the County Executive Committee led by H.E the Governor and Deputy Governor for their effective leadership in preparation process of CBROP. Am indebted to the County Executive Member for Finance and Economic Planning for providing direction during the formulation of this key policy document. Gratitude also go to respective county executive committee members and the accounting officers of the respective departments for coordination and support during the CBROP preparation. I also do recognize role played by County departments and entities in providing timely useful data and information that shaped this strategy paper.

Consequently, I wish to single out the contribution of the units in the department of Finance and Economic planning for the exceptional commitment, dedication and continuous effort to prepare and finalize this document. I am particularly grateful to the technical Officers in the department of Finance and Economic planning including the heads of economic planning, revenue, accounting, budget, internal audit for their dedication in preparation of C-BROP.

EMMANUEL SIKUKU WANJALA
CHIEF OFFICER FINANCE

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Abbreviations and Acronyms

ADC	Agricultural Development Corporation
AI	Artificial Insemination
ASDSP	Agricultural Sector Development Support Programme
BoQs	Bills of Quantity
BPS	Budget Policy Statement
C-APR	County Annual Progress Report
CARA	County Allocation of Revenue Act
CARB	County Allocation of Revenue Bill
CASSCOM	County Agricultural Sector Steering Committee
CBD	Central Business District
CBD	Central Business District
CCTV	Closed Circuit Television
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development plan
CBROP	County Budget Review and Outlook
COVID	Corona Virus Disease
CPSB	County Public Service Board
CRA	Commission for Revenue Allocation
DANIDA	Danish International Development Agency
DORB	Division of Revenue Bill
ECDC	Early Child Development Centre
ECDE	Early Childhood Development Education
ESP	Economic Stimulus Program
EU	European Union
FY	Financial year
GDP	Gross Domestic Product
ICT	Information Communication technology
IFMIS	Integrated Financial Management System
KDSP	Kenya Devolution Support Programme
KIE	Kenya Industrial Estate
KUSP UDG	Kenya Urban Support programme- Urban Development Grant
KUSP UIG	Kenya Urban Support Programme- Urban Institutional Grant
MTDSP	Medium Term Debt Strategy Paper
MTEF	Medium term Expenditure Framework
NARIGP	National Agricultural and Rural Inclusive Growth Project
PE	Personnel Emoluments

PFMA 2012	Public Financial management Act 2012
PO	Producer Organization
PSM	Public service management
PWD	Persons Living with Disability
SGR	Standard Gauge Railway
SPs	Service Providers
SRC	Salaries and Remuneration Commission
TCB	Tissue Culture Banana
THSUSP	Transforming Health systems for Universal care project
VCO	Value Chain Organization
VMGs	Vulnerable and Marginalized Groups
VTC	Vocational Training Centre

Executive Summary

The CBROP provides a review of the fiscal performance for the financial year 2021/2022, updated national macroeconomic and fiscal forecast which inform the county fiscal framework, deviations from the CFSP 2022 and indicative sector ceilings for the 2023/24 budget and the medium term. The indicative Ceilings and fiscal outlook provided herein will be firmed in the CFSP 2023.

The fiscal performance in the 2021/2022 financial year was fairly satisfactory considering the prevailing macro-economic environment in the post Coved period. The County in its budget for FY 2021/2022 projected a revenue target of Ksh. **9,305,304,756.00**. This was to be realized from Equitable Share, Own Source Revenue (OSR), Conditional grants from National government and Development Partners; and Unspent balances from previous year. In this period, the total cumulative revenue realized amounted to Ksh. **8,193,666,137.00** translating to an achievement rate of 89 percent. The Ksh. **1,111,638,619.00** shortfall in revenue resulted from underperformance in own source revenue and transfers from National government by Kshs. **149,508,895.00** and Ksh. **962,129,724.00** respectively.

The total actual expenditure for both development and recurrent in 2021/2022 financial year was Ksh. **7,893,004,260.70** against an approved budget of Ksh. **9,305,304,756** depicting a variance of Ksh. **1,412,300,496** in budget absorption. This is equivalent to an absorption rate of 84.8% of the total approved budget.

The County approved budget for FY 2020/2021 complied with the fiscal responsibility principles as outlined in the PFM Act 2012. The Development Budget of Ksh. 4,050, 874,800 which is 43.5 % of the total budget of Ksh. Ksh. **9,305,304,756** in the FY 2021/22 is over and above the minimum requirement of 30%.

The personnel emoluments expenditure of Ksh **3,155,295,817** is 34% of the approved budget and is within the maximum required of 35% of the county revenue. An analysis of the county wage bill trend over the years from the year 2013/2014 reveals that the average Annual wage bill is approximately 53% of the Recurrent Budget implying that personnel emoluments accounts for more than half of the Recurrent budget. The wage bill as a proportion of the total budget was highest in FY 2017/2018 at 40 percent of the total budget.

This C-BROP has been prepared against a background of global economic slowdown reflecting the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures in China; higher-than-expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial conditions. As a result, the IMF global growth is projected to slow down to 3.2 percent in 2022 from 6.1 percent in 2021 (WEO July 2022). Advanced economies are projected to slow down to 2.5 percent in 2022

from 5.2 percent in 2021 reflecting weaker-than-expected growth in the United States and the Euro area. Growth in the United States slowed down due to significantly less momentum in private consumption while the slowdown in growth in the euro area reflected spill overs from the war in Ukraine as well as the assumption of tighter financial conditions. For emerging market and developing economies, growth is also projected to slow down to 3.6 percent in 2022 from 6.8 percent in 2021 reflecting mainly the sharp slowdown of China's economy and the moderation in India's economic growth. In sub-Saharan Africa region, growth is projected to slow down by 3.8 percent in 2022 from a growth of 4.6 percent in 2021. The slowdown is as a result of domestic price pressures, partly induced by supply disruptions owing to the war in Ukraine reducing food affordability, and real incomes as well as surging fuel prices across the region.

The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020 (Figure 6). This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.

Trans Nzoia outlook over the medium-term period will largely be informed by the developments at the national level and prevailing macro-economic trends in the county. The positive outlook of national macro-economic indicators will impact positively to the county outlook.

The post Covid period has seen sustained economic recovery due to improvement in county business environment. The county economy is majorly Agro-based and the favourable weather conditions experienced over time will contribute to adequate production from the sector.

The Revenue performance in the first quarter 2022/2023 has been unsatisfactory as only 23% of the total expected revenue for the year has been realized. Out of this, the proportion of OSR and equitable share realized is 11 percent and 17 percent respectively. The remaining proportion is unspent balance. **Ksh. 101,696,395** million against the targeted of **Ksh 625,500,000** billion for the financial year which translates to 16.3% performance. The total revenue realized for the Quarter including unspent balance carried forward was Ksh. **2,162,472,621** against an approved Annual target of **Kshs. 9,253,170,349**.

Budget performance in the first Quarter has been inadequate due to the late commencement of the execution of the Annual Budget and the delay in the transfers from the National Government. The actual total expenditure for the quarter is **Ksh. 941,354,987** against a projected expenditure of Ksh. **2,170,910,507**. The expenditure recorded is for recurrent vote with nil expenditure being recorded for the development vote. The greater proportion of the recurrent expenditure comprises personnel emoluments which accounts for **78.6 percent** while **21.4 percent** of the

recurrent expenditure has been incurred under operations and maintenance. The amount expended translates to 43 per cent of the projected quarterly expenditure and 10 percent of the **Kshs. 8,683,642,026** projected expenditures for the financial year 2022/23.

The risks to the outlook include:

- Public expenditure pressures particularly on wages
- Policy changes
- High stock of pending Bills
- Underperformance in Own Source Revenue
- Inflationary shocks

The total approved revenue for FY 2022/2023 is Ksh **8,683,642,026** out of which transfers from the National Government (equitable share and grants) are amounting to Kshs. **8,054,142,026** comprising of equitable share and grants of Kshs. **7,186,157,670** and Ksh. **867,984,356** respectively. The approved own source revenue is kshs **629,500,000**.

The total approved revenue for FY 2022/2023 is **Ksh 8,683,642,026** out of which transfers from the national government (equitable share and grants) are amounting to Kshs. 8,054,142,026 and approved own source revenue of Kshs. **629,500,000.00**. The projected revenue for financial year 2023/2024 is Kshs. **8,206,440,554.00** comprising of Kshs. **7,545,465,554.00** and Kshs. **660,975,000.00** for equitable share and own source revenue respectively. This projected revenue is expected to increase progressively over the medium term from Ksh. **8,206,440,554 in FY. 2023/24** to Kshs.**9, 047,600,711**

Based on the projected OSR and Equitable share revenue, the in the financial year 2023/2024 expenditure is forecast at Ksh. **8,206,440,554** billion out of which the recurrent expenditure will be **Ksh. 5,022,460,647** billion against a development expenditure of **Ksh. 3,183,979,907 billion**. This expenditure is projected to rise to Ksh. **9,047,600,711** at the end of the MTEF period in 2025/2026. These projected expenditure ceilings will be firmed up in the upcoming CFSP based on the BPS and CARA bill.

The Medium Term expenditure period 2023/24-2025/26 will be informed by the Government goal to implement its transformative agenda aimed at revamping the county economy in the post COVID period and drive the County towards an inclusive growth in line with the theme of the 3rd generation CIDP 2023-2027 “**Socio-economic Transformation for inclusive and accelerated growth**”.

Legal Basis for the Publication of the Budget Review and Outlook Paper

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

- 1) The County Treasury Shall Prepare and Submit to the County Executive Committee for approval by 30th September in each year, a County Budget Review and Outlook Paper, which shall include:
 - (a) An analysis of actual fiscal performance in the previous year compared to the Budget appropriation for that year;
 - (b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Plan;
 - (c) Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or financial objectives in the latest CFSP; and
 - (d) The 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.
- 2) The County Executive Committee shall consider the CBROP with a view to approving it with or without amendments, within fourteen days (14) after its submission.
- 3) Not later than Seven days (7) after the CBROP has been approved by the County Executive Committee (CEC), the County Treasury shall: -
 - (a) Submit the Paper to the County Assembly; and
 - (b) Publish and publicize the Paper not later than fifteen days after laying the paper before the county assembly.

Fiscal Responsibility Principles in the Public Financial Management Law.

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the Management of Public resources. Section 107 of the Act states that: -

- (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 per cent of the County government's budget shall be allocated to the development expenditure.
- (c) The county government's expenditure on personnel emoluments shall not exceed a percentage of the county government's total revenue as prescribed by the County Committee Executive Member for Finance in regulations 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 recurrent expenditure.
- (e) The county debt shall be maintained at a sustainable level.
- (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.
- (h) For the purpose of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.

SECTION ONE

1. Introduction

The County Budget Review and Outlook Paper (CBROP) is a key legal document linking County policies, County plans and budget. The CBROP provides the County Government with the basis upon which to re-prioritize project portfolio as contained in the County Integrated Development Plan (CIDP) and other Development plans as guided by the indicative sector budget ceiling provided by the CFSP while taking into account the macro-economic environment and emerging county specific development needs.

In line with the PFM Act, this CBROP contains a review of the fiscal performance for the financial year 2021/2022, updated national macroeconomic and fiscal forecast which informs the county fiscal framework, deviations from the CFSP 2022 and indicative sector ceilings for the 2023/24 budget and the medium term. The indicative Ceilings thus provided will set in motion the budget preparation process for the Fiscal Year 2023/24. These indicative sector ceilings and fiscal outlook will be firmed in the County Fiscal Strategy Paper (CFSP) 2023.

The 2022 CBROP is set out at a time of economic contraction due a myriad factor such as effects of post-COVID-19 pandemic, post electioneering season, global inflationary situation due to Ukraine – Russia conflict crisis and other exigency macroeconomic conditions.

1.1. Objectives of the CBROP

The objectives of the CBROP are anchored in the legal provisions of the PFM Act, section 118 and it provides a review of the previous fiscal performance, how it impacts on the financial objectives and fiscal responsibilities to be set out in the subsequent CFSP. On considering the macroeconomic outlook, a basis for revising the current budget in the context of the broad fiscal parameters underpinning the next budget and medium term is realized. Details of the fiscal framework and the medium-term policy priorities are firmed up in the CFSP 2023.

Specifically, CBROP provides:

- Review of the previous fiscal year in terms of revenue and expenditure performance across the County Departments, i.e. FY 2021/2022.
- An analysis of the prevailing macro-economic conditions and their impact to the subsequent financial years.
- Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent CFSP. Addressed in 1st quarter FY 2022/2023.
- Indication on how actual financial performance financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for the financial year.
- Reasons for any deviations from the financial objectives in the CFSP together with proposed measures to address the deviation.

This CBROP aims at examining the attainment of the economic priorities and strategic intervention areas set out in CFSP 2022 and in the realization of the 2nd generation County

Integrated Development Plan (CIDP) as is brought to conclusion and capture what the 3rd generation CIDP 2023-2027 proposes in the inception as well as the Governor’s manifesto. In attaining this, the paper focuses on the observing the fiscal responsibility principles as per section 107 of the PFM Act 2012. In broader terms, the updated macro-economic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper will provide an indicative sector expenditure projection for the FY 2023/2024 Budget and in the medium term to guide Sector Working Groups (SWGs). This will be firmed up in the CSFP 2023.

1.2. Organization of Report

This report has been presented in four Sections, namely;

- Section one provides Background information on CBROP, introduction and objectives of the CBROP;
- Section two provides a review of the fiscal performance in FY 2021/22 and its effects on the financial objectives set out in the CFSP 2022;
- Section three provides brief highlights of the recent economic developments and updated macroeconomic outlook;
- Section four provides the 2023/24-2025/26 MTEF Resource allocation framework and the conclusion.

SECTION TWO

2. REVIEW OF FISCAL PERFORMANCE IN FY 2021/2022

2.0 Overview

The fiscal performance in the 2021/2022 financial year was fairly satisfactory considering the prevailing macro-economic environment in the post Covid period. The County in its budget for FY 2021/2022 projected a revenue target of Ksh. **9,305,304,756.00**. This was to be realized from Equitable Share, Own Source Revenue (OSR), Conditional grants from National government and Development Partners; and Unspent balances from previous year. In this period, the total cumulative revenue realized amounted to Ksh. **8,193,666,137.00** translating to an achievement rate of 89 percent. The Ksh. **1,111,638,619.00** shortfall in revenue resulted from underperformance in own source revenue and transfers from National government by Kshs. **149,508,895** and **Ksh. 962,129,724** respectively.

The total actual expenditure for both development and recurrent in 2021/2022 financial year was Ksh. **7,893,004,260.70** against an approved budget of Ksh. **9,305,304,756** depicting a variance of Ksh. **1,412,300,496** in budget absorption. This is equivalent to an absorption rate of 84.8% of the total approved budget.

2.1. 2021/2022 Fiscal Performance

2.1.1. Revenue Performance;

The total actual revenue realized in the financial year 2021/2022 was Ksh. **8,193,666,137.00** against a target of **Ksh. 9,305,304,756.00**, hence translating to 88% of the total anticipated revenue. The total revenue comprises of local revenues, exchequer allocations and grants from the national Treasury and other development partners.

Compared to the previous FY 2020/2021 in which the total revenue realized was **Ksh. 8,189,154,059.00** there is a noticeable growth in total revenue by 0.055% despite achieving 72 % of OSR compared to the previous year in which 68% was achieved. The slight increase in the total revenue is attributed to the slight increase in the OSR in comparison with the previous year. Otherwise, there was a decline of realizable other revenues as 92% and 47% of equitable share and total conditional grants respectively being achieved. The unspent balance of Ksh. **864,662,730.00** was received and it reflected a lower figure compared to previous year of Ksh. **1,122,020,899.00** but received Ksh. **1,227,822,976.00**. On further analysis, the financial year 2021/2022 recorded a decrease in its budgeted conditional grants target to Kshs. **724,984,356.00** as compared to Kshs. **1,020,086,969.00** representing 28.9%. Of these conditional grants, the county realized Kshs. **337,747,244.00**. This comprised of NARIGP Ksh. **211,052,879.00**, DANIDA Kshs. **6,381,375.00**, ASDSP Kshs. **14,510,913.00** and KDSP II Kshs. **105,802,077.00**.

This represented 71%, 50%, 60.4% and 100% respectively of the targets. No receipts from Leasing of Medical Equipment, THUSP and KSIP II. The under performance in the targeted revenue from National government sources for FY 2021/22 are attributable to the impact of Covid-19 and stringent donor conditions in meeting performance requirements for the disbursement of some of the conditional grants such as KDSP, ASDSP, NARIGP and THSCUP.

The unspent balances were realized 100% as projected.

Tables 1 and 2 provide comprehensive analysis of the performance of total county revenue for the financial year 2021/2022.

Table 1: Trend in Growth of Equitable share

Exchequer Receipts Trend	Allocation	Growth	Percentage Growth
2013/2014	3,356,022,973	3,356,022,973	100%
2014/2015	4,013,445,218	657,422,245	16%
2015/2016	5,099,612,701	1,086,167,483	21%
2016/2017	5,502,547,171	402,934,470	7%
2017/2018	5,647,400,000	144,852,829	3%
2018/2019	5,620,600,000	(26,800,000)	0%
2019/2020	5,264,914,200	(355,685,800)	-7%
2020/2021	5,760,300,000	495,385,800	9%
2021/2022	7,186,157,670	1,425,857,670	25%
2022-2023 (Target	7,186,157,670	0	0
2023/2024 (CBROP 2022 projected Growth)	7,545,465,554	359,307,884	5%

Table 2: Approved and Actual Revenue Realized by Source for FY 2021/2022 in Ksh.

No	REVENUE STREAM	ACTUAL REVENUE 2020/2021 BASELINE	ANNUAL TARGATED REVENUE 2021/22 (Kshs.)	ACTUAL REVENUE 2021/22 (Kshs.)	VARIANCE (Kshs.)	ANNUAL GROWTH	% ANNUAL GROWTH	% ACHIEVED	% TOTAL REVENUE
		A	B	C	D=C-B	E= C-A	F=E/A*100	G=C/B*100	C/Total Revenue 2020/2021 *100
1	Equitable Share	5,760,300,000	7,186,157,670	6,611,265,058	(574,892,612)	850,965,058	15%	92%	80.7%
2	Local Sources	340,453,746	529,500,000	379,991,105	(149,508,895)	39,537,359	12%	71.8%	4.6%
3	KUSP UDG	162,657,959	0	0	0	(162,657,959)	-100%	0%	0%
4	KDSP (WB) Level I	75,000,000	0	0	0	(75,000,000)	-100%	0%	0%
5	KDSP (WB) Level II	0	105,802,077	105,802,077	0	105,802,077	100%	100%	1.3%
6	NARIGP	194,364,673	298,658,950	211,052,879	(87,606,071)	16,688,206	5.6%	70.7%	2.6%
7	DANIDA	22,645,000	12,762,750	6,381,375	(6,381,375)	(16,263,625)	-71.8%	50%	0.8%
8	ASDSP II	13,013,357	24,025,084	14,510,913	(9,514,171)	1,497,556	11.5%	60.4%	0.18%
9	THSUCP	42,938,992	0	0	0	(42,938,992)	-100%	0%	0%
10	User Fee Foregone	21,304,915	0	0	0	(21,304,915)	-100%	0%	0%
11	KISIP II	0	50,000,000	0	(50,000,000)	0	0%	0%	0%
12	Road Maintenance Fuel Levy	254,383,730	0	0	0	(254,383,730)	-100%	0%	0%
13	Rehabilitation of Village Polytechnics	74,768,711	0	0	0	(74,768,711)	-100%	0%	0%
14	KUSP - Urban Support Grant (UDG)	358,702,349	0	0	0	(358,702,349)	-100%	0%	0%
15	KUSP - Urban Support Grant (UIG)	11,762,990	0	0	0	(11,762,990)	-100%	0%	0%
16	KDSP(WB) Level 2 grants	201,068,837	0	0	0	(201,068,837)	-100%	0%	0%
17	Transforming Health Systems for Universal Care	0	80,437,623	0	(80,437,623)	0	0%	0%	0%
18	Leasing of Medical Equipment	0	153,297,872.	0	(153,297,872)	0	0%	0%	0%
19	Unspent Balances	495,385,800	489,625,500	489,625,500	0	(5,760,300)	-1.2%	100%	6%

	(equitable share)								
20	COVID-19 Grant National Govt	160,903,000	0	0	0	-160,903,000	-100%	0%	0%
21	Unspent Balances (KDSP II)	0	140,266,760	140,266,760	0	140,266,760	100%	100%	1.7%
22	Unspent Balances (User fees foregone)	0	21,304,915	21,304,915	0	21,304,915	100%	100%	0.26%
23	Unspent Balances (Transforming Health Systems for Universal Care)	0	21,718,242	21,718,242	0	21,718,242	100%	100%	0.27%
24	Unspent Balances (Rehabilitation of Village Polytechnic)	0	21,954,947	21,954,947	0	21,954,947	100%	100%	0.29%
25	Unspent Balances (KUSP-UDG)	0	162,657,959	162,657,959	0	162,657,959	100%	100%	2.0%
26	Unspent Balances (ASDSP II)	0	7,134,407	7,134,407	0	7,134,407	100%	100%	0.09%
Total		8,189,654,059	9,305,304,756	8,193,666,137	(1,111,638,619)	4,012,078	0.05%	88%	100%

Source: County Treasury 2021/2022

Table 3: Summary of revenue Receipts by Source FY 2021/22

REVENUE SOURCE	TARGETED REVENUE	ACTUAL REVENUE	ACTUAL AS % OF TOTAL RECEIPT
CRA Equitable share	7,186,157,670	6,611,265,058	81%
Unspent Balance - equitable Share/Grants	864,662,730	864,662,730	11%
Conditional Grants	724,984,356	337,747,244	4%
Local sources (OSR)	529,500,000	379,991,105	5%
Total	9,305,304,756	8,193,666,137	100%

Source: County Treasury 2021/2022

Figure 1: County Receipts by source FY 2021/22

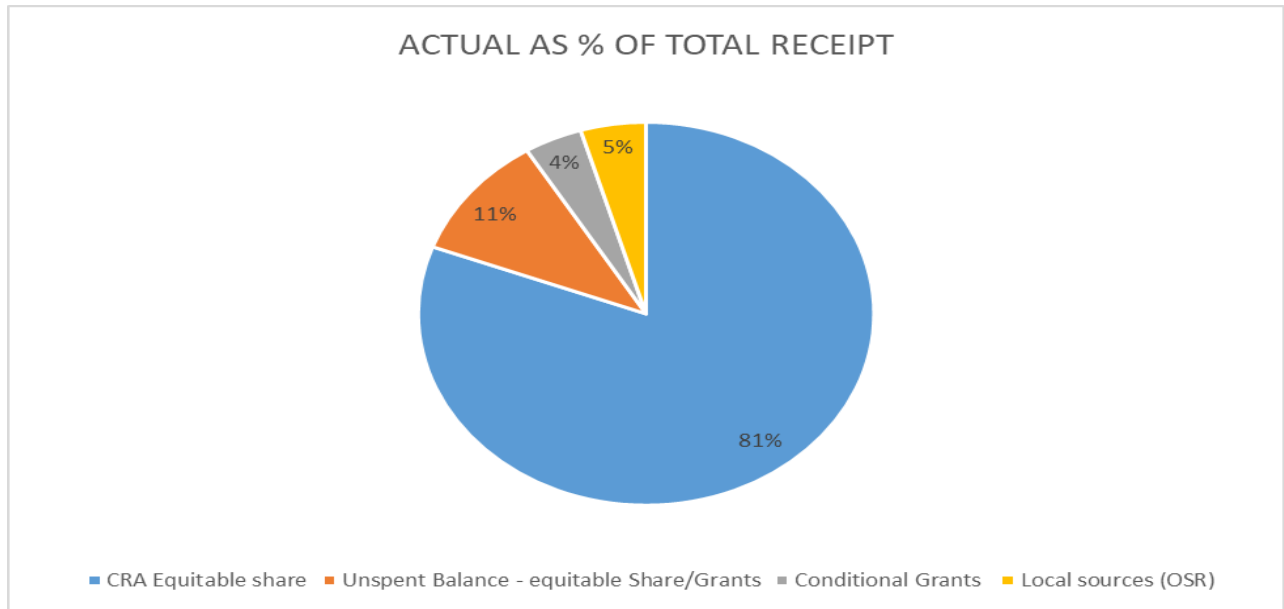


Figure 2: County Receipts Actual vs. Target FY 2021/22

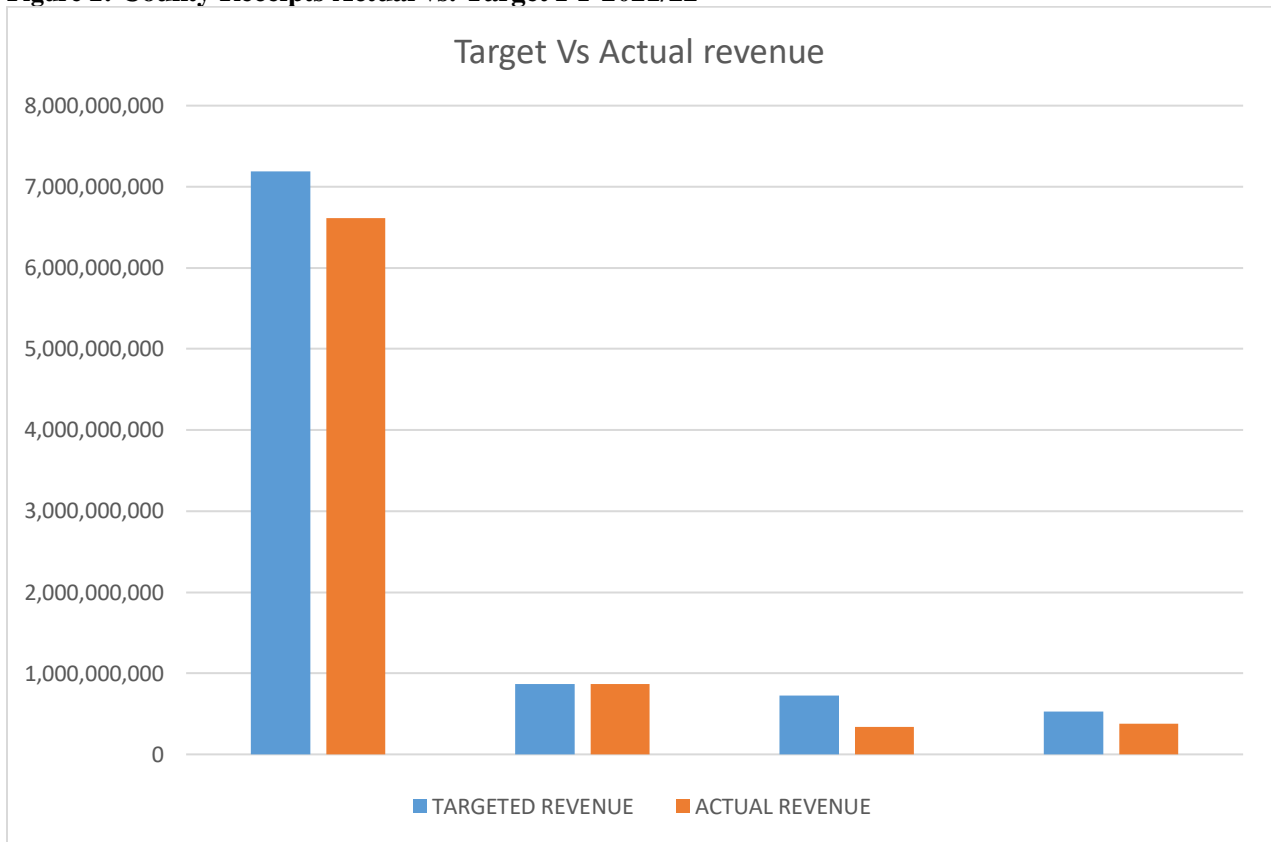


Table 3 provides a detailed analysis of own source revenue (OSR) performance by sector and source of revenue for FY 2021/22 with the comparison of actual realized revenue for FY 2021/2022

SECTOR AND REVENUE SOURCE	ACTUAL 2020/2021	TARGET 2021/2022	ACTUAL 2021/2022	VARIANCE	ANNUAL GROWTH	% Annual Growth	% Achievement
	A	B	C	D= C-B	E=C-A	F=E/A*100	C/B*100
AGRICULTURE, LIVESTOCK AND FISHERIES							
Agricultural mechanization services	711,030	4,000,000	126,800	(3,873,200)	(584,230)	-82	3
Hire/lease of county agricultural land	0	300,000	0	(300,000.00)	-	0	0
Audit of co-operative societies	297,440	250,000	368,289	118,289.00	70,849.00	24	147
Coffee movement permits	383,060	300,000	198,300	(101,700.00)	(184,760.00)	-48.	66.
Livestock auction fees	55,980	1,000,000	281,400	(718,600.00)	225,420.00	403	28.
Sale of tree seedlings/Nursery fruit trees	81,600	200,000	0	(200,000.00)	(81,600.00)	-100	0
Slaughter house operation fees	353,772	1,500,000	508,550	(991,450.00)	154,778.00	44	34
Meat inspection	1,303,400	1,500,000	722,065	(777,935.00)	(424,289.00)	-45	48
Hides and skins license	0	500,000	0	(500,000.00)	(21,000.00)	0	0
A.I. services	0	300,000	0	(300,000.00)	(35,000.00)	0	0
Livestock movement permits	0	500,000	0	(500,000.00)	(51,246.00)	0	0
Certificate of transport (COT)	0	200,000	0	(200,000.00)	(29,800.00)	0	0
Licensing of Meat containers	0	0	0	0	(15,000.00)	-0	0
Lab services	0	100,000	0	(100,000.00)	(5,000.00)	0	0
Sector Total	3,186,282	10,650,000	2,205,404	(8,444,596)	(980,878.00)	-31	21
TRADE, COMMERCE AND INDUSTRY							
Open air markets	12,836,745	16,450,000	11,174,250	(5,275,750)	(1,662,495)	-13	68
Market stalls, Bandas and Enclosed Markets	1,065,101	7,000,000	3,153,150	(3,846,850)	2,088,049.00	196	45
Weight and measures fees	920,040	1,500,000	302,510	(1,197,490)	(617,530.00)	-67	20
Liquor fees	2,345,500	20,000,000	6,676,000	(13,324,000)	4,330,500.00	185	33
Sector Total	17,167,386	44,950,000	21,305,910	(23,644,090)	4,138,524.00	24	47
WATER, ENVIRONMENT AND NATURAL RESOURCES							
Refuse collection and conservancy	3,087,386	4,000,000	4,770,902	770,902	1,683,516.00	55	119.
Hydrological investigation and drilling of boreholes	0	2,000,000	0	(2,000,000)	0	0	0
Lease fee of water facility	0	0	0	0	0	0	0
Licensing of water service providers	0	0	0	0	0	0	0

Use of county dumpsite	12,000	0	0	0	(12,000)	0	0
Tree harvesting permit (farm trees)	405,500	500,000	344,600	(155,400)	(60,900)	-15	69
Licensing of extractive resources	0	2,000,000	0	(2,000,000)	0	0	0
Noise control permit	66,000	1,000,000	83,500	(916,500)	17,500	27	8
Nuisance abatement fees	0	100,000	0	(100,000)	0	0	0
Sector Total	3,570,886	9,600,000	5,199,002	(4,388,998)	1,628,116	46	54
WORKS, TRANSPORT AND INFRASTRUCTURE							
Hire of construction machinery	0	5,000,000	0	(5,000,000)	0	0	0
Fire inspection/ compliance certificates	1,253,500	3,000,000	4,305,755	1,305,755	3,052,255	244	144
Way leave charges i.e. cutting, trenching and installation of fibre cables/water pipes	0	500,000	0	(500,000)	0	0	0
Pole rates i.e. kplc and telecom poles	0	0	0	0	0	0	0
Sector Total	1,253,500	8,500,000	4,305,755	(4,194,245)	3,052,255	244	51
HEALTH							
Income from health (medical and public health)	142,869,461	200,000,000	189,633,578	(10,366,422)	46,764,117	33	95
Cemetery charges	65,000	200,000	26,000	(174,000)	(39,000)	-60	13
Toilet fees	431,150	900,000	1,087,190	187,190.00	656,040	152	121
Sector Total	143,365,611	201,100,000	190,746,768	(10,353,232)	47,381,157	33	95
PHYSICAL PLANNING, LANDS AND HOUSING							
Approval of development applications	3,544,362	6,000,000	4,730,156	(1,269,844)	1,185,794	34	79
House Rent	0	1,000,000	0	(1,000,000)	(219,720)	-100	0
Plot subdivision and transfer of plots	219,720	1,000,000	0	(1,000,000)	0	0	0
Survey fees	323,000	1,000,000	115,000	(885,000.00)	(208,000)	-64	12
Temporary occupation license (TOL)	86,250	100,000	0	(100,000.00)	(86,250)	-100	0
Outdoor advertisement charges	8,436,220	15,000,000	12,074,840	(2,925,160)	3,638,620	43	81
Sector Total	12,609,552	24,100,000	16,919,996	(7,180,004)	4,310,444	34	70
GENDER, YOUTH, SPORTS, CULTURE AND							

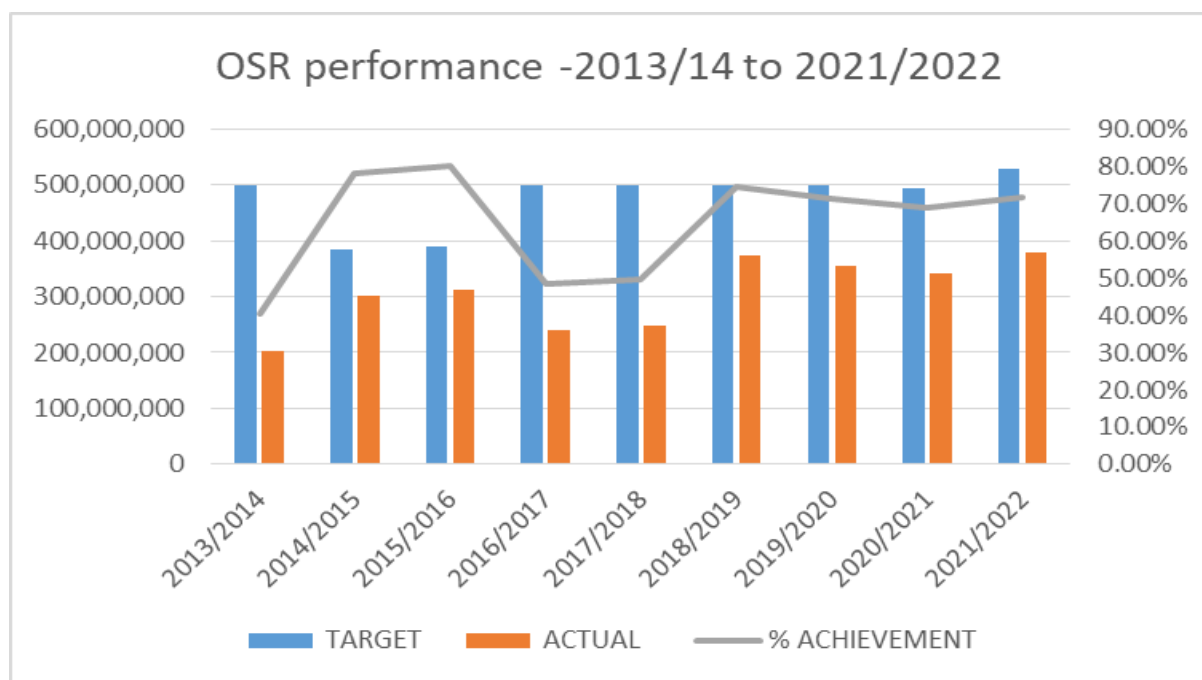
TOURISM							
Hire of county stadium	6,000	0	103,000	103,000.00	97,000	1617	0
Hire of social hall	0	0	51,000	51,000.00	51,000	0	0
Hire of county sports bus	0	0	0	0	0	0	0
Registration/renewal of welfare groups/sports clubs and performing artists	0	200,000	0	(200,000)	0	0	0
Dividend income i.e. Mt. Elgon Lodge	0	0	0	0	0	0	0
Licensing of private parks	0	0	0	0	0	0	0
Hire of county seats /tents	0	0	0	0	0	0	0
Sector Total	6,000	200,000	154,000	(46,000.00)	148,000	2467	77
EDUCATION							
Registration of ECD schools	0	0	0	0		0	0
Hire of county brick-making machines	0	100,000	0	(100,000.00)	0	0	0
Sector Total	0	100,000	0	(100,000.00)	0	0	0
FINANCE AND ECONOMIC PLANNING							
Cess	23,027,149	35,000,000	6,616,912	(28,383,088)	(16,410,237)	-71	19
Land rates (current, arrears and penalties)	33,362,282	45,000,000	21,787,048	(23,212,952)	(11,575,234)	-34	48
Single business permit (current, arrears and penalties)	61,083,374	70,000,000	48,746,015	(21,253,985)	(12,337,359)	-20.	70
Street parking (daily, seasonal Parking and clamping)	13,197,998	20,000,000	22,359,110	2,359,110.00	9,161,112.00	69.	112
Enclosed bus park fees (daily and seasonal)	25,506,450	45,000,000	34,764,700	(10,235,300)	9,258,250.00	36	77
Motor bike fees (daily and seasonal)	3,008,281	15,000,000	4,789,662	(10,210,338)	1,781,381.00	59.	32
Amusement permits	108,995	300,000	0	(300,000.00)	(108,995.00)	-100	0
Miscellaneous	0	0	90,823	90,823.00	90,823.00	0	0
Sector Total	159,294,529	230,300,000	139,154,270	(91,145,730)	(20,140,259)	-13	60
Grand Total	340,453,746	529,500,000	379,991,105	(149,508,895)	39,537,359.00	12	72

Table 4: Analysis of Own Source Revenue by Sector
Source: County Treasury FY2021/2022

FINANCIAL YEAR	TARGET	ACTUAL	% ACHIEVEMENT
2013/2014	500,000,000	202,266,615	40.5%
2014/2015	385,000,000	301,267,105	78.3%
2015/2016	389,026,513	311,586,973	80.1%
2016/2017	500,000,000	241,193,609	48.2%
2017/2018	500,000,000	248,724,083	49.7%
2018/2019	500,000,000	372,555,742	74.5%
2019/2020	500,000,000	356,077,068	71.2%
2020/2021	493,799,500	340,453,746	69%
2021/2022	529,500,000	379,991,105	72%
Total	4,297,326,013	2,754,116,046	64.1%

Table 5: Analysis of Local Revenue Performance from 2013/14 to 2021/2022

Figure 3: Local Revenue Performance from 2013/14-2021/22



As illustrated in Table 2, the local revenue realized was ksh. **379,991,105** against a target OSR revenue of **Kshs. 529,500,000**. It means 71.8% of target OSR was achieved missing on Kshs. **149,508.895.00**.

An analysis of OSR against each revenue stream indicates that the major contributor is income from the health sector at Kshs. 190.7 Million with an improved performance than the previous year of Kshs. 142.8 million, an increment of 33.5%. The income from the health sector accounts for 50.2% of the total own source revenue collected but it was 95% of the health revenue target. Improved medical supplies, Linda Mama (NHIF) program, enhanced revenue collections and resumption of hospital care visit among others are attributed to a better performance in this stream than previously. However, much like operationalization of Facility Improvement Fund (FIF) Bill, establishment of Hospital Boards, Increased supplies (drugs and non-pharmaceuticals), fully roll out automation to level three facilities etc. are areas to be considered for further increment and sustainability of the department's revenue.

The next well performed departments in terms of revenue as per the realized target are Gender, Lands/Physical Planning, Finance, Water/Environment and Works performed 77%, 70.2%, 61% 54%, 51% respectively. These were above 50% their budget targets. Departments that performed dismally were education, Agriculture/Livestock and Trade in that order.

Analysis within the streams revealed differing capacity to contribution within the departments. Some streams performed exemplary well but on averaging, the departments' contribution is poor and an analysis of the percentage achievement of the revenue sources illustrate that most of the revenue sources performed below average of the targeted revenue with only audit of cooperatives_147%; Fire Inspection/Compliance Certificates_144%; Toilet Fees_121%; Refuse Collections & Conservancy_119 %; Street Parking_112%; Income from health_95%; Enclosed parking_77% and Coffee Movement permits_66%, approval of development plans_79% and Open air Market _68%.

Some revenue streams such as Hide and skins License, A.I services, livestock movements' permits, Licensing of meat containers etc. did not realize revenue in the year under review as well as previous year.

On the other hand, there was a significant increase in the amount of revenue generated from some streams such Livestock auction fees; market stalls/Bandas and enclosed markets; Liquor license; Fire Inspection; Toilet fees and street parking recording 403%, 82%, 196%, 185%, 244%, 152%, and 69% respectively. Other streams showed poor performance by a reduction in comparison from the FY 2020-2021. These include Agricultural mechanization services; Sale of tree seedlings; Weight and measures; temporary occupational license; Cess; Amusement permits; House rent; Cemetery charges posting -82%, -100%, -67%, -100%, -71%, -100% and -60% respectively.

The under performance in OSR revenue collection is attributed to;

- Inadequate mapping and review of revenue streams.
- Inadequate personnel and lack of capacity building in the Revenue directorate.
- Inadequate means of transport for revenue collection, monitoring and enforcement i.e. utility vehicles.
- Lack of updated valuation
- General tax evasion by the public.
- Weak enforcement and compliance mechanisms.
- Inadequate staff and capacity building challenges.

Going forward, the county has proposed a raft of strategies to correct the situation including;

- Development of valuation roll
- Scaling up of revenue automation to cover other sources;
- Updating database of potential revenue streams i.e. expansion of revenue streams to cover untapped sources and review of feasibility of revenue streams.
- public sensitization
- Enhance revenue enforcement and monitoring.
- Provision of transport for the Revenue section.
- Fast track the enactment and implementation of relevant Revenue Legislation and policies.
- Succession management through staff recruitment and confirmation of temporary employees.
- Continuous capacity building of revenue personnel.
- Providing adequate resources to address administrative challenges.

2.1.2. Expenditure Performance

The total approved Budget for financial year 2021/2022 was Ksh. **9,305,304,756.00** out of which Ksh. **5,254,429,956** and **Ksh. 4,050,874,800** were for recurrent and development expenditures respectively. The total actual expenditure for recurrent and development was **Ksh. 7,861,689,641** resulting to an under expenditure of **Ksh. 1,443,615,115** and 82.49% budget absorption rate.

The actual recurrent expenditure was **Ksh. 5,202,816,530** against an approved expenditure of **Ksh. 5,254,429,956**. This represents an under expenditure of **Ksh 51,613,426**. On the other hand, the actual development expenditure was Ksh. **2,658,873,111** against an approved expenditure of Ksh **4,050,874,800**, thus development expenditure underperformed by **Ksh. 1,392,001,689** in the period under review.

Table 5 provides a summary of the expenditure performance by vote during the year under review.

Table 6: Expenditure Performance by Vote for FY 2021/2022

Vote	APPROVED 2020/2021	ACTUAL 2020/2021	APPROVED BUDGET FY 2021/22	ACTUAL EXPENDITURE 2021/22	Variance	Actual Expenditure FY 2021/22 as % of Approved
Recurrent	4,908,121,634	4,346,516,494	5,254,429,956	5,202,816,530	51,613,426	99
Development	3,488,085,734	2,605,570,933	4,050,874,800	2,658,873,111	1,392,001,689	66
Total Expenditure	8,396,207,3682	6,952,087,427	9,305,304,756	7,861,689,641	1,443,615,115	84,49

Source: County Treasury FY2021/2022

As shown in table 6, the recurrent vote recorded an absorption rate of 99.02 percent of the approved budget as compared to 89 per cent in the previous period 2020/2021. On the other hand, the development vote recorded an absorption rate of 65.64 percent compared to 75 percent in the previous FY 2020/2021. Overall, the total budget execution was 84.49 per cent for the period of FY 2021/2022.

Analysis of Sector recurrent Expenditure Performance

Table 7: Analysis of recurrent Expenditure by sector for FY 2021/22

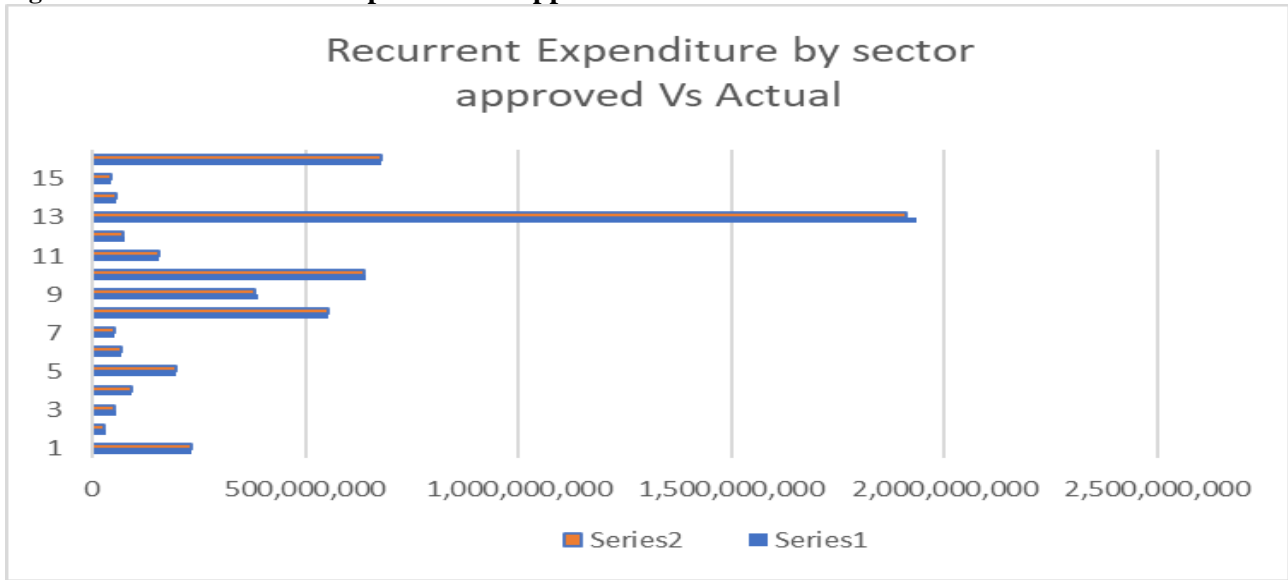
SECTOR	APPROVED BUDGET	ACTUAL BUDGET	VARIANCE	ABSORPTION RATE %
Agriculture	233,923,271	233,873,271	50,000	99.9
Livestock	29,950,000	28,900,197	1,049,803	96.5
Trade, Commerce and Industry	53,562,520	50,148,841	3,413,679	93.6
Water, Environment and Natural Resources	92,979,824	92,118,610	861,214	99.0
Public Works, Roads and Infrastructure	196,033,479	194,313,396	1,720,083	99.1
Lands, Housing and Urban Planning	67,696,943	67,646,943	50,000	99.9
Gender, Sports, Culture and Tourism	51,302,062	50,248,562	1,053,500	97.9
Public Service Management	552,615,710	551,667,016	948,694	99.8
Education and ICT	389,473,951	379,105,562	10,368,389	97.3
Finance	640,486,875	639,330,457	1,156,418	99.8
Governance	157,502,719	155,348,055	2,154,664	98.6
County Public Service Board	76,846,170	73,057,773	3,788,397	95.0
Health Corporate	1,933,561,106	1,912,253,794	21,307,312	98.9
Economic Planning	56,694,733	55,554,644	1,140,089	97.9
Municipality Board of Kitale	45,150,000	42,598,816	2,551,184	94.3
County Assembly	676,650,593	676,650,593	0	100
TOTAL	5,254,429,956	5,202,816,530	51,613,426	99.0

Source: Financial Statements 2021/2022

An analysis of the department expenditure for recurrent budget reveals that Lands, Housing and Urban Planning, Agriculture, Water Environment and Natural resources, Public Works and Roads, and Finance absorbed 99 per cent above the approved budget. On average, the recurrent

expenditure was absorbed at 99.02%. An illustration of the budget absorption by the various sectors is summarized in figure 4.

Figure 4: Sector Recurrent expenditure –Approved vs. Actual FY 2021/2022



Analysis of Development Expenditure by Sector

The analysis of sector performance for the development expenditure for the financial year 2021/2022 is illustrated in table 7.

Table 8: Analysis of Development Expenditure by sector for FY 2021/22

SECTOR	APPROVED BUDGET	ACTUAL BUDGET	VARIANCE	ABSORPTION RATE %
Agriculture	455,373,957	301,293,017.00	154,080,940.00	66.2
Livestock	45,304,179	35,512,995.00	9,791,184.00	78.4
Trade, Commerce and Industry	320,257,025	122,380,970.00	197,876,055.00	38.2
Water, Environment and Natural Resources	168,011,498	165,489,553.00	2,521,945.00	98.5
Public Works, Roads and Infrastructure	233,497,311	230,517,665.00	2,979,646.00	98.7
Lands, Housing and Urban Planning	69,033,340	10,344,578.00	58,688,762.00	15.0
Gender, Sports, Culture and Tourism	87,585,780	84,676,275.00	2,909,505.00	96.7
Public Service Management	259,568,837	254,489,824.00	5,079,013.00	98.0
Education and ICT	67,970,110	44,039,328.00	23,930,782.00	64.8
Finance	601,165,546	597,448,337.00	3,717,209.00	99.4
Governance	47,325,000	2,525,690.00	44,799,310.00	5.3
County Public Service Board	7,565,000	247,734.00	7,317,266.00	3.3
Health Corporate	706,407,105	309,676,839.00	396,730,266.00	43.8
Economic Planning	443,934,451	354,973,457.00	88,960,994.00	80.0
Municipality Board of Kitale	165,604,589	49,353,987.00	116,250,602.00	29.8
County Assembly	372,271,072	95,902,862.00	276,368,210.00	25.8
TOTAL	4,050,874,800.00	2,658,873,111.00	1,392,001,689.00	65.6

Source: Financial statements 2021/2022

The expenditure performance in the development vote varied across the departments, with Finance department having had the highest absorption at 99.4% whereas County Public Service Board recorded the lowest absorption of 3.3%. Overall, 65.6% of the development budget was absorbed.

Figure 5: Sector Actual Development expenditure as a percentage of approved development budget

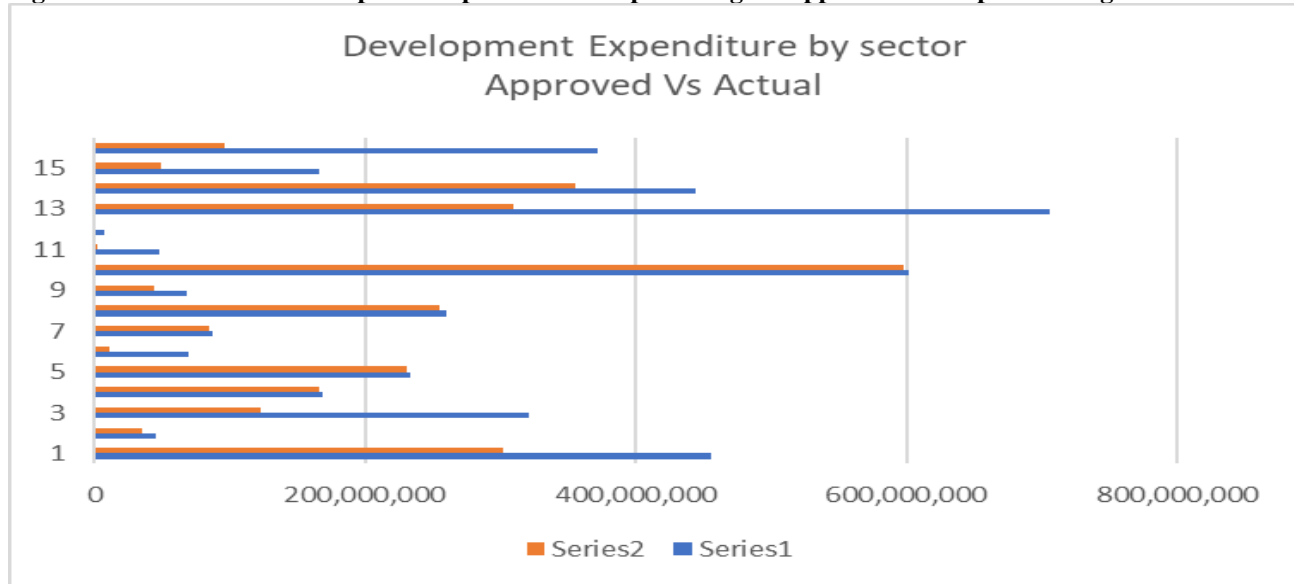


Figure 6: Sector Development expenditure as a percentage of approved recurrent budget

ANALYSIS OF PERFORMANCE OF EXPENDITURES ON FY 2022/2023

From the analysis above, the County Treasury needs to roll-over projects worth Ksh **51,613,426.00** and **Ksh. 1,392,001,689.00** being recurrent and development respectively from FY 2021/2022. According to the draft financial statement, there was under-performance of Ksh. **1,111,638,619** totals from the expected revenue sources. The implication of the above is that the budget for FY 2022/2023 needs to be adjusted to reflect the prevailing fiscal environment through a supplementary budget.

Analysis of personnel emoluments

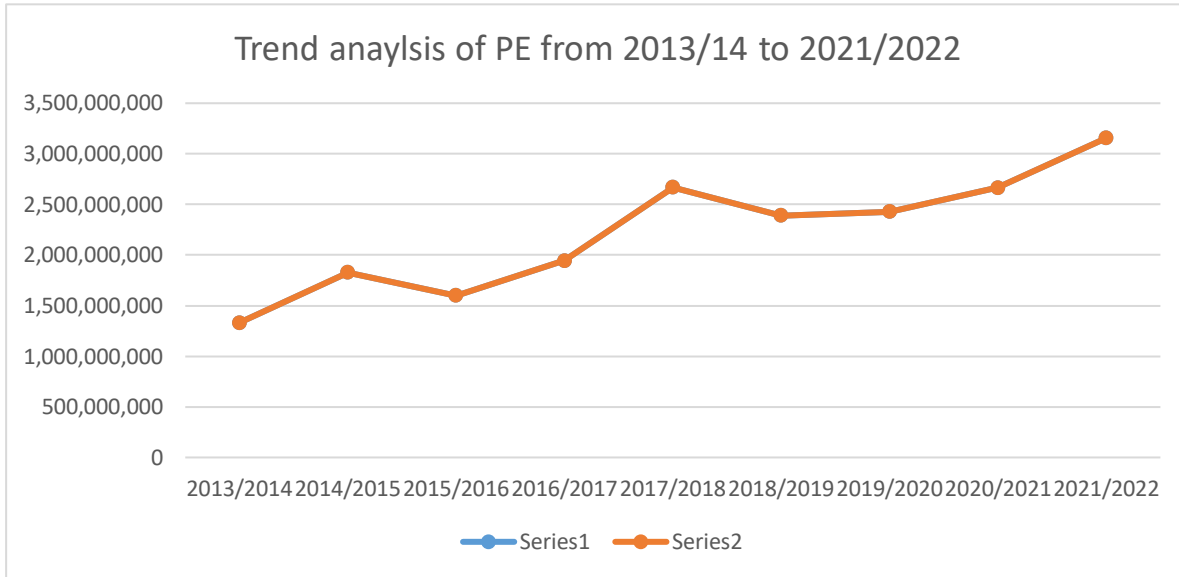
Compensation of Employees (including benefits and allowances) is a key component of the budget under the recurrent budget besides use of goods and services; acquisition of assets, Social Security Benefits; and other grants and transfers. The PFM Act 2012 fiscal responsibility requires among others, that the wage bill should not be more than 35% of the annual budget. The county has a responsibility to comply with the laid down legal framework. In table 8, an analysis trend of the personnel emoluments is illustrated.

Table 9: Analysis of personal emoluments against the County budget.

Financial Year	Personnel Expenditure	Approved Budget			PE as % of Recurrent Budget	PE as % of Development Budget	PE as % of Total Budget
		Recurrent	Development	Total			
2013/2014	1,331,772,619	3,062,624,548	1,361,888,538	4,424,513,086	43	98	30
2014/2015	1,825,867,635	2,996,442,115	2,377,655,366	5,374,097,481	61	77	34
2015/2016	1,599,246,132	3,246,977,442	2,907,889,672	6,154,867,114	49	55	26
2016/2017	1,944,062,488	4,224,481,587	2,650,519,174	6,875,000,761	46	73	28
2017/2018	2,667,942,552	4,632,197,963	1,996,330,257	6,628,528,220	58	134	40
2018/2019	2,390,559,373	4,867,140,566	3,175,419,758	8,042,560,324	49	75	30
2019/2020	2,429,057,373	4,718,807,112	3,255,788,162	7,974,595,274	51	75	30
2020/2021	2,663,904,368	4,908,121,634	3,488,085,734	8,396,207,368	54	76	32
2021/2022	3,155,295,817	5,254,429,956	4,050,874,800	9,305,304,756	60	78	34
	20,007,708,357	37,911,222,923	25,264,451,461	63,175,674,384	53	79	32

Source: Financial statements 2021/2022

Figure 6: Trend Analysis of personal emoluments for period FY 2013/14 to 2021/2022.



2.1.3. Compliance with the Fiscal Responsibility Principles

In line with the constitution, the PFM Act 2012 Sec 107, and its regulations 2015, prudent and transparent management of public resources is advocated for and in line with this, the County Government has largely adhered to the fiscal responsibility principles as set out below:

- The development budget of Ksh. 4,050, 874,800 accounts for 43.5% of the total budget. This is above the 30% threshold recommended in the Act.
- On the compensation of employees (including benefits and allowances), the law recommends it shall not exceed 35% of the county’s revenue raised nationally plus others generated by the county (i.e. OSR). The share of wages and benefits to revenues was 34% which is within the statutory requirement of 35%. On further analysis, the personnel emoluments averagely account for 52.3%, 82.3% and 31.67% to Recurrent, Development and Total Budgets respectively for the FY periods between 2013/2014 and 2021/2022. The wage bill as proportion of the total budget was highest in FY 2017/2018 at 40 percent of the total budget. In absolute terms, the wage bill has been progressively increasing in line with implementation of the existing collective bargaining agreements (CBA), recruitment in line with observing succession planning of some staffs in different cadres across the departments and promotions.
- The county government recurrent expenditure has been maintained within its budget in observance of the legal requirement. The Act states recurrent expenditure shall not exceed the county government’s total revenue.
- In managing its fiscal risks prudently as required, revenue forecasting, collection enforcement, monitoring and regular reviews of the under lying projections and their implications on the budget has been part of the budgeting processes. Potential fiscal risks arising from the

contingent liabilities are taken into account and contingency provision made to cushion the county economy from unforeseeable shocks.

2.2 Sector Performance during the FY 2021/2022

2.2.1 Agriculture, Livestock, Fisheries and Cooperative Development Sector

The programmes in 2021/2022 were aligned to the county's growth objectives of poverty reduction by 50% and increase productivity by 50%. Achievements included:

- Construction of 2 cattle dips and rehabilitation of 5 others, rehabilitation of the Kiminini Slaughter Slab (65% complete) and carrying out 3 Vaccination Campaigns.
- The Training and demonstrations on livestock feeding and field days were carried out to improve dairy productivity.
- Indigenous chicken and improved Kienyeji farmers were trained for improved productivity too.
- Furthermore, 35 training sessions were held on poultry management with 15 demonstrations carried out. There were also 5 trainings on bee keeping and value addition. The performance in the FY 2021/2022 was executed post-COVID-19 and the spiral effects of the pandemic had a negative effect on the farmers and business community.
- 15 cooperative societies were trained on leadership and Management, 8 cooperatives were supported by NARIGP while 12 others were revived. “
- 9 cooperative societies were newly registered and other 7 supported with ICT.
- 20 fish ponds were constructed, giving a total of 6,480km² was achieved.
- 13 new fish farmers were recruited as 79 fish ponds were stocked with fingerlings.
- 86,750 fingerlings in total were stocked while 1,157 visits to farmers by extension officers was done.

2.2.2 Health

During the period under review the key milestones for the sector included;

- Trans Nzoia county Teaching and Referral Hospital – 93% completion rate (Brick and Mortar).
- Rehabilitation of dental unit at Kitale County Hospital and rehabilitation and expansion of new-born unit at Kitale County Hospital. Cabro paving extension at OPD and auxiliary unit at Kitale County Hospital.
- Rehabilitation and expansion of the maternity unit at Matunda Sub-County Hospital.
- Trans-Nzoia Health Services Improvement Fund Act.
- Trans Nzoia County Community Health Services Act,
- Trans-Nzoia Environmental Health Act.
- The Trans Nzoia County HIV and AIDS Management Act,
- County AIDS Implementation Act.

- A joint Work Council between the Department of Health and health sector Unions to cultivate harmonious labour relations through continuous consultative dialogue.
- Enrolment of all identified indigents in the County (17,937 eligible cases) to NHIF, in collaboration with the national Ministry of Health.
- Trained and activated 95 Community units.
- County Health Research committee formulated and activated.
- % of children receiving 3 doses of Penta 3 increased from 84.8% to 88.7%.
- % of school age children dewormed increased from 80.7% to 87%.
- % of women of reproductive aged screened for cervical cancer from 2.9% to 6%.
- Proportion of adolescent girls vaccinated against HPV increased from 13.1% to 23.9%.
- % of women of reproductive age receiving family planning commodities increased from 27.5% to 42.5%.
- Partner support from End Fund for DE-worming Programme.
- Partner support for WASH Programme.
- Partner support for Neglected Tropical Diseases.

2.2.3 Trade, Commerce and Industry

During the period under review the department achieved 85% completion of the construction of the Kitale Business centre, the department continued the construction of fresh produce market at Tulwet, commenced the renovation of Mitume Fresh produce market, completed the construction of kiosks at Kachibora, completed the renovation of fresh produce market at Chabarus, continued the operations of the County Alcoholic Drinks Control Board, County Alcoholic Drinks Appeals Committee and the Five Sub County Alcoholic Drinks Control Committees, continued with the operations of the Nawiri Fund and continued the verification of weighing and measuring equipment throughout the county. Additionally, 3 new tourism products were identified and in tourism sub sector for promotion and marketing. During the period the Trans Nzoia Tourism Association was established and operationalized to harness the stakeholders in the sector and to package the tourism products and attractions.

2.2.4. Land, Housing and Urban Development.

The notable achievements for the department under the year FY 2021/2022 was:

- The facilitation of land acquisition for ECDE facilities in 3 regions namely ECDE Establishment Sendera plot No. 460 part of 2048 in Endebess Ward, Tugumu ECDE plot No. 344 Kapsimotwo in Suwerwa Ward and ECDE Establishment Chepsiro/Kiboswa Block 2 Kemeloi/56 in Chepsiro Ward.
- Expansion of Market at Geta/563 in Suwerwa Ward was realized.
- Training and Development to departmental staff through partnering with Kenya School of Government was implemented to realize the aspirations of the department.

- Procurable like stationery, Survey Equipment for Equipping GIS Laboratory and vehicle repairs.
- Kenya Informal Settlement Improvement Projects (KISIP) preliminaries in project appraisals and Intergovernmental Asset Count were facilitated.
- Upgrading of Barabara Mpya from Gravel to Bitumen and walk ways and continued support of Construction Kitale Multi-Storey Business Centre were major milestones achieved in the FY 2021/2022.

2.2.5 Gender, Youth, Sports, Culture and Tourism

In the financial year 2021/2022 under sports sub sector, achievements include:

- The department participated in the annual inter county sports where the county volleyball team took part and successfully defended their title.
- The department provided financial support to eight (8) sports teams/ federations to the tune of Kshs. 1,650,000.
- The department procured sports equipment to the tune of Kshs. 1,211,000.
- The department procured and issued twelve (12) motorbikes to the tune of Kshs. 1,893,600.
- Completion of constructing of Trans Nzoia County Children Rescue Centre.

In culture and tourism sub sector the department achieved the following:

- The department procured sound equipment system to the tune of Kshs. 1,947,000.
- The department procured keyboards for performing artists to the tune of Kshs. 997,000.
- The department procured financial and material support to choir groups and performing artists to the tune of Kshs. 1,170,000.
- The department procured plastic chairs for choir groups at Chepsiro ward to the tune of Kshs. 2,000,000.
- The department procured sound equipment for performing artists to the tune of Kshs. 1,703,000 at Kaplamai ward.
- The department identified and mapped out five (5) cultural historical sites at Kshs. 609,000.
- The department marketed tourism products to the tune of Kshs. 700,000.
- The department supported the formation of Trans Nzoia Tourism Association.
-

2.2.6 Public Works, Transport and Infrastructure

- Routine Road maintenance of 800Km of County road network,
- Installation and maintenance of 443m Culverts and 4 box culvert bridges.
- Maintenance of 1000 Street lighting Fittings,
- Firefighting and rescue services, approximately 20.
- Preparation of drawings and bills of quantities for projects in other County departments,
- Supervision of construction projects for other departments
- Purchase of inspection vehicles.

2.2.7 Environment, Water, and Natural Resources

The sector achieved much in the period under review. It carried out the following:

- 17 boreholes were drilled
- 60km of water pipelines were extended in 22 water projects.
- 33 springs were constructed and protected.
- 6 shallow Wells were excavated, developed and equipped.
- Machinjoni dump site was improved by opening of passage to ease dump site access.
- Climate change fund Act and policy were developed and enacted.
- Solid Waste and Charcoal policies were developed.
- 70,000 tree seedlings were planted and grown in partnership with other stakeholders.

2.2.8 Governance and Public Service Management

The key achievements of the sector during financial year 2021/2022 include:

- Developed and customized seven (7) Schemes of service for employee career progression.
- Developed intends, advertised and promoted four hundred and ninety-seven (497) county public service employees
- Recruited five (5) Counselors and Seven (7) clinical psychologists who assessed counseled and recommended remedies for employees and the county citizenry for enhancement of mental health.
- For enhanced Performance management by coordinating the signing of Performance Contracts by all the County Executive Committee members, the Chief Officers, the County Public Service Board and Kitale Municipal Board and all the county employees placed on the Performance Appraisal System (PAS).
- For objective, fair and consistent decision making, the department developed and customized gender mainstreaming policy, Human Resource procedures manual, Public Participation Policy, alcohol and substance abuse Policy, Internship Policy, Training and development Policy, HIV aids Policy, Health and safety Policy, Competency framework and ICT policy. The documents are under validation.
- For a conducive working environment at the governance and devolved unit, the department has constructed the Office of the Sub County Administrator- Kiminini.
- The department co-funded the Masinde Business centre in Kitale town through the Kenya Devolution Support Programme.
- To upscale the attitudes, skills and competencies of the county public service, the department undertook a Training Needs Assessment and trained all the projected staff in various fields of competency.
- To improve the employees' welfare, the department initiated and implemented the employee medical cover from Madison Insurance.
- To enhance governance and national values, the department has been able to establish Ant-Corruption Civilian Oversight Committee and sensitized the public service and the citizenry through campaigns.
- To enhance efficiency and effectiveness in the enforcement of the County Government Acts of the County Assembly and ensuring protection of the county employees and assets,

the department has recruited, trained and appropriately deployed ninety-three (93) enforcement officers.

- For effective security and management of records in the county, the department has acquired bulky filers and steel cabinets and has laid the foundation of digitization of records.

2.2.9 Education

The key achievements for the sector in the financial year 2021/2022 included;

- Construction of 7 modern ECDE classrooms and 2 VIP latrines. In comparisons to FY 2020/2021, the department performed dismal due to supplementary appropriation that prioritized funds to other development agendas in the county.
- The sector carried out capacity building of ECDE caregivers besides training for VTCs project managers in Senior Management Course (SMC) with Kenya School of Government (KSG).
- Under the education sector support initiative, bursary was awarded to students in secondary and Colleges, totalling to Ksh. 25,000,000.

2.2.10 County Public Service Board

In the year under review, CPSB made some notable achievements and these included;

- Confirmed thirty-five (35) staff into permanent and pensionable terms
- Trained one hundred and ninety-six (196) on short- and long-term specialized trainings including Strategic Leadership Development Programme (SLDP), Senior Management Course, Supervisory Development Skills and Refresher Courses for Drivers
- Approved students' attachments request of four hundred and eight (408)
- Renewed contracts of nine hundred and ninety-one (991) staff to serve between six (6) months and three years (3) years contract. Out of 991 contracts, seven hundred and twenty (720) of them were ECDE Caregivers, eleven (11) Chief Officers and the rest were temporary staff mainly in the departments of Water, Environment and Natural resources; Agriculture, Livestock, Fisheries and Co-operative Development.
- Appointed four hundred and twenty-six staff in various county departments, two hundred and ninety-seven (297) on permanent and pensionable terms, eighty-six (86) – absorbed into the service on P & P terms through suitability interview and forty-three (43) appointed on contract.
- Successfully carried out staff head Count and completion of CPSB office block
- Promoted three hundred and thirty-six (336) staff to various positions
- Approved extension of service contracts for two hundred and forty-six (246) staff, eleven of them being Chief Officers
- Appointed seventeen (17) staff to act in various positions within the establishments
- Re-designated eleven (11) staff to various positions

- Approved Inter-County transfers of fourteen (14) staff moving in and out of Tran Nzoia County and one transfer of service from the national government to the County public service
- Processed forty-two (42) disciplinary cases. Twenty (20) of them have since been concluded and finalized and the remaining twenty (20) are at different stages of the disciplinary process

2.2.11 Finance and Economic Planning

During the period under review the sector recorded a number of milestones key among them being

- Adherence or compliance with timelines in reporting and preparation of financial statements for subsequent submission to various county agencies such as Controller of Budget (COB), Office of Auditor (COB), Commission of Revenue Allocation (CRA), County Assembly (CA) and National Treasury (NT).
- The internal audit discharged its functions dutifully and reports were considered by the Internal Audit Committee.
- The preparation of the consolidated County procurement plan for 2021-2022 was also successfully undertaken besides the routine coordination of supply chain management services.
- Due to fiscal measures undertaken in previous FY 2020/2021, implementation was carried and the county managed to realize the its highest OSR since devolutions.
- Automation of revenue streams at departmental level was achieved under the year of review despite challenges of infrastructure inadequacy within the departments.
- Officers were facilitated to attend IFMIS and Continuous professional development with various professional bodies.
- Budget formulation with Budget Circular, CBROP, CFSP and MTDSP being formulated and presented within the stipulated timelines.
- The sector produced 2022-23 Annual Development Plan (ADP) besides initiating the process of Mid Term review of the 2nd generation CIDP 2018-2022 and the start of the 3rd generation of CIDP 2023-2027.
- Resource mobilization from the National Treasury was realized successfully for budget implementation.
- Employment of revenue officers-35 in number.

2.2.12 County Assembly

During the year under review, the County Assembly was able to achieve the following:

- Acquisition of 1-unit Monitoring and Evaluation Motor Vehicle, Toyota Prado TX-L Auto.
- Construction of Prefab offices for Committee services at the County Assembly Centre.
- Installation of Generator (1 Unit) at County Assembly Centre.
- Supply and Installation of CCTV Equipment at County Assembly Centre.
- Construction of perimeter wall and gate at the County Assembly Centre.
- Supply, Installation and Commissioning of an economic document and Records Management System at the County Assembly main offices.
- Supply and Installation of Biometric Login Systems at the County Assembly Chambers

- Refurbishments of County Assembly premises, Internal and External Painting and Fixtures
- Repair and Service of County Assembly Motor Vehicles.
- Construction of Ultra-Modern Administration Block for County Assembly (10% completion).

2.2.13 Kitale Municipal Board

In the period under review a number of interventions were undertaken. The subsector in Collaboration with other sectors undertook the construction works of the Kitale Business centre which is a significant county flagship project. Other achievements include:

- Technical report on Staffing levels and its adoption by the Board
- Paid all board sitting allowances and transport reimbursement for the year.
- Did minor maintenance for the Bus park, skip loaders etc.
- Paid subscription for staff for professional membership and training with the professional bodies.
- Did restructuring of municipality.
- Facilitation of formation of community-based groups for public participation.
- Donated food to Bahati Home for the aged.
- Paid water bills and piping for Bondeni Market water.
- Operationalized Bus ark and Bondeni Market.
- Facilitated KISIP public participation at shimo la tewa
- Participated in the year's devolution conference and the 9th africanities summit.

SECTION THREE

3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.0 Recent Economic Developments

This C-BROP has been prepared against a background of global economic slowdown reflecting the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures in China; higher-than-expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial conditions. As a result, the IMF global growth is projected to slow down to 3.2 percent in 2022 from 6.1 percent in 2021 (WEO July 2022).

Advanced economies are projected to slow down to 2.5 percent in 2022 from 5.2 percent in 2021 reflecting weaker-than-expected growth in the United States and the Euro area. Growth in the United States slowed down due to significantly less momentum in private consumption while the slowdown in growth in the euro area reflected spill overs from the war in Ukraine as well as the assumption of tighter financial conditions. For emerging market and developing economies, growth is also projected to slow down to 3.6 percent in 2022 from 6.8 percent in 2021 reflecting mainly the sharp slowdown of China's economy and the moderation in India's economic growth.

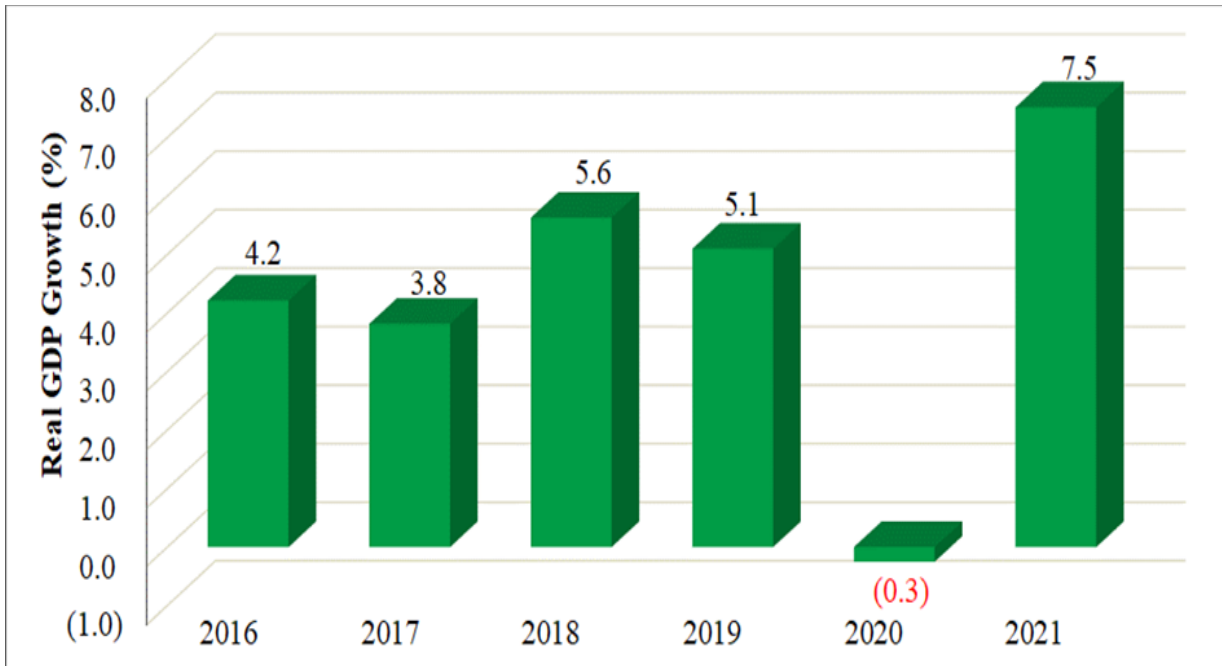
In sub-Saharan Africa region, growth is projected to slow down by 3.8 percent in 2022 from a growth of 4.6 percent in 2021. The slowdown is as a result of domestic price pressures, partly induced by supply disruptions owing to the war in Ukraine reducing food affordability, and real incomes as well as surging fuel prices across the region.

Domestic Economic Performance

GDP Growth

The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020 (Figure 6). This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.

Figure 7: Annual Real GDP Growth Rates, percent



Source: BROOP 2022

In the first quarter of 2022, the Kenyan economy expanded further by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021. The strong performance was supported by continued recovery in manufacturing, transport and storage, accommodation and food services, wholesale and retail trade, professional, administration and support services and financial and insurance.

Activities in agriculture, forestry and fishing sectors remained subdued in the first quarter of 2022 mainly attributed to depressed rainfall during the fourth quarter of 2021 as well as delayed onset of rains during the first quarter of 2022, thereby leading to reduced agricultural production. The sector is estimated to have contracted by 0.7 percent in the first quarter of 2022 compared to 0.4 percent growth in the first quarter of 2021.

Inflation Rate

The year-on-year inflation rate increased to 8.5 percent in August 2022 (above the 7.5 percent upper bound) from 6.6 percent in August 2021 mainly due to higher food and fuel prices. This increase was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices. Additionally, the waiver of import duties and levies on white maize and the reduction in VAT on LPG will further moderate domestic prices. Overall annual

average inflation remained within Government target range at 6.6 percent in August 2022 compared to the 5.7 percent recorded in August 2021.

Food inflation remained the main driver of overall year-on-year inflation in August 2022, contributing 5.9 percentage points, an increase, compared to a contribution of 3.9 percentage points in August 2021. The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly maize flour (loose), sugar, maize grain (loose), carrots, white rice, Irish potatoes and onions.

Fuel inflation remained generally stable contributing to 1.6 percentage points to year-on-year overall inflation in August 2022 from a contribution of 1.5 percentage points in August 2021. This was mainly due to the effect of Government measures to stabilize fuel prices and lower electricity tariffs. However, there was notable increase in the prices of kerosene/paraffin, petrol and diesel in August 2022 compared to August 2021.

3.1 Medium Term Economic Outlook

3.1.1 Global Growth Outlook

The global economic outlook remains highly uncertain with growth projected to moderate to 2.9 percent in 2023 from 3.2 percent in 2022 largely reflecting a slowdown in advanced economies despite a gradual pick up in the emerging market and developing economies. Advanced economies are projected to slow down by 1.0 percent in 2023 from 2.3 percent in 2022 mainly due to a slowdown in growth in the United States and the Euro area. Growth in the United States is projected to slow down due to the expected impact of a steeper tightening in monetary policy. Growth in the euro area is expected to be adversely affected by the spill overs from the war in Ukraine as well as the assumption of tighter financial conditions.

The emerging market and developing economies are projected to pick up to a growth of 3.9 percent in 2023 from a growth of 3.6 percent in 2022 albeit with varying performance across countries. The emerging and developing Asia is projected to pick up as a result of a more robust recovery in china despite a slowdown in India, while growth in the Latin America and the Caribbean and the Middle East and Central Asia are expected to slow down.

The Sub-Saharan African region is projected to pick up to a growth of 4.0 percent in 2023 from 3.8 percent in 2022 with the East and Southern African sub-region showing a sustained recovery from the recession. The DRC and Zambia are expected to benefit from rising metal prices in the short-and medium term and gain from the transition away from fossil fuels in the long term.

3.1.2 Domestic (National) Growth Outlook

Domestic Growth Outlook

Domestically, leading indicators of economic activity show continued strong performance in the second quarter of 2022, supported by strong activity in transport and storage, wholesale and retail trade, construction, information and communication, and accommodation and food services. As such, the economy is expected to remain robust at 5.5 percent in 2022, with continued strong performance of the service sector despite the downside risks to global growth.

Kenyan growth is expected to remain resilient growing by 5.8 percent in FY 2022/23 and averaging 6.2 percent over the medium term. This will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. This outlook will be reinforced by the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda and the Economic Recovery Strategy. Additionally, the Government is implementing the third phase of the Economic Stimulus Programs (ESP) that target strategic interventions in agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) of the Vision 2030.

3.1.2.1 Monetary Policy Outlook

The main objective of monetary policy, over the medium term will be to maintain price stability. Overall inflation is expected to moderate to 6.0 percent in FY 2022/23 and remain within the target range of 5 ± 2.5 percent as international commodity prices, particularly oil, wheat and edible oils, have begun to moderate. Additionally, the waiver of import duties and levies on white maize and the reduction in VAT on LPG will further moderate domestic prices.

The foreign exchange market is expected to remain stable supported by, resilient export receipts, buoyant remittances, and a gradual pick up in receipts from services exports. The continued coordination of monetary and fiscal policies is expected to sustain macroeconomic stability and support economic activity.

3.1.2.2 Fiscal Policy Outlook

Fiscal policy over the medium-term aims at enhancing revenue mobilisation, expenditure rationalization and strengthening management of public debt to minimize cost and risks of the portfolio, while accessing external concessional funding to finance development projects. This is geared towards economic recovery to support sustained, rapid and inclusive economic growth, safeguard livelihoods and continue the fiscal consolidation programme to create fiscal space for the implementation of the “Big Four” Agenda.

3.1.3 County Outlook

3.1.3.1 Economic Outlook

Trans Nzoia outlook over the medium-term period will largely be informed by the developments at the national level and prevailing macro-economic trends in the county. The positive outlook of national macro-economic indicators will impact positively to the county outlook.

The post Covid period has seen sustained economic recovery due to improvement in county business environment. The county economy is majorly Agro-based and the favourable weather conditions experienced over time will contribute to adequate production from the sector. The agriculture sector has continually provided seasonal employment to many especially during the planting, weeding and the maize harvesting season in October- December.

This coupled with roll out of county transformative projects interventions and the favourable post Covid business environment will contribute to growth in the county as well as lead to improvement of the Gross County Product (GCP). However, a change of national government fiscal policy on management of national debt portfolio by the new administration and the subsequent expenditure rationalization, might affect the amount of shareable revenues to county governments.

The continuing infrastructure development especially the construction of the Kitale-Suam Border and the anticipated completion of the Kitale Business Centre will significantly but positively impact the local economy.

3.1.3.2 Fiscal Outlook

The change of national government fiscal policy on management of national debt portfolio by the new administration and the subsequent expenditure rationalization, might affect the amount of shareable revenues to county governments. The priority of County Government completion of CIDP II projects and implementation of transformative projects and interventions in the third generation County integrated development plan. The county development agenda over the medium-term period will be guided by the fourth medium term plan (MTP IV) and the political agenda of the new political agenda of the new county administration. The outcome of the End term review for the Second CIDP is expected to inform key focus areas for the plan period, recommend best practices for successful programme and project implementation, and prudence in public investments.

a) Revenue Performance

To enhance own source revenue performance, key focus will be in strengthening revenue administration to enhance efficiency in revenue collection. Major emphasis will be on updating county valuation roll, reviewing existing revenue sources and mapping of new revenue streams to enhance local revenue generation. These will aim at reinforcing county revenue prospects over the medium-term period.

For the financial year 2023/2024 the county revenue is projected at **Kshs 8,206,440,554** billion. This will comprise of equitable share amounts to Ksh **7,545,465,554** billion, and OSR projection of Ksh **660,975,000** million. Revenue forecasting is underpinned by previous revenue performance trends, prevailing macro-economic environment, impacts of the political transition, waivers and tax reliefs and continued inflationary. As a result, the county shall adopt a more cautious approach while forecasting of revenue.

The Revenue performance in the first quarter 2022/2023 has been unsatisfactory as only 23% of the total expected revenue for the year has been realized. Out of this, the proportion of OSR and equitable share realized is 11 percent and 17 percent respectively. The remaining proportion is unspent balance. **Ksh. 101,696,395** million against the targeted of **Ksh 625,500,000** billion for the financial year which translates to 16.3% performance. The total revenue realized for the Quarter including unspent balance carried forward was Ksh. **2,162,472,621** against an approved Annual target of **Kshs. 9,253,170,349**.

Tables 9 and 10 provide detailed analysis of County revenue by sources.

Table 10: 1st Quarter Approved and Actual Revenue Realized by Source for FY 2022/2023

No	Revenue Stream	Annual Approved Targeted Revenue (Kshs.)	Actual Revenue (Kshs.)	Variance (Kshs.)	Actual as % of Approved Target
		A	B	C=A-B	D=B/A*100
1	Own Source Revenue	629,500,000	101,696,395	527,803,605	16.2
2	Equitable share	7,186,157,670	1,185,716,016	6,000,441,654	16.5
3	NARIGP	298,658,950	0	298,658,950	
4	THUSP	80,437,623	0	80,437,623	
5	DANIDA	12,762,750	0	12,762,750	
6	Leasing of Medical Equipment	153,297,872	0	153,297,872	
7	ASDSP II	21,525,084	0	21,525,084	
8	KDSP level 2	105,802,077	0	105,802,077	
9	KISIP II	50,000,000	0	50,000,000	
10	Equitable Share	0	0		
11	KDSP level 2 Unspent Balance	0	0		
12	User Fee Unspent Balance	0	0		
13	THUSP Unspent Balance	0	0		
14	Rehabilitation of Village Polytechnics Unspent Balance	0	0		
15	FLOCCA	145,500,000	0		
Total		8,683,642,026	1,287,412,411	7,250,729,615	

Source: County Treasury 2022.

Table 11: 1st Quarter OSR report by sector for financial year 2022/2023

Sector/Revenue Source	Annual Budgeted	Actual	Variance
Agriculture, Livestock and Fisheries			
Agricultural mechanization services	4,000,000	48,800.00	3,951,200.00
Hire/lease of county agricultural land	300,000	0	300,000.00
Audit of co-operative societies	250,000	65,380.00	184,620.00
Coffee movement permits	300,000	0	300,000.00
Livestock auction fees	1,000,000	160,050.00	839,950.00
Sale of tree seedlings	200,000	0	200,000.00
Slaughter house operation fees	1,500,000	144,450.00	1,355,550.00
Meat inspection	1,500,000	264,005.00	1,235,995.00
Hides and skins license	500,000	0	500,000.00
A.I. services	300,000	0	300,000.00
Livestock movement permits	500,000	0	500,000.00
Licensing of meat containers	0	0	0
Certificate of transport (COT)	200,000	0	200,000.00
Lab services	100,000	0	100,000.00
Sector Total	10,650,000	682,685.00	9,967,315.00
Trade, Commerce and Industry			
Open air markets	16,450,000	3,074,300.00	13,375,700.00
Market stalls, Banda's and Enclosed Markets	7,000,000	5,916,550.00	1,083,450.00
Weight and measures fees	1,500,000	59,570.00	1,440,430.00
Liquor fees	20,000,000	1,000,000.00	19,000,000.00
Sector Total	44,950,000	10,050,420.00	34,899,580.00
Water, Environment and Natural Resources			
Refuse collection and conservancy	4,000,000	354,750.00	3,645,250.00
Hydrological investigation and drilling of boreholes	2,000,000	0	2,000,000.00
Use of county dumpsite	0	0	0
Tree harvesting permit (farm trees)	500,000	130,925.00	369,075.00
Licensing of extractive resources	2,000,000	0	2,000,000.00
Noise control permit	1,000,000	165,000.00	835,000.00
Nuisance abatement fees	100,000	0	100,000.00
Sector Total	9,600,000	650,675.00	8,949,325.00
Works, Transport and Infrastructure			
Hire of construction machinery	5,000,000	0	5,000,000
Fire inspection/ compliance certificates	3,000,000	125,000.00	2,875,000.00
Way leave charges i.e. cutting,	500,000	0	500,000

trenching and installation of fibre cables/water pipes			
Pole rates i.e., kplc and telecom poles	0	0	0
Building Approval Fees	0	273,200.00	(273,200)
Sector Total	8,500,000	398,200	8,101,800
Health			
Income from health (medical and public health)	200,000,000	15,435,893.00	184,564,107.00
Cemetery charges	200,000	19,500.00	180,500.00
Toilets fees	900,000	352,830.00	547,170.00
NHIF Reimbursements	100,000,000	32,920,724.00	67,079,276.00
Sector Total	301,100,000	48,728,947.00	252,371,053.00
Physical Planning, Lands and Housing			
Approval of development applications	6,000,000	707,400.00	5,292,600.00
Plot subdivision and transfer of plots	1,000,000	0	1,000,000.00
House rents	1,000,000	0	1,000,000.00
Survey fees	1,000,000	27,000.00	973,000.00
Temporary occupation license (TOL)	100,000	0	100,000.00
Outdoor advertisement charges	15,000,000	2,334,500.00	12,665,500.00
Sector Total	24,100,000	3,068,900.00	21,031,100.00
Gender, Youth, Sports, Culture and Tourism			
Hire of county stadium	50,000	0	50,000
Hire of social hall	50,000	0	50,000
Hire of county sports bus	0	0	0
Registration/renewal of welfare groups/sports clubs and performing artists	0	0	0
Dividend income i.e. Mt. Elgon Lodge	100,000	0	100,000
Licensing of private parks	0	0	0
Hire of county seats /tents	0	0	0
Sector Total	200,000	0	200,000
Education (service department)			
Registration of ECD schools (Expunge- National government)	0	0	0
Hire of county brick-making machines	100,000	0	100,000
Sector Total	100,000	0	100,000
Finance and Economic Planning			
Cess	35,000,000	18,127,467.00	16,872,533.00
Land rates (current, arrears and penalties)	45,000,000	3,610,480.00	41,389,520.00
Single business permit (current,	70,000,000	4,616,530.00	65,383,470.00

arrears and penalties)			
Street parking (daily, seasonal Parking and clamping)	20,000,000	2,966,362.00	17,033,638.00
Enclosed bus park fees(seasonal)	45,000,000	6,581,800.00	38,418,200.00
Motor bike fees (seasonal)	15,000,000	2,114,649.00	12,885,351.00
Amusement permits	300,000	99,280.00	200,720.00
Miscellaneous income	0	0	0
Sector Total	230,300,000	38,116,568.00	192,183,432.00
Grand Total	625,500,000	101,696,395.00	527,803,605.00

Source: County Treasury 2022

b) First Quarter Expenditure Performance

Budget performance in the first Quarter has been inadequate due to the late commencement of the execution of the Annual Budget and the delay in the transfers from the National Government. The actual total expenditure for the quarter is **Ksh. 941,354,987** against a projected expenditure of Ksh. **2,170,910,507**. The expenditure recorded is for recurrent vote with nil expenditure being recorded for the development vote. The greater proportion of the recurrent expenditure comprises personnel emoluments which accounts for **78.6 percent** while **21.4 percent** of the recurrent expenditure has been incurred under operations and maintenance. The amount expended translates to 43 per cent of the projected quarterly expenditure and 10 percent of the **Kshs. 8,683,642,026** projected expenditures for the financial year 2022/23.

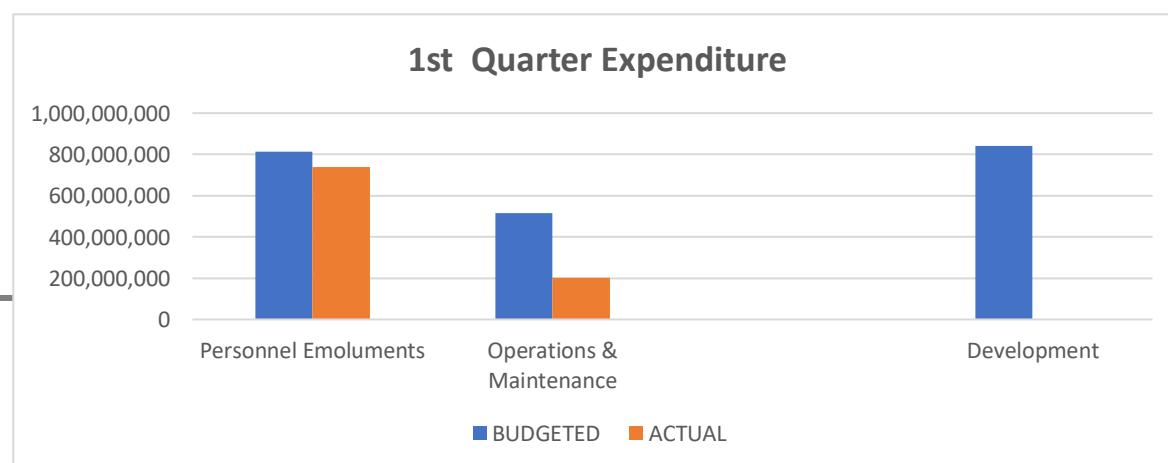
Table 11 provides a summary of county expenditure for the first Quarter for FY 2022/2023.

Table 12: 1st Quarter Expenditure Analysis by Economic Classification, FY 2022/23

DESCRIPTION	ANNUAL BUDGETED	BUDGETED 1 ST QUARTER A	ACTUAL 1 ST QUARTER B	% PERFORMANCE C=B/A*100
Personnel Emoluments	3,255,241,380	813,810,345	740,275,447.40	91.0%
Operation & Maintenance	2,059,273,489	514,818,372	201,079,539.10	39.1%
Development	3,369,127,157	842,281,789	0	0.0%
Total	8,683,642,026	2,170,910,506.00	941,354,986.50	43.4%

Source: County Treasury 2022

Figure 8: Budgeted Vs Actual Quarterly Expenditure



3.1.4 Risks to the outlook

The potential risks to the outlook include:

i. Public expenditure pressures particularly on wages

The County wage bill has continued to rise in absolute terms to reach Ksh. 3.25 billion in FY 2022/2023 due to implementation of planned recruitments and employee promotions based on existing collective bargaining agreements. If left unchecked, the continued rise in personnel expenditure will affect the County's ability to meet its financial obligations in other core expenditure areas.

ii. Policy changes

The transition to new political administrations both at the County and National level may present changes. The CBROP 2022 has been formulated before complete re-organization of the Government. New administrative and policy directives may impact on the existing fiscal space of the County.

iii. High stock of pending Bills

The execution of the county development agenda is dependent on prequalified suppliers and contractors. Over the recent period the County pending bills has continued to rise. The failure to promptly meet the financial obligations to its suppliers and contractors exposes the County to reputational risk as a poor debtor to its suppliers.

iv. Underperformance in Own Source Revenue

The consistent underperformance in own source revenue greatly affects budget execution. The county is not able to totally meet its expenditures needs as a result of short fall in revenue.

v. Inflationary shocks

The national inflation rate has hit record high since 2017 to stand at 8.5 percent in August 2022. The high inflation caused by disruptions in the global supply chain, high cost of fuel and reduction in food production is likely to affect production and consumption prices over the medium term. The resultant effect will be high cost of implementing county projects and delivering public services.

The County Government is continually monitoring these risks and taking appropriate policy measures. Among the fiscal contraction measures to be undertaken in the FY 2022/23 and the medium-term will be enhancing development expenditure while rationalising recurrent

expenditure especially in non-priority areas. This measure will reinforce the resource envelope available for productive investment.

SECTION FOUR: RESOURCE ALLOCATION FRAMEWORK

4.0 Execution of FY 2022/2023 Budget

The electioneering period in the financial year 2021/2022 and beginning of 1st quarter of 2022/2023 saw a reduction in business activities which have impacted on revenue actualisation in the intervening period. The momentum of budget execution in the financial year 2022/23 has been slow as a result of electioneering period and transitioning to the new administration. The fiscal objectives as outlined in the CFSP 2022 must therefore be updated to reflect the budget reality as determined by;

- Delayed execution of the 2022/2023 budget.
- Under-performance of OSR in the first quarter of financial year 2022/2023.
- Delay in disbursement from exchequer
- Effect of transition from elections
- Expenditure pressures with respect to pending bills.

Over the first three months of the first quarter of the financial year 2022/23, the own source revenue receipts collected was **Ksh. 101,696,395** million against the targeted of **Ksh 625,500,000** billion for the financial year which translates to 16.3% performance. In comparison with the same period in the last FY 2021/22, the own source revenue stood at **Ksh. 53,283,577** for the month of (July, August and September) compared to **Ksh. 101,696,395** in the FY 2022/2023 depicting a rise of 90.9 percent. The rise in revenue in the month of July, August and September 2022 is attributed to strengthening of revenue administration to enhance collection.

Going forward, the Revenue Mobilisation section will strive to actualise other revenue mobilisation mechanisms through revenue mapping, preparation of Medium-Term Revenue Strategy (MTRS) that will provide a road map on revenue raising measures, development of a new Valuation roll, and strengthening of revenue administration. These strategies will ensure efficiency in revenue collection so as to attain the Financial Year 2022/23 target. The escalating fuel prices continues to pose rising inflation threat as this is deemed to render County Governments' sectors economically constrained due to increased operations and maintenance costs, other recurrent costs as well as costs on development expenditure. This will necessitate for the preparation of supplementary budget where focus will be made to channelling expenditure on the most productive investments.

Revenue Projections

Table 13: Projected County Revenue for FY 2022/23 and Medium Term

Source	Approved Budget	Projected Revenue		
	2022/23	2023/24	2024/25	2025/26
Equitable Share	7,186,157,670	7,545,465,554	7,922,738,831	8,318,875,773
Local Revenue	629,500,000	660,975,000	694,023,750	728,724,938
Other Grants	867,984,356	0	0	0
Unspent Balances	0	0	0	0
Total	8,683,642,026	8,206,440,554	8,616,762,581	9,047,600,711

Source: County Treasury 2022 (*Outer MTEF years projected at 5%*)

The total approved revenue for FY 2022/2023 is **Ksh 8,683,642,026** out of which transfers from the national government (equitable share and grants) are amounting to Kshs. 8,054,142,026 and approved own source revenue of Kshs. 629,500,000. The projected revenue for financial year 2023/2024 is Kshs. 8,206,440,554 comprising of Kshs. 7,545,465,554 and Kshs. 660,975,000 for equitable share and own source revenue respectively. This projected revenue is expected to increase progressively over the medium term from Ksh. **8,206,440,554** in FY. 2023/24 to Kshs. **9,047,600,711** as illustrated in table 12.

These projections however, are anchored on a number of assumptive factors like quick economic recovery and resilience, the on-going capacity building of Revenue Department, Renewal of grant agreements with some development partners and favourable weather conditions.

Table 14: County OSR by sector FY 2022/2023 and Medium Term.

SECTOR	APPROVED 2022/2023	PROJECTED 2023/2024	PROJECTED 2024/2025	PROJECTED 2025/2026
Agriculture, Livestock, Fisheries and Cooperative Development	10,650,000	11,182,500	11,741,625	12,328,706
Trade, Commerce & Industry	44,950,000	47,197,500	49,557,375	52,035,244
Water Environment and Natural Resources	9,600,000	10,080,000	10,584,000	11,113,200
Works, Transport & Infrastructure	8,500,000	8,925,000	9,371,250	9,839,813
Education, ICT and Vocational Training	100,000	105,000	110,250	115,763
Health Services	301,100,000	316,155,000	331,962,750	348,560,888
Lands, Housing and Urban Development	24,100,000	25,305,000	26,570,250	27,898,763
Gender, Youth, Culture, Sports, Women & Tourism	200,000	210,000	220,500	231,525
Governance and Public Service Management CPSB	0	0	0	0
Finance and Economic Planning	230,300,000	241,815,000	253,905,750	266,601,038
County assembly	0	0	0	0
Total	629,500,000	660,975,000	694,023,750	728,724,938

Source: County Treasury (*Outer MTEF years projected at 5%*)

With robust measures in place, there is high expectation that the revenue streams from the various sectors will be realised as projected in Table 14.

4.1.1 Expenditure Forecasts

Based on the projected OSR and Equitable share revenue in table 12, the in the FY 2023/2024, expenditure is forecast at Ksh. **8,206,440,554** billion out of which the recurrent expenditure will be **Ksh. 5,022,460,647** billion against a development expenditure of **Ksh. 3,183,979,907** billion. This expenditure is projected to rise to Ksh. **9,047,600,711** at the end of the MTEF period in 2025/2026.

Table 13 provides a summary of proposed expenditure for both recurrent and development for financial year 2022/2023 and the MTEF period.

Table 15: Expenditure by Economic Classification for FY 2022/23-2025/26

Vote	Approved Budget	Projected Expenditure		
	2022/23	2023/24	2024/25	2025/26
Recurrent	5,314,514,869	5,022,460,647	5,273,583,679	5,537,262,863
Development	3,369,127,157	3,183,979,907	3,343,178,903	3,510,337,848
Total	8,683,642,026	8,206,440,554	8,616,762,581	9,047,600,711

Source: County Treasury 2022

**Outer years projected at 5%*

In view of the table 13, the county government is endeavouring to continue with its policy of expenditure prioritization with a view to achieving the transformative development agenda as enshrined in the County development blue prints. Over the medium-term focus will be increasing the share of the development budget through scaling down non-priority recurrent expenditure. This will in effect increase the development budget available for productive investments and county transformative projects.

4.2 Medium term expenditure Framework and Resource Allocation Criteria

The Medium Term expenditure period 2023/24-2025/26 will be informed by the Government goal to implement its transformative agenda aimed at revamping the county economy in the post COVID period and drive the County towards an inclusive growth in line with the theme of the 3rd generation CIDP 2023-2027 “**Socio-economic Transformation for inclusive and accelerated growth**”.

The key objectives of the CIDP 2023-2027 include: completion of ongoing projects/programmes, investments in the economic sectors of agriculture, trade, manufacturing and services; post COVID -19 social economic recovery strategy & provision of safety nets; promoting access to social services including quality education and vocational training; providing access to quality affordable healthcare; mainstreaming cross cutting issues and emerging issues including climate change adaptation, Disaster risk Reduction (DRR), SDGS and special interest groups; deepening devolution, strengthening governance and accountability as well as public service transformation to enhance efficiency and effectiveness service delivery; creating enabling environment for promoting private sector growth and faster growth of SMEs; and expansion county physical and social infrastructure in addition to improving land management and planning for physical spaces.

The 3rd generation CIDP 2023-2027 is being formulated in the current financial year 2022-2023 and is being aligned to key policy instruments such as the Vision 2030, the MTP IV and the SDGs. The priorities contained in the CIDP will contribute to the county’s development agenda of transforming it to an upward development trajectory. In this regard, prominence will be given to allocating of budgetary resources towards productive investment while adhering to the fiscal responsibility principle and further ensuring budget credibility.

As a result, the criteria for allocating resources to the departments and county sectors shall be based on:

1. Programs cost effectiveness and sustainability in the long run.
2. The programmes development agenda should be aligned to the county’s development agenda

3. Linkage of the programmes to the objectives of the County integrated development plan 2023-2027, Annual development Plan as well as Integrated Development plans Urban Areas
4. Degree to which the programme addresses the core mandate of the department or the county entities
5. Linkage of Programmes that support Economic Recovery;
6. Requirements on non-discretionary expenditures e.g., personnel emoluments and statutory payments.

Annex I give the tentative expenditure ceilings for the various sectors. The ceilings will be firmed up in County Fiscal Strategy Paper in February 2023.

5.0 Conclusion

The 2022 C-BROP has been formulated against a backdrop of economic slowdown occasioned by the ongoing Russia-Ukraine conflict, effects of the COVID-19 containment measures, higher-than expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial condition. The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to its diversified nature and the proactive measures by the Government to cushion the vulnerable, support businesses and accelerate economic recovery.

The focus of the county government in the financial year 2023/24 budget and the medium term is to enhance resource mobilization and reduce non-essential expenditures with a view of prioritizing on programs to meet the county development agenda. The County budgetary resources are limited, hence there is an obligation to ensure budget credibility and value for money realization through effective and efficient utilization of available resource. The sector ceilings annexed herewith will guide the preparation of the FY 2023/24 budget estimates and the medium term. It is prudent that the SWGs and departments realign their programs and sub-programs to match the provided ceilings and in line with the County Government priorities as per the CIDP 2023-2027 and ADP 2023/24.

To ensure timely and smooth finalization of the MTEF budget 2023/2024-2025/2026 all county government entities and SWGs are expected to strictly adhere and execute all the key budget activities within specified timelines as per the County Budget calendar. In addition, considering the tight resource envelope that is available for FY 2022/23 budget, all the County departments are required to carefully scrutinize their proposed budgets and ensure strict adherence to sector ceilings provided herein. The County departments are required to carefully undertake detailed costing of projects, taking into account strategic significance, deliverables (output and outcomes), alternative interventions, and administration and implementation plans in allocation of resources.

Annex 1: Department Revenue against Total Expenditure Ceilings (Recurrent and Development)

Sector		Revenue	Approved Estimates	Projected Expenditure	% Share of Total Expenditure			
		2022/23	2022/2023	2023/2024	2024/2025	2022/2023	2023/2024	2024/2025
Agriculture	Subtotal		689,297,228	723,762,089	759,950,194	7	7	7
	Recurrent	4,800,000	233,923,271	245,619,435	257,900,407	2	2	2
	Development		455,373,957	478,142,654	502,049,787	5	5	5
Livestock	Subtotal		75,254,179	79,016,888	82,967,732	0.8	0.8	0.8
	Recurrent	5,850,000	29,950,000	31,447,500	33,019,875	0.3	0.3	0.3
	Development		45,304,179	47,569,388	49,947,857	0.5	0.5	0.5
Trade, Commerce & Industry	Subtotal		373,819,545	392,510,522	412,136,048	4	4	4
	Recurrent	44,950,000	53,562,520	97,628,815	102,510,256	0.06	0.06	0.06
	Development		320,257,025	294,881,707	309,625,792	3.94	3.94	3.94
Water Environment and Natural Resources	Subtotal		260,991,322	274,040,888	287,742,933	2	2	2
	Recurrent	9,600,000	92,979,824	103,419,297	108,590,262	0.7	0.7	0.7
	Development		168,011,498	273,072,571	286,726,199	1.3	1.3	1.3
Works, Transport & Infrastructure	Subtotal		429,530,790	451,007,330	473,557,696	4	4	4
	Recurrent	8,500,000	196,033,479	205,835,153	216,126,911			
	Development		233,497,311	245,172,177	257,430,785			
Education, ICT and Vocational Training	Subtotal		457,444,061	480,316,264	504,332,077	4	4	4
	Recurrent	100,000	389,473,951	408,947,649	429,395,031	1.8	1.8	1.8
	Development		67,970,110	71,368,615	74,937,046	2.2	2.2	2.2
Health Services	Subtotal		2,639,968,211	2,771,966,622	2,910,564,953	28	28	28
	Recurrent	301,100,000	1,933,561,106	2,030,239,161	2,131,751,119	21	21	21
	Development		706,407,105	741,727,461	778,813,834	7	7	7
Lands, Housing and Urban Development	Subtotal		136,730,283	143,566,797	150,745,137	1	1	1
	Recurrent	24,100,000	67,696,943	71,081,790	74,635,880	0.5	0.5	0.5
	Development		69,033,340	72,485,007	76,109,257	0.5	0.5	0.5
Kitale Municipality	Subtotal		210,754,589	221,292,318	232,356,934	2	2	2
	Recurrent		45,150,000	47,407,500	49,777,875	0.4	0.4	0.4
	Development		165,604,589	173,884,818	182,579,059	1.6	1.6	1.6

Gender, Youth, Culture, Sports, Women & Tourism	Subtotal		138,887,842	145,832,234	153,123,846	1	1	1
	Recurrent	200,000	51,302,062	53,867,165	56,560,523	0.4	0.4	0.4
	Development		87,585,780	91,965,069	96,563,323	0.6	0.6	0.6
Governance /Executive	Subtotal		204,827,719	375,849,143	394,641,600	2	2	2
	Recurrent		157,502,719	165,377,855	173,646,748	1.5	1.5	1.5
	Development		47,325,000	210,471,288	220,994,852	0.5	0.5	0.5
Public Service Management	Subtotal		812,184,547	852,793,774	895,433,463	9	9	9
	Recurrent		552,615,710	580,246,496	609,258,820	6	6	6
	Development		259,568,837	272,547,278	286,174,643	3	3	3
CPSB	Subtotal		84,411,170	88,631,729	93,063,315	0.9	0.9	0.9
	Recurrent		76,846,170	80,688,479	84,722,902	0.8	0.8	0.8
	Development		7,565,000	8,000,000	8,340,413	0.1	0.1	0.1
Finance	Subtotal		1,241,652,421	1,303,735,042	1,368,921,794	13	13	13
	Recurrent	230,300,000	640,486,875	672,511,219	706,136,780	7	7	7
	Development		601,165,546	631,223,823	662,785,014	6	6	6
Economic Planning	Subtotal		500,629,184	525,660,643	551,943,675	5	5	5
	Recurrent		56,694,733	59,529,470	62,505,943	0.6	0.6	0.6
	Development		443,934,451	466,131,173	489,437,732	4.4	4.4	4.4
County Assembly	Subtotal		1,048,921,665	1,101,367,748	1,156,436,136	11	11	11
	Recurrent		676,650,593	710,483,123	746,007,279	5	5	5
	Development		372,271,072	390,884,625	410,428,857	4	4	4
Total	Total	629,500,000	9,305,304,756	9,770,569,994	10,259,098,493	100%	100%	100%
	Recurrent		5,254,429,956	5,517,151,454	5,793,009,026	56	56	56
	Development		4,050,874,800	4,253,418,540	4,466,089,467	44	44	44

**Sector Projections at 5% for Outer years are based on approved expenditures for FY 2022/2023 (Equitable share & OSR

