KISII COUNTY GOVERNMENT

FINANCE AND ECONOMIC PLANNING DEPARTMENT

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

FOR FINANCIAL YEAR 2020/2021

SEPTEMBER, 2021

FOREWORD

The County Budget Review Outlook Paper (CBROP) is prepared in line with section 118 of the Public Finance Management Act, 2012. It captures updated economic forecasts with sufficient information that will inform the budget proposals for following financial year. It further reviews the previous year's budget and provides an outlook for the following year's budget. The 2020/21 fiscal performance was commendable at 78 percent absorption rate despite several challenges posed by the COVID-19 pandemic. The overall revenue performance was 82 percent of the targeted annual revenue, including Equitable share, Grants and Own Source Revenue (OSR).

We anticipate to have an improved own source revenue collection in the FY 2021/2022 owing to enhanced administration and surveillance measures. As we continue with the implementation of the FY 2021/2022 budget, we shall lay more emphasis on the funding and implementation of projects that support the economic recovery from the COVID -19 pandemic impact and the priority areas identified in the Annual Development Plan, 2020.As we approach the final phase of implementation of the County Integrated Development Plan (CIDP) 2018-2022 ,the Accounting Officers are therefore, expected to ensure resources are directed towards the completion of on-going projects and the clearance of pending bills in their respective departments.

This Paper provides an overview of the performance of the FY 2020/2021 to provide a basis for the revision of the Financial Year 2021/2022 budget, and for budgeting over the medium term. It is therefore, my expectation that this policy paper will be useful in enhancing financial discipline and fiscal responsibilities as outlined in section 107 of the PFM Act 2012.

Moses Onderi

County Executive Committee Member, Finance and Economic Planning

ACKNOWLEDGEMENT

The preparation of the County Budget Review and Outlook Paper (CBROP) involved many stakeholders. Special gratitude goes to His Excellency the Governor and Deputy Governor for their leadership roles; providing direction and guiding the preparation of this policy document. I also wish to thank the County Executive Committee Members, their Chief Officers and Directors for their valuable contributions in terms of providing information to the technical team working on this document.

Immense appreciation goes to the Executive Member for Finance and Economic Planning Mr. Moses Onderi for his goodwill and guidance throughout the entire period of the preparation of this paper. I am particularly grateful to Dr. Onchari Kenani (Economic Advisor) for advice and guidance throughout the preparation of this Paper. I also thank a team from the Department of Finance and Economic Planning for their tireless efforts towards ensuring that this document was completed in time.

Finally, I thank the County Budget and Economic Forum (CBEF) members for their immense contributions in the development of this Paper.

Zablon Ongori
Chief Officer
Economic Planning and Development

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

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

1) The County Treasury shall prepare and submit to the County Executive for approval, by 30th September in each financial year, a Budget Review and Outlook Paper which shall include:

a. Actual fiscal performance in the previous financial year compared to the budget appropriation for that year;

b. Updated macroeconomic and financial forecasts with sufficient information to show changes from the forecasts in the most recent CFSP.

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

d. The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.

2) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall— (a) arrange for the Paper to be laid before the County Assembly; and (b) as soon as practicable after having done so, publish and publicize the Paper.

Fiscal Responsibility Principles in the Public Financial Management Act, 2012.

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

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

(a) The county government's recurrent expenditure shall not exceed the county government's total revenue;

(b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;

(c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;

(d)Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;

(e) The county debt shall be maintained at a sustainable level as approved by county assembly;

(f) The fiscal risks shall be managed prudently; and

(g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
ASDSP	Agricultural Sector Development Support Programme
CBROP	County Budget Review and Outlook Paper
CBK	Central Bank of Kenya
CBR	Central Bank rate
CEC	County Executive Committee
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CRA	Commission of Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish Development Agency
ICT	Information and Communications Technology
IDEAS	Instruments for Devolution Advice and Support
IFMIS	Integrated Financial Management and Information System
FY	Financial Year
KATC	Kisii Agricultural Training Centre
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
KShs.	Kenya Shilling
LREB	Lake Region Economic Block

NAGRIP	National Agricultural Growth Program
NG-CDF	National Government Constituency Development Fund
MTEF	Medium Term Expenditure Framework
MTF	Mechanical Transport Fund
PFM	Public Finance Management
SACCO	Savings and Credit Co-operative
SIDA	Swedish International Development Agency
SWGs	Sector Working Groups

EXECUTIVE SUMMARY

The Kisii County Budget Review and Outlook Paper 2020 has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its provisions, detailing actual fiscal performance for the Financial Year 2020/2021, economic development on macro-economic indicators and the indicative ceilings for the FY 2022/2023 Medium Term Budget. The Paper explicitly indicates how the actual performance of the FY 2020/21 complied with fiscal responsibility principles and financial objectives as spelt out in the PFM Act Section 107 and the Kisii County Fiscal Strategy Paper 2020.

The actual revenues received in the Financial Year 2020/2021 was **KShs. 10.3Billion** against targeted of **12.7Billion**. The total expenditure for the County as at the end of June 2021 was **KShs 9.8 Billion** against the receipt of **KShs 10.3 Billion** representing an overall absorption rate of 95 percent.

In the Financial Year under review, OSR collection was **KShs 403 Million** against a target of **KShs 650 Million** representing a performance of 62 percent. To improve OSR collection, the County Government will implement reforms in revenue administration, continued capacity building in OSR management and administration and the full use of automation in revenue streams. These strategies complimented with expenditure rationalization measures will create the necessary fiscal space for the implementation of the County strategic priorities and in general the CIDP (2018-2022).

The current FY 2021/2022 budget is aimed at the settlement of outstanding pending bills, and completion of the on-going projects and projects aimed at reviving the economy from COVID-19 impact. The County will continue to seek cooperation and support from the National Government, development partners and new frontiers in partnership and resource mobilization.

In order to ensure budget credibility and coherence, the FY 2022/2023 will be guided by the planning documents, the CIDP and ADP to link them to budgeting.

CHAPTER ONE

1.0 Introduction

This Paper provides a review of the fiscal performance for the FY 2020/2021 and how such a performance impacts on the financial objectives and fiscal responsibility principles set out in County Fiscal Strategy Paper (CFSP) 2021.It also forms the basis for the revision of the current budget (2021/2022) in the context of the supplementary estimates and the broad fiscal parameters that will determine the FY 2022/2023 and the medium term. The specifics of the fiscal framework and the medium-term policies will be firmed up in CFSP 2022.

The shortfall in both revenues and expenditures in the FY 2020/2021 had implications on the financial objectives outlined in CFSP 2021 and the fiscal projections of the 20221/2022 Budget. This Paper, therefore, presents a fiscal outlook underpinned by revenue administration and financial management measures to enhance compliance. The County government has also taken a deliberate move to cut down non-priority expenditures thereby availing more resources for high priority projects that are life changing.

As required by the PFM Act 2012, the main aim of the budget process is to promote the efficient and effective use of resources. In order to realize the resource requirements of the FY 2022/2023 budget and the medium term, the Kisii County government will continue instituting prudent measures aimed at enhancing revenue and rationalizing expenditures. In this regard, the CBROP provides indicative sector ceilings which will form the basis for the budget preparation for the FY 2022/2023 and the medium term. These sector ceilings are guided by the overall resource envelope that is informed by the macro-economic and fiscal outlook as presented in chapters two and four of this document respectively.

1.1 Structure of the Paper

The Paper is structured into four chapters. Chapter one provides the introduction, objectives, and significance of the Paper. Chapter two presents the recent economic developments and Outlook while chapter three provides a review of the fiscal performance in FY 2020/2021 and its implications on the financial forecasts set out in the County Fiscal Strategy Paper 2020 and lastly, chapter provides the resource allocation framework.

1.2 Significance of the Paper

The CBROP is a policy document that links planning and budgeting. It is significant in the budget making process within the Medium-Term Expenditure Framework (MTEF) as it provides a review of the fiscal performance of the previous year and identifies any deviations from the budget with the aim of providing realistic forecasts for the following year. It further assesses how fiscal responsibility principles were adhered to as provided for in Section 107 of the Public Finance Management (PFM) Act, 2012. In addition, it provides an updated macroeconomic and financial outlook as a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the Paper provides indicative sector ceilings for the FY 2022/2023 budget and over the medium term to guide Sector Working Groups (SWGs) before the figures are affirmed in the County Fiscal Strategy Paper.

CHAPTER TWO

RECENT ECONOMIC DEVELOPMENT AND OUTLOOK

This chapter highlights the recent economic developments that had an effect in the implementation of FY 2020/2021 budget. The chapter also discusses the macroeconomic outlook and risks of post COVID 19 pandemic.

2.1 Recent Economic Performance

Kenya indicated a strong economic growth for a decade allowing the country to access the status of a middle-income country in 2016. This was driven by recovery in agriculture due to improved weather patterns, resilient performance of the service sectors, strong household consumption and eased political uncertainties. The economic growth averaged at 5.7% in 2019 (KNBS, 2020) placing Kenya as one of the fastest growing economies in Sub-Saharan Africa.

In the year 2020, Kenya's economy was adversely affected by COVID-19 and the consequent containment measures both domestically and internationally. The government's temporal restrictive measures to curb the spread of the virus resulted to a negative impact on some key sectors of the economy. The temporal measures included ban of local and international travel, cessation of movement in and out of some counties and zones, closure of educational facilities, leisure and eateries. Consequently, many businesses especially those related to tourism and educational activities closed down during the second quarter of 2020. Pick up of economic activities resumed in the third quarter of 2020 though not to the full extent caused by partial opening of the economy.

Real Gross Domestic Product (GDP) is estimated to have contracted by 0.3 per cent in 2020 compared to a growth of 5.7 percent in 2019 as indicated in figure 2.1. The contraction was spread across all sectors of the economy but was more pronounced in accommodation and food serving, education, professional, and administrative services. Agriculture, Forestry and Fishing activities were however more vibrant despite a global contraction in 2020 .Despite most sectors recording contraction in growths, the economy was somewhat supported by accelerated growths in agricultural production (4.8 per cent), construction activities (11.8 per cent), financial and insurance activities (5.6 per cent) and health services activities (6.7 per cent) this was as per the Economic Survey Report of 2021. The health sector was mainly driven by the National and County Governments' spending on the COVID-19 mitigation measures. Figure 2.1 illustrates the GDP growth over the years.

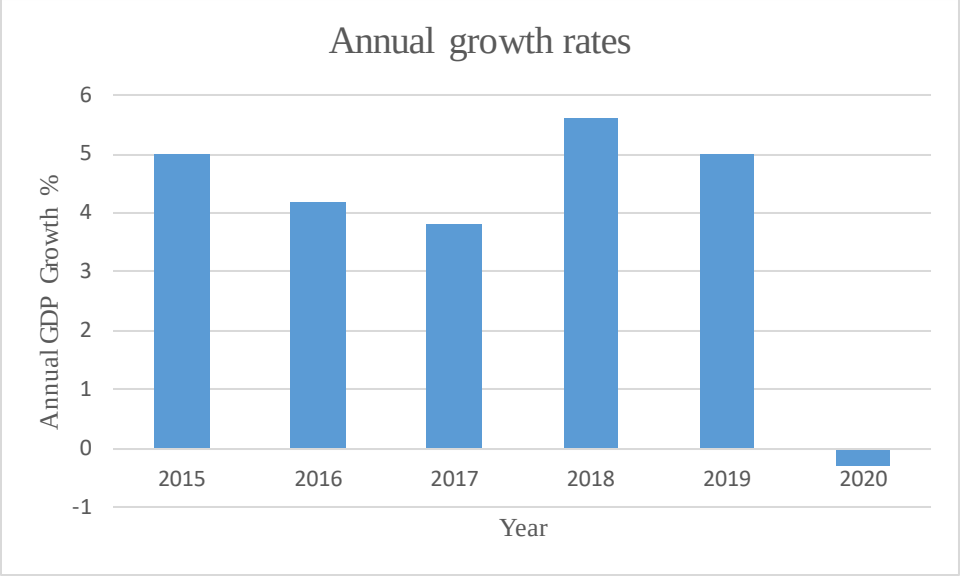

figure 2.1

Source: KNBS 2021

According to the Economic survey 2021, agriculture growth accelerated to 4.8 percent as a result of increased production of tea and food crops . Manufacturing contracted by 0.1 percent compared to a 2.5 percent growth in 2019, this performance was mainly supported by sugar and cement production. The construction sector recorded a growth of 11.8 percent in 2020 compared to a 5.6 percent growth in 2019, the length of paved road as at 30th June 2020 was 22,649Km compared to 21,295Km in June 2019 cement consumption which is a key input to the sector increased by 20.3 percent in 2020.

Financial sector recorded a growth of 5.6 percent in 2020 compared to 6.9 percent in 2019. Total domestic credit grew by 18.6 percent in Dec 2020 while credit to the National Government increased to KShs. 1.4 trillion as at Dec 2020 compared to KShs. 0.9 trillion in Dec 2019.

In 2021 the economy of the country is projected at 6 percent growth, which is the highest since 2013. This projection is based on rebound of the key sectors of the economy due to opening up of the economy that will see robust service sector growth due to opening of hotels and tourism for local and international visitors due to eased COVID restrictions. However, to achieve this much effort will be on vaccination of people against the pandemic, maintaining macro-economic stability, implementation of projects in healthcare, housing, manufacturing and food security. This is however expected to slow down to 5.8 percent in 2022 due to the general elections.

Foreign exchange reserves declined to USD 7.8 billion (equivalent to 4.8 months of import cover) at the end November 2020 from USD 8.96 billion (equivalent to 5.6 months of import cover) at the end November 2019.

Table 2.1: Growth in GDP by Activity quarterly

Year	*Quarter*	*Agriculture (%)*	*Manufacturing (%)*	*Construction (%)*	*Wholesale& Retail (%)*	*Transport and Storage (%)*
2019	1	4.8	3.0	4.6	11.6	6.8
	2	3.2	1.5	5.5	11.5	8.8
	3	0.7	1.5	6.1	8.2	4.6
	4	1.3	0.9	6.2	11.8	5.2
2020	1	4.3	1.5	11.0	4.9	2.2
	2	4.9	-4.7	8.3	-4.2	-16.8
	3	4.2	0.2	12.3	-5.0	-10.1
	4	5.8	3.5	15.7	2.6	-6.1

Source: KNBS 2021

According to KNBS 2021 Economic Survey Report, inflation rate rose from 5.3 percent in 2019 to 5.4 percent in 2020 mainly attributed to moderate increase in food prices. The rise in prices led to a reduction in the purchasing power of many households resulting to a fall in demand and consequently, reduction in production in key sectors due to reduced effective demand.

The year 2021 has been characterized by a partial operation of the economy due to the effects of COVID-19. Most businesses are not operating optimally due to slowed household consumption causing the manufacturing, wholesale and retail enterprises to scale down operations. This has continued to have a negative impact on most sectors in the economy. The rising global crude oil prices coupled with the effect of implementation of the Finance Act 2018, have created a ripple effect of rising of prices of other consumer goods and services with Agriculture, transport and manufacturing affected the most.

Figure 2.2 illustrates month to month inflation for the first half of 2021.

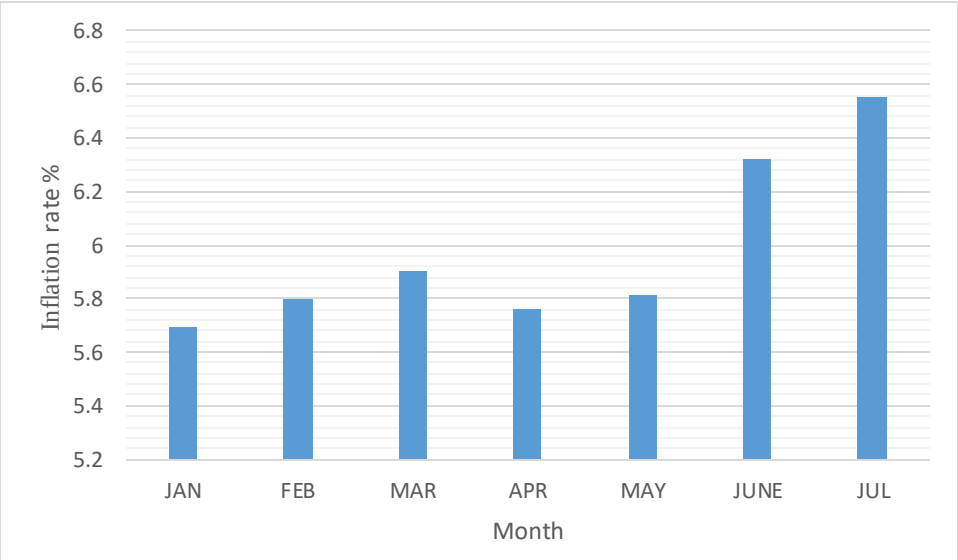

Figure 2.2 illustrates that there was a significant rise in the inflation rate during the first half of 2021 and it is likely that this trend will continue in the second half of 2021 partly due to higher energy and transportation costs.

According to the Central Bank of Kenya (CBK) Report 2021,the monetary policy was premised on cushioning the economy from the adverse effects of the COVID-19 pandemic. Interest rates remained favorable to economic activities. The Central Bank Rate (CBR) was reviewed downwards from 8.50 per cent in November 2019 to 8.25 per cent in January 2020 and later to 7.25 percent and 7 percent in March and April 2020, respectively. The CBR was maintained at 7 percent until the end of 2020. The weighted average interest rate for commercial bank loans and advances was 12.02 percent in 2020 compared to 12.24 percent in 2019. The average interbank rates declined from 6.03 percent in December 2019 to 3.27 percent in June 2020 but increased to 5.29 percent in December 2020.

2.3 National Economic Outlook and Risks

According to the Economic Survey Report 2021, Kenya's economy is projected to experience a more challenging recovery from the COVID-19 pandemic. This is due to the country's effort to vaccinate a significant proportion of the population, which will lead to full resumption of economic activities and the preparations of the upcoming 2022 general elections. However, the global trade is projected to expand by 8 percent in 2021 after a contraction of 5.3 percent in 2020, the growth in the world trade is expected to boost external demand for Kenya's products and thereby likely to augment the country's economic growth.

Kenya experienced a below normal rainfall in the first half of 2021. However, the weather forecast points to the possibility of the short rains being better in most parts of the country later in the year. Output of the agriculture sector, which is largely rain fed, is therefore likely to be lower than the 2020 level. Full resumption of activities in the education sector and the hotel industry that were almost halted for the better part of 2020 is likely to significantly boost the growth. To a lesser extent, other key sectors like manufacturing and transportation are likely to rebound and support the country's economic growth. Given that most of the key macroeconomic indicators will most probably remain stable and supportive of growth in 2021, the economy is therefore expected to record a significant rebound in 2021 on these sectors

Public debt surged to 72 percent of GDP in 2020 from 61 percent in 2019, driven mainly by public investment in infrastructure, debt management–related challenges, and the COVID–19 crisis. Kenya is now in high risk of debt distress as determined by the International Monetary Fund. To address this, vulnerability risks, the Government would require economic growth reforms, soliciting external financial assistance, concessional credit, and debt refinancing and restructuring. (Economic Survey Report 2021)

Downside risks to the outlook could emanate from delays in the full reopening of the economy, failure to secure external financing to execute the budget, a slowdown in global growth, and disruptive social conditions during the run-up to the 2022 elections.

2.4 County Economic Outlook and risks

To uplift livelihoods within the County, over the medium-term resources will be channeled to environmental conservation, provision of clean water, primary health care, roads development, food security and urban development.

Resource allocation from the National Government will not be sufficient to finance programmes and projects proposed in the ADP 2021, this poses a challenge in delivery of the development Agenda envisioned CIDP 2018-2022. To address this, the County Government will seek development partners to fill the financing gaps. Furthermore, the County will also work with other counties in the Lake Region Economic Block in addressing development challenges facing residents of the region.

Local revenue targets over time have not been met due to diverse and dynamic reasons. However, to enhance collection, the County Government will make structural adjustments that will see a positive growth trajectory.

Over the medium term, the County Government will strengthen its fiscal policies to achieve set targets by focusing on expenditure on the five priority areas identified in the ADP 2021, namely: Water and Environmental conservation; Roads development; Primary Health Care Services; Food production; and Urban Development. These areas are aligned to the "Big Four" agenda of the National Government and the vision 2030.

2.5 Economic Risks

Nationally, the economy will continue to be exposed to risks arising from public expenditure pressures, particularly wage related recurrent expenditures and payment of debts. The erratic weather-related shocks could impact adversely on agricultural output, leading to increase in food prices and hence putting pressure on households' expenditure leading to inflation.

i. Unpredictable weather conditions and dynamic climatic change affects at the implementation of most development projects at National and County levels.
ii. The increasing discretionary expenditures of wages and debt servicing leaving the National Government and Counties with insufficient resources for development.
iii. Late Exchequer releases due budgetary bottlenecks between the National and Senate assemblies affects implementation of projects.
iv. The continuation of COVID 19 pandemic.

CHAPTER THREE

REVIEW OF FISCAL PERFORMANCE IN 2020/2021

3.1 Overview

This Chapter reviews the fiscal performance for the FY2020/21 budget. It entails the analysis of County revenues, expenditure and Exchequer releases.

3.2 Fiscal Performance

This section provides detailed analysis of revenues and expenditure in FY2020/2021 budget.

3.2.1 Analysis of Revenue Sources

In the FY 2020/2021 the county projected revenue was **KShs. 12.7 Billion** which comprised of Equitable share, Own Source Revenue, Loans and Grants, and Unspent Balances for the FY2019/20. However, the actual receipts were **KShs. 10.2Billion** which represents **81 percent** of the total projected revenue**.** This is presented in Table 3.1

Table 1.1: Analysis of Revenue sources

ITEM	BUDGET 2020/2021	ACTUAL RECEIPTS	REVENUE PERFORMANCE
Equitable Share	7,785,900,000	7,124,098,500	92
Conditional Share for Kisii Level Five	417,572,254	417,572,254	100
Road Maintenance Fuel Levy Fund	233,001,661	233,001,660	100
Leasing of Medical Equipment	132,021,277	0	0
Conditional Allocation for Compensation for User Fee Foregone	26,138,997	26,138,997	100
Kenya Devolution Support Program 'Starter Pack' - (Level 1)	45,000,000	45,000,000	100
Kenya Devolution Support Program 'Starter Pack' - (Level 11)	128,507,146	0	0
Allocation for Development of Youth Polytechnics	70,549,894	70,549,894	100
National Agricultural and Rural Inclusive Project	198,615,016	248,356,456	125
Agriculture Sector Development Support Program - SIDA	14,185,102	13,686,008	96
Conditional Allocation-Health Systems for Universal Care	68,638,638	33,726,726	49
DANIDA	22,140,000	22,140,000	100
European Union Instruments for Devolution Advice and Support	16,140,145	16,140,145	100
Urban Development Grant	164,053,800	24,227,795	15
Aquaculture Business Development Programme (IFAD)	23,700,000	0	
Conditional Grant -Frontline Health workers Top-Up Allowances	84,165,000	84,165,000	100

ITEM	BUDGET 2020/2021	ACTUAL RECEIPTS	REVENUE PERFORMANCE
Unreleased Balances for FY2019/2020	781,434,472	669,587,400	86
Local Revenues	650,000,000	403,001,860	62
TOTAL REVENUE	**12,671,280,940**	**10,214,741,374**	**81**

Source: Kisii County Treasury, 2021

(i) The County anticipated to receive **KShs. 7.8 billion** equitable share however it received **KShs. 7.1 billion** which represents 92 percent.

(ii) Conditional Grants for Kisii level Five, Road Maintenance Fuel Levy Fund, Compensation for User Fee Foregone, Kenya Devolution Support Program (KDSP) Levels I, Conditional Allocation for Youth Polytechnics, DANIDA, European Union Instruments for Devolution Advice and Support and Frontline Health Workers Top-Up Allowances were all received as budgeted.

(iii) The World Bank Funded, National Agricultural and Rural Inclusive Growth Project (NARIGP) which was Budgeted at **Kshs. 198Million**, the County received **Kshs. 248Million** which was part of Unreleased amounts for the previous FY (2019/20).

(iv) The county Budgeted to receive **164Million** from World Bank Funded, Urban development grant but received **24.2Million** by the closure of the financial year.

(v) In the FY2020/2021 the County projected to receive **KShs. 128Million** for Kenya Devolution Support Program 'Starter Pack' Level II and **KShs.12.5 Million** from IFAD Funded Aquaculture Business Development program. However, no amount was received.

(vi) Conditional Allocation-Health Systems for Universal Care was budgeted at **KShs. 68 Million** but the County received **KShs. 33 Million**.

(vii) The county anticipated to collect **KShs 650 Million** during FY2020/2021 as own source revenue but managed to collect **KShs. 403 Million** representing **62 percent.**

3.2.2. Exchequer Releases for FY 2020/2021

In the FY2020/2021 the Exchequer releases into the County Revenue Fund (CRF) account amounted to **KShs 9.75 Billion** comprising of equitable share, local revenues, refunds from operations account, unreleased balances carried forward from FY2019/2020 and Loan and Grants from development partners as shown in Table 3.2.

Table 3.2: Exchequer Releases to CRF

Source: Kisii County Treasury, 2021

Date	Item	Amount
	Balance B/F	**225,205,385.60**
	Refunds of Unspent Balances	**6,691,939.25**
02-Jul-2020	Urban Institution Grant (UIG)	8,800,000
02-Jul-2020	Kenya Devolution Support Program	30,000,000
02-Jul-2020	Road Maintenance Fuel Levy Fund (RMFLF)	55,251,984
02-Jul-2020	Urban Development Grant (UDG)	117,337,642.20
05-Aug-2020	Equitable Share	669,587,400
13-Oct-2020	Equitable Share	1,284,673,500
12-Nov-2020	Equitable Share	661,801,500
16-Nov- 2020	National Agricultural and Rural Inclusive Growth Project (NARIGP)	160,935,581
04-Dec-2020	RMLFLF	58,250,415
08-Dec-2020	DANIDA	11,070,000
22-Dec-2020	NARIGP	34,309,718.15
22-Dec-2020	Equitable Share	622,872,000
08-Jan-2021	Universal healthcare	33,726,726
14-Jan-2021	Conditional allocation for level five hospital	192,083,236
19-Jan-2021	Equitable Share	661,801,500
12-Feb-2021	Conditional allocation for youth polytechnics	35,274,947
23-Feb-2021	KDSP	45,000,000
23-Feb-2021	EU-IDEAS	45,696,934
26-Feb-2021	Equitable Share	622,872,000
25-Mar-2021	Equitable Share	661,801,500
13-Apr-2021	NARIGP	53,111,156.60
23-Apr-2021	Equitable Share	661,801,500
07-May-2021	DANIDA	11,070,000
21-May-2021	ASDSP-SIDA	197,584
25-May-2021	UIG	24,227,795.30
26-May-2021	RMLFLF	116,500,830.45
26-May-2021	Equitable Share	622,872,000
21-Jun-2021	ASDSP-SIDA	2,000,000
23-Jun-2021	Compensation for user fee foregone	26,138,997
23-Jun-2021	Conditional allocation for youth polytechnics	35,274,947
23-Jun-2021	Conditional allocation for level five hospital	225,489,018
23-Jun-2021	Equitable Share	700,731,000
30-Jun-2021	Equitable Share	622,872,000
	Local Revenue*	**403,001,860**
	GRAND TOTAL	**9,750,332,596.55**

3.2.3 Requisitions from CRF Account to Operations and Special Purpose Accounts.

The requisitions from CRF to operations and special purpose accounts amounted to **KShs. 9.6 Billion** comprising of **KShs. 7.2 Billion** and **KShs. 2.4 Billion** for recurrent and development expenditure respectively. Table 3.3 shows requisitions from the CRF account to the operations and special purpose accounts.

Table 3.3: Requisitions from CRF Account to operations and special purpose accounts

Month	Date exchequer issue was approved (Refer to Form B)		
		Recurrent (Kshs.)	Development (Kshs.)
July	23-Jul-20	333,022,802	
July	23-Jul-20	18,694,080	
July	23-Jul-20	44,188,928	
July	24-Jul-20	6,000,000	
August	10-Aug-20	45,690,490	
August	10-Aug-20	398,728,011	
August	14-Aug-20	40,183,805	
August	14-Aug-20	30,000,000	
September	07-Sep-20	9,372,720	
September	07-Sep-20	4,679,100	
September	17-Sep-20	156,872,000	
October	12-Oct-20	13,861,994	
October	08-Oct-20		6,257,330
October	16-Oct-20	406,810,916	
October	16-Oct-20	166,552,743	
October	16-Oct-20	402,874,726	
October	15-Oct-20	77,999,781	
October	14-Oct-20		58,592,979
October	14-Oct-20		55,251,985
October	26-Oct-20	20,726,149	
October	29-Oct-20	99,756,756	
November	20-Sep-20		160,935,581
November	23-Nov-20	34,705,800	
November	23-Nov-20	403,898,027	
November	23-Nov-20		37,556,773
November	23-Nov-20		64,360,667
November	25-Oct-20	46,468,880	
November	25-Nov-20	49,678,175	
November	27-Nov-20		6,782,830
November	27-Nov-20	45,548,442	
December	16-Dec-20	10,821,600	
December	31-Dec-20	71,314,165	
December	31-Dec-20	415,098,490	

Month	Date exchequer issue was approved (Refer to Form B)		
		Recurrent (Kshs.)	Development (Kshs.)
December	31-Dec-20	22,164,078	
December	31-Dec-20	43,041,195	
December	31-Dec-20		103,549,644
December	31-Dec-20		34,309,718
December	31-Dec-20	11,070,000	
January	21-Jan-21	17,255,064	
January	21-Jan-21		58,250,415
January	21-Jan-21	33,726,726	
January	21-Jan-21		135,269,261
January	29-Jan-21		17,000,000
January	29-Jan-21	79,015,959	
January	29-Jan-21	48,413,161	
January	29-Jan-21	17,033,350	
January	29-Jan-21	39,922,244	
January	29-Jan-21	442,581,255	
February	09-Feb-21		88,083,936
February	09-Feb-21		12,493,000
February	11-Feb-21	49,227,000	
March	01-Mar-21		58,250,415
March	01-Mar-21		28,560,000
March	01-Mar-21		21,262,824
March	01-Mar-21	26,957,805	
March	02-Mar-21	326,090,018	
March	02-Mar-21	45,740,795	
March	02-Mar-21	39,451,470	
March	11-Mar-21	77,602,367	
March	11-Mar-21		84,855,590
March	11-Mar-21		5,500,000
March	15-Mar-21	15,919,430	
March	11-Mar-21		10,921,607
March	16-Mar-21	25,000,000	
April	22-Mar-21	11,000,000	
April	09-Apr-21	267,519,009	
April	09-Apr-21	57,940,706	
April	09-Apr-21		35,274,947
April	09-Apr-21	3,400,000	
April	12-Apr-21	47,309,902	
April	19-Apr-21		45,696,934
April	19-Apr-21		151,487,701
April	19-Apr-21		53,111,157
April	19-Apr-21	52,690,000	
April	19-Apr-21	106,319,714	

Month	Date exchequer issue was approved (Refer to Form B)		
		Recurrent (Kshs.)	Development (Kshs.)
May	29-Apr-21	404,248,756	
April	29-Apr-21	53,751,592	
May	09-Apr-21	72,271,521	
May	07-May-21		122,574,991
May	07-May-21		27,962,506
May	10-May-21	12,070,412	
May	18-May-21		11,488,424
May	18-May-21	11,070,000	
May	02-Jun-21	419,818,277	
May	02-Jun-21	48,292,480	
May	02-Jun-21	6,807,823	
June	07-Jun-21		97,190,937
June	07-Jun-21	20,399,697	
	08-Jun-21	95,264,418	
June	16-Jun-21	14,000,000	
June	24-Jun-21		6,500,000
June	24-Jun-21		197,584
June	24-Jun-21	9,272,800	
June	29-Jun-21	48,880,060	
June	29-Jun-21	26,138,997	
June	29-Jun-21	413,692,400	
June	29-Jun-21		35,274,147
June	29-Jun-21		116,500,830
June	29-Jun-21	69,508,924	
June	29-Jun-21	22,522,080	
June	29-Jun-21		5,369,516
June	29-Jun-21		79,009,027
June	29-Jun-21		81,806,877
June	29-Jun-21		2,000,000
June	30-Jun-21	158,249,798	
June	30-Jun-21		433,299,579
June	30-Jun-21		18,161,207
June	30-Jun-21		6,840,201
June	30-Jun-21	36,748,431	
Total		**7,202,948,294**	**2,377,791,120**

Source: Kisii County Treasury, 2021

3.3 Local Revenue Outturns

The County Government had projected to collect **KShs. 650 Million** from its local revenue streams for the financial year ending 30th June 2021. However, it collected **KShs. 403 Million**

representing **62 percent.** The revenue recorded a growth of 21 percent compared to last financial year. Table 3.4 gives the summary of the revenue streams.

Table 3.4: Local Revenue Outturns

ACTUAL REVENUE COLLECTED	FY2020-2021
LOCAL LEVIES: 1-2000	
1-2101 Property rates	19,331,015
1-2201 Business Permits Current Year	137,680,387
1-2311 Fruits & Vegetables / Produce Cess	8,580,959
1-3105 Miscellaneous income	61,240
1-3501 County Premises Monthly Rent (Offices, etc.)	5,848,490
1-5101 Market Entrance / Gate Fee	39,317,920
1-5102 Market Plots Rent	2,812,033
1-5201 Enclosed Bus Park Fee	35,232,900
Motorcycle parking stickers	8,474,227
1-5221 Street Parking Fee	41,990,550
1-6301 Social Hall Hire	45,000
1-6311 Stadium Hire	15,000
1-8401 Slaughtering Fee	467,000
1-9112 Buildings Plan Approval Fee	44,463,797
1-9132 Sign Boards & Advertisement Fee	44,521,715
1-9201 Fire-Compliance Fee	6,116,328
Administrative fees and charges	3,619,690
Environmental fees and Charges	1,933,000
weights and Measures	492,420
Sale of fingerlings	817,508
Revenue from ATC	1,180,681
TOTAL	**403,001,860**

Source: Kisii County Treasury, 2021

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

- Updating of the valuation roll
- Emphasizing on the usage of the USSD to go cashless
- Enhanced engagement of the boda boda and matatu owners and riders
- To enhance mobile banking for the county services
- Enhanced compliance of approved plans through the established plan approval committee

3.4 Recurrent and Development Expenditure

The County's expenditure is classified into Recurrent and Development expenditure.

3.4.1 Recurrent Expenditure

The recurrent budget in the FY2020/2021 was **KShs. 8.5 Billion** representing 67 **percent** of the total budget. However, **KShs. 7.2 Billion** was disbursed by the exchequer at the end of financial year and was utilized by the County Executive and County Assembly as shown in Table 3.5

Table 3.5: Recurrent Expenditure Analysis for FY 2020/2021

Department	Approved Budget (KShs)	Exchequer Releases (KShs)	Actual Expenditure (KShs)	Balance (KShs)	Absorption Rate %
	(a)	(b)	(c)	(b-c)	
County Assembly	963,697,525	915,313,329	915,307,278	6,051	100
County Executive and Public Service board	479,512,621	365,743,141	368,170,442	-2,427,301	101
Administration and Stakeholder Management	675,120,059	552,516,322	551,163,326	1,352,996	100
Finance and Economic Planning	1,185,583,241	1,008,808,935	991,732,584	17,076,351	98
Agriculture, Livestock Fisheries & Co-operative Development	443,274,069	371,258,853	378,690,591	-7,431,738	102
Energy, Water, Environment and Natural Resources	195,244,842	137,891,279	136,945,363	945,916	99
Education, Labor, and Manpower Development	620,777,713	433,647,660	435,313,510	-1,665,850	100
Health Services	3,418,239,511	3,018,575,806	3,014,187,415	4,388,391	100
Lands, Physical Planning and Urban Development	93,357,240	71,439,904	69,948,723	1,491,181	98
Roads, Public Works and Housing	213,000,000	144,004,042	145,189,849	-1,185,807	101
Trade Tourism and Industry Development	82,738,837	62,003,995	59,823,625	2,180,370	96
Culture, Sports, Youth and Social Services	77,256,460	51,992,460	51,685,362	307,098	99
Kisii Municipality	116,755,459	69,373,167	66,006,767	3,366,400	95
Totals	**8,564,557,577**	**7,202,568,893**	**7,184,164,835**	**18,404,058**	**99.7**

Source: Kisii County Treasury, 2021

3.4.2 Development Expenditure

In the FY2020/2021, the County budgeted KShs**. 4.2 Billion** for development which represent 33 **percent** of the total budget. However, **KShs. 2.4 Billion** was released by Exchequer which

was utilized for planned programs and projects by both the County Executive and County Assembly as shown in Table 3.6.

Table 3.6: Development Expenditure Analysis for FY 2020/2021

Department	Approved Budget (KShs)	Exchequer Releases (KShs)	Actual Expenditure (KShs)	Balance (KShs)	Absorption Rate %
	(a)	(b)	(c)	(b-c)	
County Assembly	106,216,911	46,945,410	46,945,410	0	100
County Executive and Public Service board	35,300,000	9,000,000	9,000,000	0	100
Administration and Stakeholder Management	36,445,396	10,526,128	10,526,128	0	100
Finance and Economic Planning	70,000,000	54,254,828	54,254,828	0	100
Agriculture, Livestock Fisheries & Co-operative Development	757,774,853	561,957,620	596,782,579	-34,824,959	106
Energy, Water, Environment and Natural Resources	251,812,173	154,871,592	152,471,683	2,399,909	98
Education, Labor, and Manpower Development	156,343,034	92,621,593	91,872,516	749,077	99
Health Services	939,494,291	389,933,729	511,659,709	-121,725,980	131
Lands, Physical Planning and Urban Development	95,183,915	38,542,963	38,542,963	0	100
Roads, Public Works and Housing	1,284,400,371	861,248,962	861,133,566	115,396	100
Trade Tourism and Industry Development	106,746,642	22,565,284	22,565,284	0	100
Culture, Sports, Youth and Social Services	202,025,502	97,597,283	97,597,283	0	100
Kisii Municipality	248,717,745	37,725,808	101,754,438	-64,028,630	270
Totals	**4,290,460,833**	**2,377,791,200**	**2,595,106,387**	**-217,315,187**	**109**

Source: Kisii County Treasury, 2021

CHAPTER FOUR

RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustments to 2021/2022 Budget and Over the Medium Term

In view of the issues that were noted in the implementation of the FY 2020/2021 budget, adjustments have been undertaken in the FY 2021/2022 budget which are key to the County performance in the Medium-Term Framework (MTF) period.

a) In the FY 2020/2021, the County Government allocated resources for on-going programmes and projects including pending bills in a bid to address debt in line with the fiscal responsibility principles. However, there is need to ensure that all the audited pending bills and ongoing projects are accommodated in the revised and FY 2022/2023 budget. Meanwhile, the County Government is focusing on paying all audited pending bills from the Auditor General's report.
b) Over the years, the County Government has had challenges in meeting its own source revenue targets and this has continuously affected the implementation of projects. To mitigate this, there is a need to revise the Own Source Revenue(OSR) targets in FY 2022/2023 and reinforce the revenue collection measures by instituting reforms in revenue administration, continued capacity building in OSR management and the full use of automation in revenue streams.
c) In the medium term, the county will continue to strictly follow the fiscal responsibility principle of maintaining at least 30 percent of the total budget focused on development. Currently, 32% of the budget is for development. In the medium term the county will strive to allocate at least 35% of the total budget to Development.

d) In the current Financial year, the County Government will continue to provide allocation for mitigating the effects of the COVID-19 pandemic by focusing on initiatives that guarantee food production, mobilize resources for roads and infrastructure development ,focusing on increased health services efficiency and effectiveness ,focusing on initiatives that guarantee access to potable water and environmental conservation ,focusing on enhancement of skills and empowerment ,focusing on urban infrastructure for sustainable development ,focusing on sports and talent development.

4.2 Medium-Term Expenditure Framework

Going forward, in view of the limited resources, MTF budgeting will entail adjusting non-priority expenditure to carter for the priority sectors. In the meantime, the resource allocation based on the ADP and CFSP.

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

The priority programmes to be implemented in the Financial Year 2022/2023 are expected to accelerate economic activities and socio-economic development through:

i. Health Services,
ii. Water reticulation and Environmental Management,
iii. Road Connectivity and Urban Infrastructure Development,
iv. Agricultural productivity.

4.2.1 Health services

Good health is an important factor in economic growth and development. A healthy population lives longer, is more productive and saves more. To promote physical and mental health and well-being and to extend life expectancy for all, there is a need to achieve universal health coverage and access to quality health care.

The County Government will continue investing in quality healthcare services to promote a healthy population with higher productivity for sustained economic growth. In partnership with the development partners and the National Government, a program of upgrading healthcare infrastructure and modernizing equipment will be enhanced.

To further improve the quality and reach of health care services in the county, the Government will continue to improve maternal, new born and child health services; reduce malaria related mortality; reduce non-communicable disease prevalence; enhance early diagnosis and management options for cancer and renal diseases.

4.2.2 Water Reticulation and Environmental Management

Water is an essential component in society. Lack of water is a barrier to sustainable socio-economic development. Provision of safe and clean water is critical in fighting COVID-19 and other infectious diseases through hand washing. Therefore, scarcity of water, lack of collection and distribution systems can be costly. Generally, domestic water supply serves as a basic component of welfare in its role as a direct consumer commodity, it also functions as an element of socioeconomic infrastructure. Water contributes to a wide range of natural productive processes, such as food production and manufacturing operations.

Access to clean and safe water will be achieved through investment on clean water infrastructure and management. So far, the County Government has partnered with various development partners among them Germany Bank (kfw) which has completed rehabilitation of Kisii Water Supply treatment works, storage tanks and sewerage treatment plant.

Over the medium-term period, the County Government will focus in rehabilitating depilated water schemes and the construction of new ones. To ensure equity in reticulation, additional bore holes will be drilled across the county in areas that cannot be served by pipes due to topographical landscape.

Over the medium term, the County will also invest on environmental conservation and solid waste management through massive environmental friendly tree planting, removing blue gum trees along the riparian land and water catchment areas, soil erosion control measures, building sewerage structures in urban areas; protection of ecosystems and investing on climate change adaptation mechanisms.

4.2.3 Roads Connectivity and Urban Infrastructure Development

The three pillars of the Kenya Vision 2030 are anchored on enablers, largely on road infrastructure. Roads are vital for any development agenda, they link producers to markets, workers to jobs, students to school, and the sick to hospitals. There is a substantial population residing in Kisii municipality and other urban areas in the County and hence the need to enhance road connectivity. This rapid urbanization can bring significant benefits for business, customers driving innovation and growth, while increasing standards of living for the thousands of individuals.

To ensure an efficient and effective transportation system, the Government will continue with the development of urban roads to ease congestion through partnerships. In ensuring smooth movement of people and goods across the County, the focus over the medium-term period will be maintenance of already constructed roads and opening up of feeder roads (village roads).

4.2.4 Agricultural Productivity

Sustainable Development Goal 2 envisions ending hunger, achieving food security and improved nutrition and promoting sustainable agriculture. Food security is one of the "Big Four" agenda of the National Government. Over 70 % of the rural population depends on agriculture for their livelihood both as a source of food as well as income (CIDP, 2018-2022). However, it is dogged with challenges of high population density, poor farming practices, dwindling farm sizes among others, thus resulting in food insecurity.

Over the medium term, the County Government will continue to upscale Artificial Insemination(AI) Services, and expand veterinary services. Further, the County Government will improve livestock productivity through disease surveillance and control.

Further, the Government will expedite the construction and equipping of fish multiplication centers, continue training farmers on fish management, construct markets with cold storage facilities.

To boost food production and farmers' earnings, the County Government will continue to sustain the availability of farm inputs, distribute early maturing and disease resistant seedlings. This will be done through partnerships to increase extension services.

4.3 Indicative Ceilings

The County priorities will be implemented through the Program Based Budgeting approach. For effective utilization of finances and enhanced service delivery, the County will use the existing structures. Table 4.1 presents indicative ceilings over the medium Term. The projections are comprised of transfers from National Government and grants and loans from development partners.

Table 4. 1: Total Sector Estimates for MTEF FY 2021/2022 – 2023/2024

	Approved budget 2021/2022		2022/2023		2023/2024	
Department	**Recurrent**	**Development**	**Recurrent**	**Development**	**Recurrent**	**Development**
County Assembly	949,524,697	106,216,911	988,505,685	109,465,587	1,028,045,912	113,844,210
Office of the Governor and Public Service Board	474,967,952	35,300,000	493,966,670	36,712,000	513,725,337	38,180,480
Administration	548,033,805	84,341,194	569,955,157	87,714,842	592,753,363	91,223,435
Finance and Economic Planning	1,245,763,708	86,841,490	1,295,594,256	90,315,150	1,347,418,027	93,927,756
Agriculture Fisheries, Livestock and Cooperatives Development	494,431,604	707,008,476	514,208,868	735,288,815	534,777,223	764,700,368
Energy Water and Natural resources	196,273,131	214,812,876	204,124,056	223,405,391	212,289,018	232,341,607
Education, Labour and Manpower Development	623,517,045	153,887,534	648,457,727	160,043,035	674,396,036	166,444,757
County Health	3,100,662,216	1,098,782,264	3,224,688,705	1,142,733,555	3,353,676,253	1,188,442,897
Lands, Physical Planning and Development	200,259,000	105,596,362	208,269,360	109,820,216	216,600,134	114,213,025
Roads and Public Works	271,500,000	983,475,722	282,360,000	1,022,814,751	293,654,400	1,063,727,341
Trade, Industry and Tourism Development	136,678,979	93,242,813	142,146,138	96,972,526	147,831,984	100,851,427
Culture, Sports, Youth and Social Services	106,579,055	140,924,074	110,842,217	146,561,037	115,275,906	152,423,478
Kisii Municipality	170,937,287	261,136,783	177,774,778	271,582,254	184,885,770	282,445,544
Total	**8,519,128,479**	**4,071,566,499**	**8,860,893,618**	**4,233,429,159**	**9,215,329,363**	**4,402,766,325**

4.4 Revenue Projections

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

Table 4. 2: Revenue projections

Revenue Source	Approved Budget	Projected FY	
	2021/2022	2022/2023	2023/2024
Equitable Share	8,894,274,509	9,228,045,489	9,577,167,308
Loans and Grants	676,617,472	703,682,171	731,829,458
Conditional Share	216,377,777	225,032,888	234,034,204
Own Revenue Sources	700,000,000	750,000,000	800,000,000
Total	**12,590,694,978**	**13,094,322,777**	**13,618,095,688**

The County Government's revenue is expected to grow from **KShs. 12.59 Billion** in 2021/2022 FY to **KShs13.094 billion** and **KShs 13.618 billion** in FY 2022/2023 and FY 2023/2024 respectively.

4.5 Challenges experienced in the Implementation of FY 2021/2022

The implementation of FY 2020/2021 budget experienced many challenges among them:

i. Delayed project implementation occasioned by the COVID-19 pandemic.

ii. Shortfall in domestic revenue collection.

iii. Delay of release of funds by the National Treasury.