

COUNTY GOVERNMENT OF KISII



COUNTY TREASURY

MEDIUM TERM

FISCAL STRATEGY PAPER

“Inclusive Growth for Improved Livelihood”

FEBRUARY 2024

LEGAL BASIS

The Kisii County Fiscal Strategy Paper is prepared in accordance with Section 117 of the Public Finance Management Act, 2012. The law states that:—

- 1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly by the 28th February of each year;
- 2.) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- 3.) In preparing the Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term;
- 4.) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term;
- 5.) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of-
 - (a) The Commission on Revenue Allocation;
 - (b) The public;
 - (c) Any interested persons or groups; and
 - (d) Any other forum that is established by legislation.
- 6.) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.
- 7.) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.

FISCAL RESPONSIBILITY PRINCIPLES

In line with the Constitution, the Public Finance Management Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. The PFM Act (Section 107) (2) which 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 percent of the County Government's budget shall be allocated to the development;
- (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) and 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. And sub-sections

(3) Which states that for the purpose of sub section (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?

(4) Every County Government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the County Assembly.

(5) The regulations may add to the list of fiscal responsibility principles set out in sub-section (2)

FOREWORD

The Kisii County 2024/25 Fiscal Strategy Paper sets out the framework for the preparation of the 2024/2025 in fulfillment to the provisions of Section 117 of the Public Finance Management Act, 2012. It articulates economic policies and structural reforms as well as sector based expenditure programs that the County intends to implement in line with the Annual Development Plan 2024/2025 in realization of the Kisii County Integrated Development Plan 2023-2027.

In compliance with the mandate bestowed on the County governments by the Constitution, Kisii County Government is dedicated to prudently utilize the available resources and enhancing fiscal discipline so as improve the living standards of her citizens. The County Government will work on the improved macro-economic environment to overcome development and fiscal challenges and the various interrelationship challenges within the national and county governance structures. The County Government will promote value addition, investment on infrastructure and support especially the small and medium enterprises so as to expand employment opportunities.

The Medium Term Expenditure Framework aims at ensuring efficiency and effectiveness in the implementation of the development activities outlined in the Annual Development Plan. This is key in creating fiscal space for financing priority projects by the departments in the County.

KENNEDY OKEMWA ABINCHA
COUNTY EXECUTIVE COMMITTEE MEMBER,
FINANCE, ECONOMIC PLANNING AND ICT

ACKNOWLEDGEMENT

The Kisii County Fiscal Strategy Paper 2024-2025 is a result of culmination of concerted efforts of many actors. The paper is prepared in line with the Public Finance Management Act 2012 Section 117 (1) which stipulates that the County Treasury should prepare the Fiscal Strategy Paper for the County. This Strategy Paper sets out broad strategic priorities and policy goals to guide the Kisii County Government in the preparation of its budget for the coming Financial Year 2024/2025 and over the medium term.

The content of this Fiscal Strategy Paper has benefited from an array of expertise of professionals and key stakeholders in the County. Their tireless efforts have informed the four chapters of this Strategic paper. We wish to express our gratitude to all those persons that participated in the drafting and printing of this paper.

We are particularly grateful to His Excellency the Governor for his lead role, direction and guidance in developing this document, County Executive Member for Finance, Economic Planning and ICT, other County Executive Committee Members, their Chief Officers and Directors for their input in providing the much needed information to the team working on this crucial document.

We also wish to thank the County Treasury staff for working with economists drafting the document in the provision of the much needed information for this document.

We cannot forget the role of members of the public, Civil Society Organizations, Private sectors, CBEF members and well-wishers for their contributions during the public fora held across the County between 13th and 16th February 2024.

DR. ERICK MOBEGI

CHIEF OFFICER,

FINANCE ACCOUNTING AND REVENUE MANAGEMENT

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ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
ARV	Antiretroviral
CA	County Assembly
CIDP	County Integrated Development Plan
ECD	Early Childhood Education
FSP	Fiscal Strategy Paper
FY	Financial Year
GDP	Gross Domestic Product
HIV	Human Immune Virus
IFMIS	Integrated Financial Management System
KCG	Kisii County Government
KCIDP	Kisii County Integrated Development Plan
MTEF	Medium Term Framework
MTP	Medium Term Plan
NEMA	National Environment Management Authority
PLWDs	People Living With Disability
SACCO	Savings and Credit Cooperative Society
SMEs	Small and Medium Enterprises
CDF	Constituency Development Fund
CPI	Consumer Price Index
ICT	Information Communication Technology

CHAPTER ONE

1. INTRODUCTION AND BACKGROUND INFORMATION

1.1 Overview

1. The 2024/2025 Fiscal Strategy Paper (FSP) identifies the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for Financial Year (FY) 2024/2025 and the Medium Term.
2. The paper discusses the performance of the FY 2023/2024 budget up to 31st December, 2023 which forms the basis for projecting the financial outlook with respect to the County Government revenues and expenditures for FY 2024/2025 and over the Medium Term.
3. The County priorities outlined in this paper shall form the basis for formulation of FY 2024/2025 budget and the Medium Term. The framework ensures adherence to principles of public finance and fiscal responsibility principles as set out in the Constitution and the Public Finance Management Act 2012. Specifically, the paper will ensure that the Development to Recurrent expenditures has been maintained within the required ratios of 30:70. It will detail on how the expenditures will be funded from the allocations from the equitable share, local revenue sources and revenue from the development partners.
4. The paper covers the following broad areas: review of the fiscal performance of first half of the FY 2023/2024; highlights of the recent economic developments and economic outlook; broad strategic priorities and policies for FY 2024/2025 as spelt out in the Annual Development Plan and the Medium Term Fiscal Framework in line with the County Integrated Development Plan (CIDP) 2023-2027.
5. The priorities outlined in the paper are in line with the priorities set out in the Annual Development Plan (Sept. 2023/), namely:
 - a) Wealth Creation
 - b) Social Development
 - c) Enablers and ICT
 - d) Environmental Conservation
 - e) Devolution and Governance

6. The focus of this paper and Medium Term Plan is to expand and maintain infrastructure development specifically roads network in the county, increase employment opportunities, improve health facilities, reduce poverty levels, enhance social protection, encourage use of alternative energy sources and increase water reticulation in the County.

7. This Fiscal Strategy Paper articulates economic policies and structural reforms as well as sector based expenditure programmes that the County intends to implement in order to achieve the broad goals of its development agenda. In particular, it emphasizes continued shift of resources in favour of programmes that enhance growth and job creation in pursuit of new opportunities in a changing economic environment. The proposed fiscal framework ensures continued fiscal discipline and provides support for sustained growth, broad based development and employment growth that benefits all citizens.

8. The County government will be required to be more efficient for meaningful gains in poverty reduction with limited resources. The fiscal framework outlined in this Fiscal Strategy Paper requires greater fiscal discipline and alignment of resources and priorities. In particular, better control of expenditure and a clear focus on core mandates by County departments will be required. Thus, in preparing the 2024/2025 budget, departments will be expected to identify savings that will contribute to financing the County government's targeted outcomes in line with the CIDP 2023/2024.

9. In the meantime, the County Government will continue promoting value addition so as to expand the levels of employment and consequently reduction in poverty. These incentives include accessing new and emerging markets, continued investment in infrastructure and targeted support to small and medium enterprises.

1.2 Objective

10. The objective of the 2024/2025 Fiscal Strategy Paper is to set the frame work for the preparation of the County budget. It is a requirement under Section 117 of the Public Finance Management Act, 2012 that each County Treasury shall prepare and submit to the County Executive Committee the Fiscal Strategy Paper for approval, and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly by the 28th February of each year. This Fiscal Strategy Paper contains the following:

- The principles that will guide the 2024/2025 budgetary process;
- The broad fiscal parameters for the 2024/2025 budget and the key strategies and policies for management of revenues and expenditures;

- The broad strategic priorities and policy goals that will guide the preparation of the budget over the medium term;
- A discussion of risks to the budget parameters and budget strategies;
- The medium–term outlook for County Government revenues and expenditures;
- A discussion of how the budget strategies relates to the County priorities as drawn from the County Integrated Development Plan (CIDP); and
- A framework for the preparation of departmental forward budget estimates and the development of detailed budget policies.

1.3 Outline of the 2024/25 Fiscal Strategy Paper

11. The Fiscal Strategy Paper is presented in four Chapters. Chapter one provides the overview and objectives of the Paper while Chapter Two outlines the economic context within which the 2024/2025 budget will be prepared. It also presents an overview of the recent economic developments and the macroeconomic outlook covering the global, national and domestic scene.

12. Chapter Three, details the Fiscal Policy and Budget Framework that will support planned growth and development over the medium while continuing to provide sufficient resources to support the identified County priorities.

13. Chapter Four presents the resource envelope and spending priorities for the proposed FY 2024/2025 budget and medium term. Sector achievements and priorities are also reviewed.

CHAPTER TWO

2. RECENT ECONOMIC DEVELOPMENT AND MEDIUM-TERM OUTLOOK

2.1 Overview

14. The global economy is grappling with challenges from disrupted supply chains due to the prolonged Russia-Ukraine conflict; increased global interest rates driven by inflation; and heightened fiscal pressures from frequent extreme weather events. As a result, global growth is projected to slow down to 3.0 percent in 2023 and 2.9 percent in 2024, below the historical average of 3.8 percent from 2000 to 2019.
15. Growth in the emerging markets and developing economies is projected to decline relatively modestly, from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024, although with notable shifts across regions. In sub-Saharan Africa, growth is projected to decline to 3.3 percent in 2023 from 4.0 percent in 2022 reflecting worsening climate change related shocks, inflationary and exchange rate pressures, and domestic supply issues, including, notably, in the electricity sector. Growth in the region is expected to rebound to 4.0 percent in 2024, picking up in four fifths of the sub-Saharan Africa's countries, and with strong performances in non-resource intensive countries.

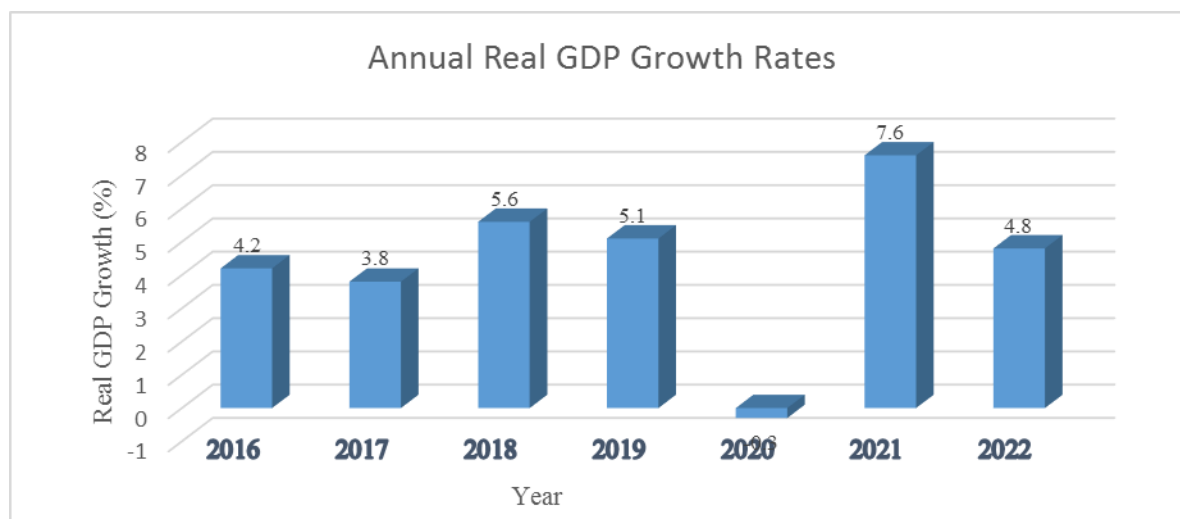
2.2 Recent Economic Development

2.2.1 Economic Growth

16. The economy solidly rebounded from the effects of COVID-19, posting a growth rate of 7.6 per cent in 2021 following the 0.3 per cent contraction in 2020. However, this incipient recovery momentum was disrupted in 2022 when the economy achieved a real GDP growth of 4.8 per cent.
17. Growth in 2022 was largely supported by the robust growth of service sectors, particularly transport and storage, financial and insurance, information and communication, and accommodation and food services sectors. However, the agriculture sector contracted by 1.6 percent due to the adverse weather conditions that affected reduction of crops and livestock. The slowdown in growth momentum was triggered by various domestic and external shocks. These included the prolonged dry season/rainfall failure during the short rains period (October to November 2021) and long rains period (March to May 2022) that dampened agricultural output and hydroelectric power generation. In addition, global developments saw a strengthening of the dollar in the world market, high cost of oil, and disruptions in global supply chains.

18. The deceleration in expansion of economic output in 2022 was driven by the shrinkage of agricultural activity. The poor rains during the period and the high cost of fertilizer and other farm inputs were the main reasons for the contraction of the agriculture sector. The predominance of rain-fed agriculture in Kenya's agricultural production exposed the sector's performance to severe impacts of drought. Figure 2.1 presents the annual growth rate trend from 2016 to 2022.

Figure 2.1: Annual Real GDP growth rates from 2016-2022



Data source: KNBS (Various), Annual GDP Reports

19. Despite the challenging environment, the Kenyan economy has demonstrated resilience with growth performance well above the global and SSA average. In the first half of 2023, the economic growth averaged 5.4 percent (5.5 percent Q1 and 5.4 percent Q2). This growth was primarily underpinned by a rebound in the agricultural activities and a continued resilience of service sectors.
20. All economic sectors recorded positive growths in the first half of 2023, though the magnitudes varied across activities. For instance, in the first half of 2023, the Agriculture sector rebounded strongly following improved weather conditions and the impact of fertilizer and seed subsidies provided to farmers by the Government. The sector grew by 6.0 percent in the first quarter and 7.7 percent in the second quarter. The strong performance was reflected in enhanced production, especially of food crops that led to significant increase in exports of tea, coffee, vegetables and fruits. However, production of cut flowers and sugarcane declined during the period.

21. The services sector continued to sustain strong growth momentum in the first half of 2023 growing by 6.0 percent in the first quarter and 5.9 percent in the second quarter. The robust performance was reflected in the notable growth of information and communication (driven by increases in wireless internet and fiber-to-home subscriptions), wholesale and retail trade, accommodation and food services (driven by recovery in tourism), transport and storage, financial and insurance (due to strong private sector credit growth and lending to the government) and real estate (supported by sustained expansion of the construction industry and the government home ownership program).
22. In the first half of 2023, the industrial sector recorded lower growths of 2.5 percent in the first quarter and 1.8 percent in the second quarter compared to growths of 4.4 percent and 4.2 percent, respectively in similar quarters in 2022. The slowdown in growth was mainly reflected in manufacturing, and electricity and water supply sub-sectors. Activities in the manufacturing sector, which accounts for nearly half of the industrial sector output, was hampered by a decline in the manufacture of both food (particularly sugar production) and nonfood products while electricity sub-sector slowed down due to a notable decrease in electricity generation from all sources, except geothermal.
23. The country's real Gross Domestic Product (GDP) grew by 5.9 per cent in the third quarter of 2023, compared to 4.3 per cent in the corresponding quarter of 2022. This growth was mainly supported by a rebound in agricultural activities that had contracted in 2022. During the third quarter, Agriculture, Forestry, and Fishing activities' Gross Value Added rose by 6.7 per cent compared to a contraction of 1.3 per cent in the third quarter of 2022 owing to favourable weather conditions that characterized the better part of 2023.
24. In addition, the growth was also buoyed by significant growths in Financial and Insurance (14.7%), Information and Communication (7.3%) and Accommodation & Food Service (26.0%) activities. The substantial growth in Accommodation and Food activities was manifest in the significant increase in the number of visitor arrivals in the country. However, Transportation and Storage activities GVA decelerated from 5.1 per cent in the third quarter of 2022 to 2.8 per cent during the 2023 third quarter, partly attributable to high cost of petroleum fuels.

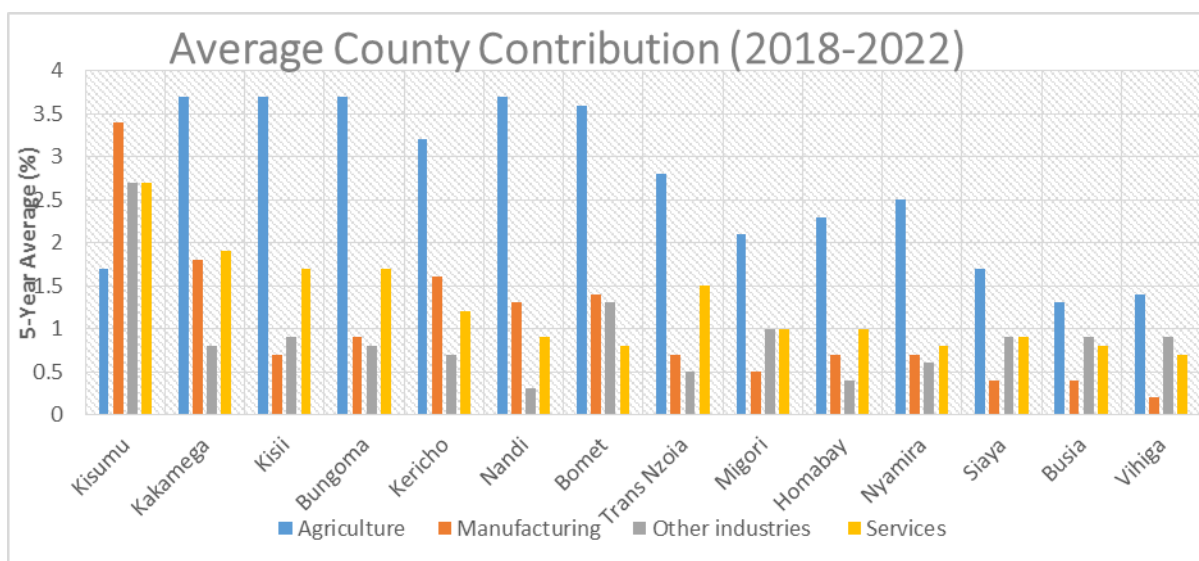
2.2.1.1 Gross County Performance (Gross Value Addition & Gross County Product) and Contribution to GDP

25. On average, Nairobi City County accounted for 27.5 per cent of the total economy's GVA, followed by Kiambu (5.7 %), Mombasa (4.9 %) and Nakuru (4.9 %), respectively, during the review period. The remaining forty-three (43) counties contributed between 0.3 per cent and 3.3 per cent each to the total GVA. Counties with large commercial centres such as Nairobi

City, Kiambu, Mombasa City, Nakuru City and Machakos, had relatively high GCP compared to counties with predominantly rural settings. Nevertheless, counties with wide range of economic activities, especially agricultural production such as Meru, Kakamega and Nyeri also accounted for notable proportions of GCP to total GVA.

26. The agricultural sector contributes about 21.0 per cent of the GDP, thereby exerting a significant influence on the overall economic performance. Counties with favourable conditions for agricultural activities recorded higher GCP compared to those that engage in other economic activities. The five leading counties in agricultural production were Meru, Nakuru, Nyandarua, Murang'a, and Kiambu. These counties exhibited diverse agricultural outputs, including tea, coffee, maize, vegetables, potatoes, and raw milk and performed better than counties relying on a narrower range of agricultural produce. Notably, Kisii county was among the counties like Murang'a, Nandi, Kericho, and Kiambu that made substantial contributions to the overall agricultural production due to their specialization in tea production.
27. Figure 2.2 shows how agriculture and other three main sectors 5-years' (2018 to 2022) average percentage contribution to Gross Value Addition (GVA). These estimates include formal manufacturing and informal manufacturing activities carried out by unincorporated household enterprises. Other Industry Activities Excluding Manufacturing, this category encompasses mining and quarrying, electricity, gas, steam, and air conditioning supply, water supply, sewerage, waste management and remediation activities, and construction.

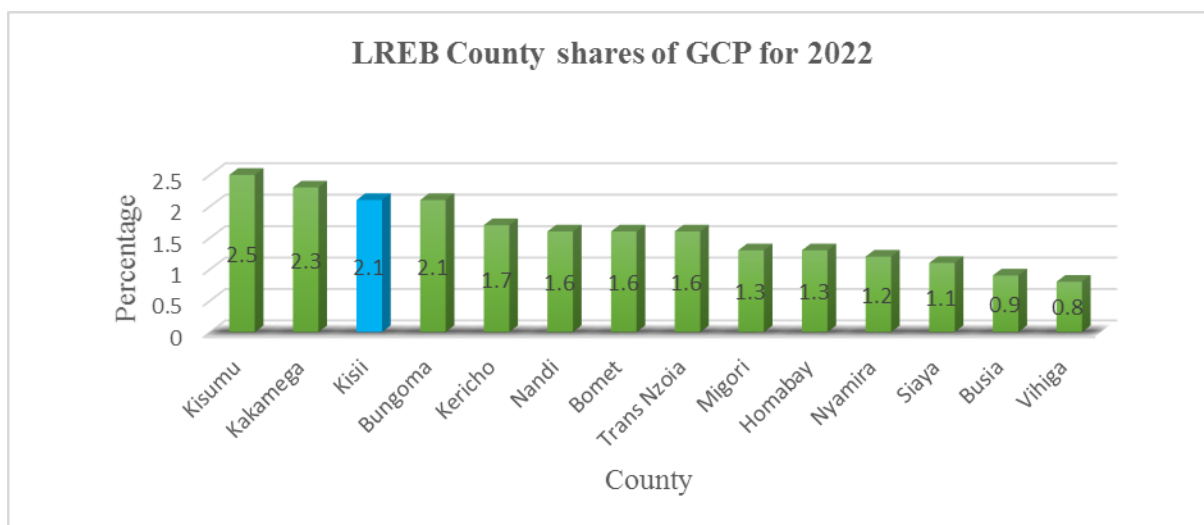
Figure 2.2: Sectors 'average county contribution to GVA



Source of data: KNBS GCP Report, 2023

28. On services, that include all economic activities except agriculture, forestry and fishing, and industry (manufacturing, mining and quarrying) and construction, electricity and water supply activities. Twenty-one out of forty-seven counties each contributed less than 1.0 per cent to the services GVA.
29. In the Lake Region Economic Bloc (LREB) counties, performance varied across Counties with Kisumu County having the highest share of the Gross County Product (GCP) and Vihiga County having the least contribution at 0.8 percent. Kisii County GCP stood at 2.1 percent. This has averaged 2.0 for Kisii County over a 5-year period (2018-2022). The GCP per capita for Kisii County has grown consistently from KShs. 139,776 in 2018 to stand at KShs. 193,482 in 2022. Table 2.3 shows Lake Region Economic Bloc counties contribution to the Gross County Product.

Figure 2.3: LREB county shares of the GCP for 2022

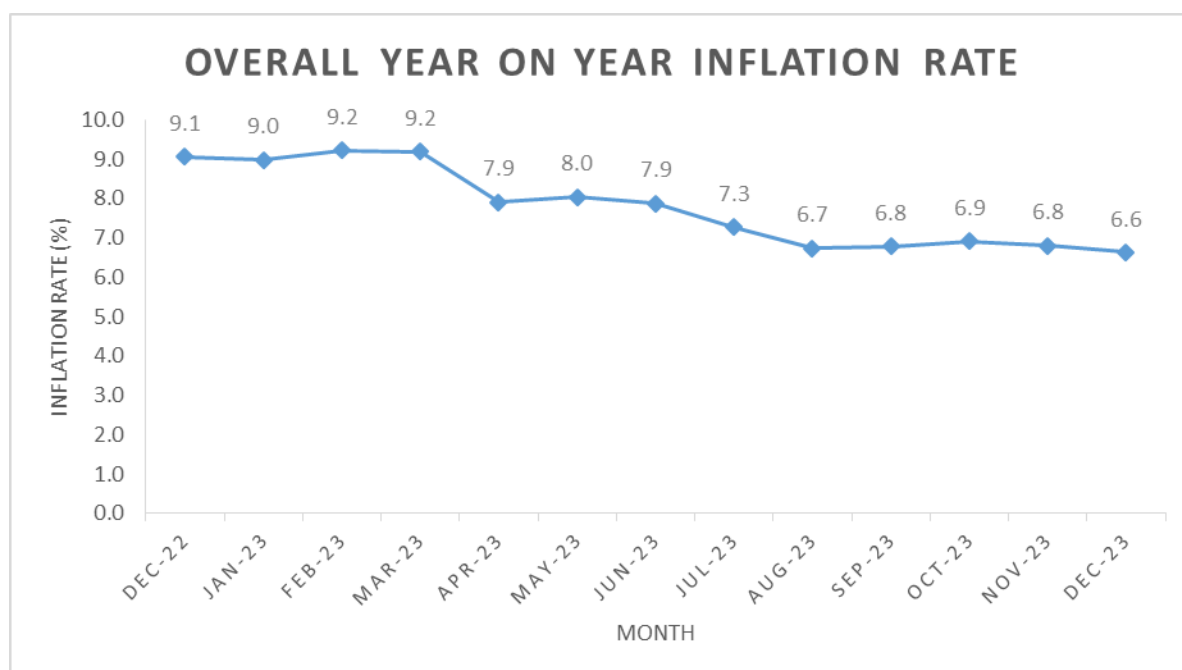


Source of data: KNBS GCP Report, 2023

2.2.2 Inflation rates

30. Inflation had remained above the Government target range of 5 ± 2.5 percent from June 2022 to June 2023. Inflation eased gradually to 6.8 percent in November 2023 from a peak of 9.6 percent in October 2022 and has been within the target range for the five months of FY 2023/24.
31. The overall year on year inflation rate as measured by the Consumer Price Index (CPI) was 6.6 percent, in December 2023 compared to 9.1 percent in December 2022 (Figure 2.4). This was mainly driven by increases in prices of commodities under Transport (11.7%); Housing, Water, Electricity, Gas and other fuels (8.3%); and Food and Non-Alcoholic Beverages (7.7%) between December 2022 and December 2023. These three divisions account for over 57 per cent of the weights of the 13 broad categories.

Figure 2.4: Overall year on year inflation rate



Source of data: KNBS

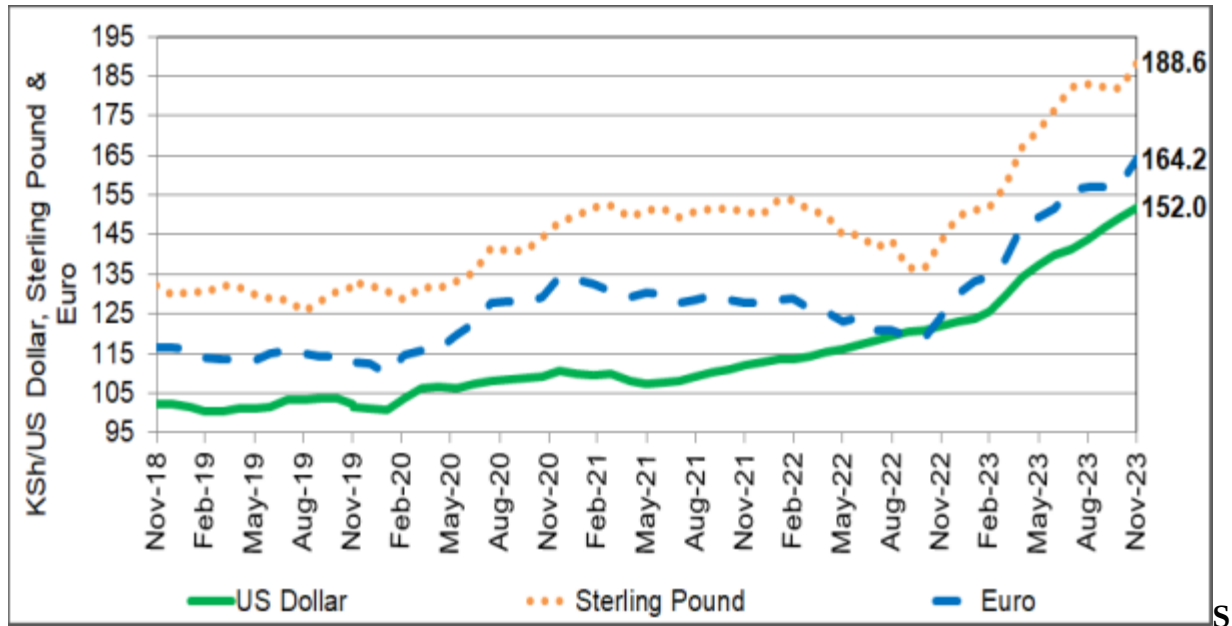
32. Food inflation remained the dominant driver of overall inflation in November 2023. However, it declined to 7.6 percent in November 2023 from a peak of 15.8 percent in October 2022 supported by general decline in international food prices, government interventions through zero rating of select food commodities, and improved weather conditions that enhanced production of fast-growing food items, thus moderating their prices. Nonetheless, sugar prices remained elevated driven by domestic and global factors.

2.2.3 Kenya Shilling Exchange rate

33. Kenya, like several other countries, is experiencing foreign exchange challenges due to the rise of US interest rates. In November 2023, for instance, the Kenya Shilling weakened by 24.7 percent against the US Dollar, 31.9 percent against the Sterling Pound and 32.2 percent against the Euro, compared to a similar period in 2022. The Kenya Shilling exchanged at an average of KSh.152.00 in November 2023 compared to an average of KSh.121.90 in November 2022. Against the Euro, the Kenya shilling weakened to exchange at KSh.164.2 in November 2023 compared to KSh.124.2 in November 2022 while against the Sterling Pound the Kenyan Shilling also weakened to exchange at KSh.188.6 compared to KSh.143.0, over the same period (Figure 2.5). The Kenyan Shilling performance was supported by increased remittances, adequate foreign exchange reserves and strong exports receipts. The Government has taken measures to stabilize the foreign exchange market which include the Government-to-Government petroleum supply arrangement. This arrangement is mainly intended to address the US Dollar (USD) liquidity challenges and exchange rate volatility

caused by the global dollar shortage and sport market reactions that was driving volatility and a false depreciation that was a scarcity value as well as market distortion.

Figure 2.5: Kenya Shillings Exchange Rate

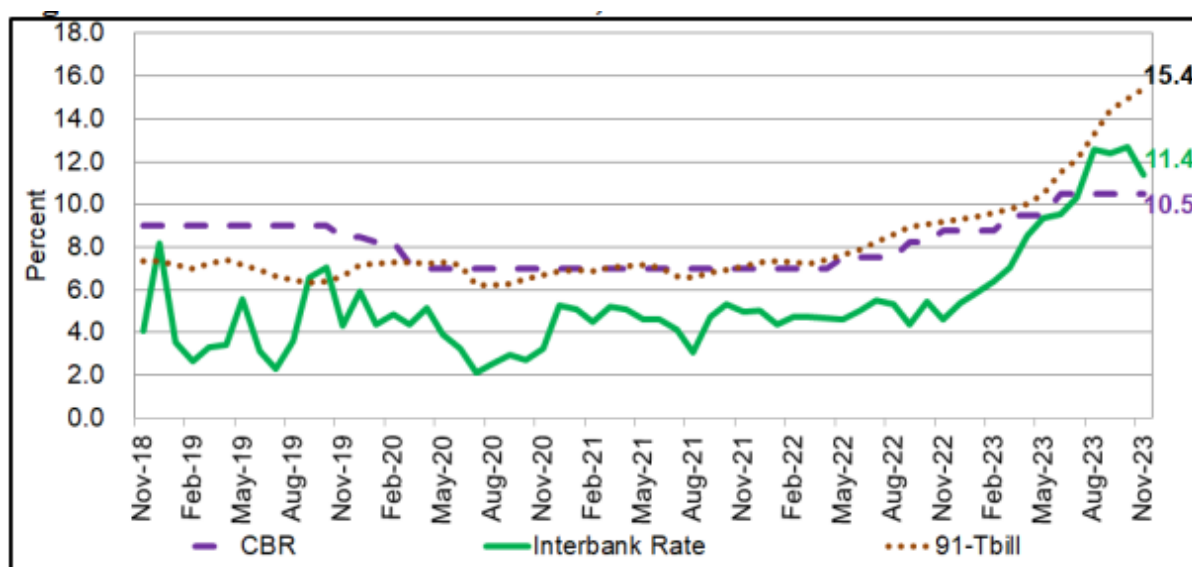


Source: National Treasury, 2024 Draft Budget policy statement

2.2.4 Interest rates

34. Reflecting the tight monetary policy stance and liquidity conditions in the money market, interest rates increased in the year to November 2023. The interbank rate increased to 11.4 percent in November 2023 compared to 4.6 percent in November 2022 while the 91-day Treasury Bills rate increased to 15.4 percent compared to 9.2 percent over the same period (Figure 2.6). The introduction of the interest rate corridor, in August 2023, is expected to align the interbank rate to the Central Bank Rate and thereby improve the transmission of the monetary policy.

Figure 2.6: Short Term Interest Rates, Percent



Source: National Treasury, 2024 Budget policy statement

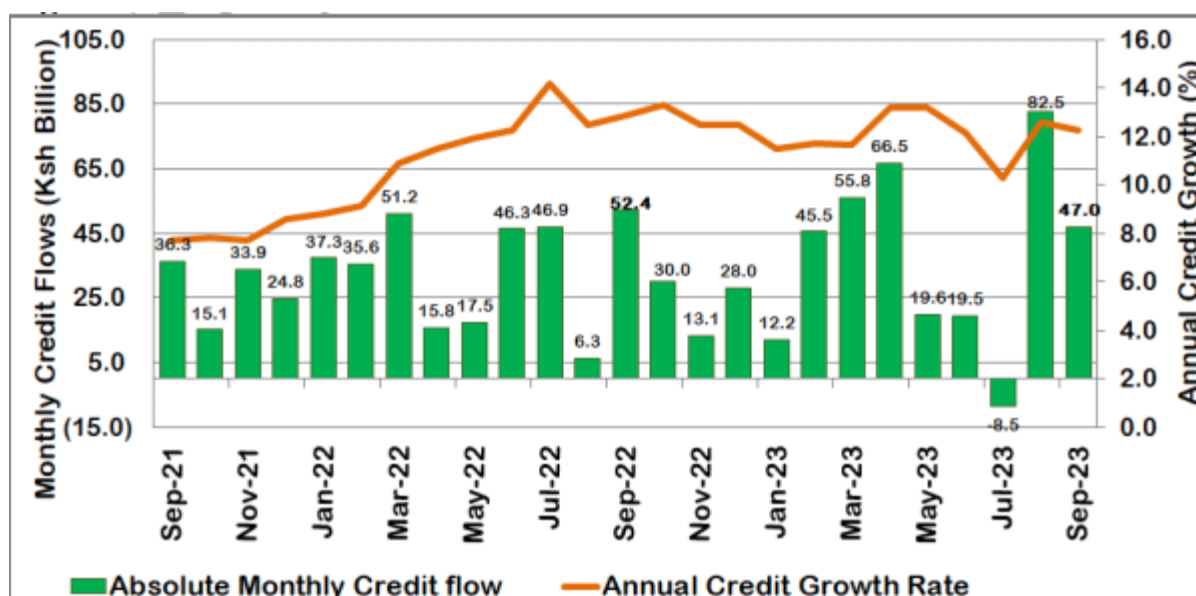
35. Commercial banks average lending and deposit rates increased in the year to September 2023 in tandem with the tightening of the monetary policy stance. The average lending rate increased to 14.0 percent in September 2023 from 12.4 percent in September 2022 while the average deposit rate increased to 8.6 percent from 6.8 percent over the same period. Consequently, the average interest rate spread declined to 5.3 percent in September 2023 from 5.6 percent in September 2022.

2.2.5 Monetary and Credit Developments

36. Broad money supply, M3, grew by 19.5 percent in the year to September 2023 compared to a growth of 6.1 percent in the year to September 2022. The primary source of the increase in M3 was an improvement in the Net Foreign Assets (NFA) of the banking system and resilient domestic credit. The increase in NFA mainly reflected the improvement in commercial banks' foreign assets.
37. Net Domestic Assets (NDA) registered a growth of 10.9 percent in the year to September 2023, compared to a growth of 17.6 percent over a similar period in 2022. The growth in NDA was mainly supported by an increase in domestic credit particularly resilient private sector credit and net lending to government. Growth of domestic credit extended by the banking system to the Government declined to a growth of 16.0 percent in the year to September 2023 compared to a growth of 19.8 percent in the year to September 2022.

38. Growth in private sector credit from the banking system remained resilient partly reflecting improving business conditions and demand for working capital. Credit advanced to the private sector grew by 12.2 percent in the year to September 2023 compared to a growth of 12.9 percent in the year to September 2022 (Figure 2.7). Improved credit expansion was registered in various sub-sectors that include finance and insurance, manufacturing, agriculture and transport and communication. However, there were fluctuations in the Monthly (month on month) credit flows to the private sector which amounted to Ksh 47 billion in September 2023 compared to Ksh 52.4 billion in September 2022.

Figure 2.8: Private Sector Credit

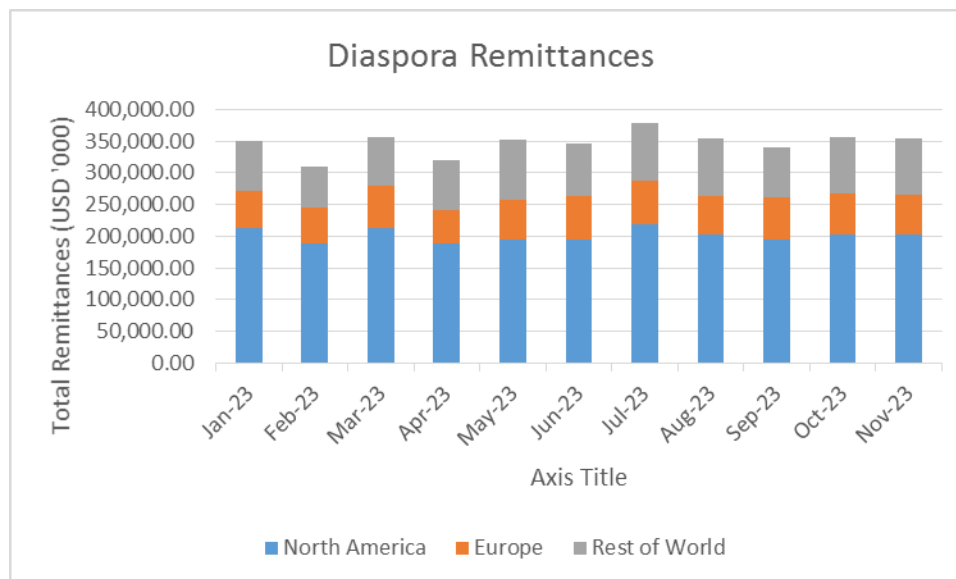


Source: National Treasury, 2024 Draft Budget policy statement

2.2.6 Diaspora Remittances

39. Diaspora remittances are normally sent to support friends and relatives as well as for investment purposes according to Diaspora Remittances Survey (2021). Most of these diaspora remittances is invested in the construction sector, especially in real estate sector which registered some growth. It is believed that the bulk of the remittances got to Kisii due to the large number of sons and daughters of Omogusii in America and Europe and strong ties at home. This partly justifies the huge money in circulation in the county given that Kisii is not an industrial county. Figure 2.9 show the trend in diaspora remittances in 2023.

Figure 2.9: Trend in diaspora remittances in 2023



Data Source: Central Bank of Kenya Reports

2.3 Fiscal Performance and Emerging Challenges

40. The County's approved revised budget estimates for FY 2023/2024 contained expenditures amounting Ksh 13.2 billion comprising of recurrent expenditure of KShs.8.9 billion, and development expenditures of KShs.4.3 billion. The sources of finance for this budget are the equitable share from the national government, Own Source Revenue (OSR) and conditional grants from development partners.

41. Fiscal outcome for the first six months of the financial year was fairly low, with the persistence of revenue shortfalls amid rising expenditure pressures. Expenditure pressures relate to the rising wage bill. These pose risks to the stability of the budget for 2023/2024 in the face of resource requirement for County development

2.2.1 Development and Recurrent Expenditures

42. The total Exchequer issues as at 31st December 2023 were Kshs 4,295,284,200. Out of these disbursements, the County spent KShs 4,184,824,616 on recurrent expenditure and KShs 110,459,584 on development expenditure respectively.

Tables 1a and 1b presents departmental expenditures for both recurrent and development budget as at a 31st December 2023.

Table 1a: Recurrent Budget Out-turn for the First Six Months of FY 2023/2024

Department	Revised Budget Estimates (Kshs.)	Exchequer Issues as at 31/12/2023	Balance of Exchequer Issues to Approved Budget	Absorption Rate (%)
County Assembly	1,232,890,743	691,133,502	541,757,241	56%
Executive Office of the Governor & County Public Service Board	431,475,720	177,013,890	254,461,830	41%
Public Service and County Administration	570,940,447	256,226,595	314,713,852	45%
Finance, Economic Planning and ICT	1,076,622,148	587,575,753	489,046,395	55%
Agriculture, Livestock, Fisheries , Cooperative Development and Irrigation	318,661,850	146,725,139	171,936,711	46%
Medical Services, Public Health and Sanitation	3,325,914,873	1,668,145,343	1,657,769,530	50%
Energy, Water, Environment, Natural Resources and Climate Change	129,995,000	41,676,547	88,318,453	32%
Trade, Tourism, Industry and Marketing	142,512,240	36,782,526	105,729,714	26%
Lands, Physical Planning, Housing and Urban Development	141,950,000	63,378,985	78,571,015	45%
Youth, Sports, Culture, Arts and Social Services	132,105,000	51,813,696	80,291,304	39%
Education, Technical Training and Innovation	1,010,708,729	349,809,398	660,899,331	35%
Infrastructure, Roads and Public Works,	268,765,000	75,595,414	193,169,586	28%
Kisii Municipality	145,334,902	37,539,492	314,713,852	26%
Ogembo Municipality	14,000,000	1,408,336	12,591,664	10%
Total	8,941,876,652	4,184,824,616	4,963,970,478	47%

Source: Kisii County Treasury

Table 1b: Development Budget Out-turn for the First Six Months of FY 2023/2024

Department	Revised Budget Estimates FY 2023/2024 (Kshs.)	Exchequer Issues as at 31/12/2023 (Kshs.)	Balance of Exchequer Issues to Approved Budget	Absorption Rate (%)
County Assembly	154,491,231	13,316,710	141,174,521	8.6%
Executive Office of the Governor & County Public Service Board	90,000,000	-	90,000,000	0.0%
Public Service and County Administration	106,846,072	-	106,846,072	0.0%
Finance, Economic Planning and ICT	159,280,850	-	159,280,850	0.0%
Agriculture, Livestock, Fisheries , Cooperative Development and Irrigation	870,413,231	86,289,531	784,123,700	9.9%
Medical Services, Public Health and Sanitation	628,015,312	-	628,015,312	0.0%
Energy, Water, Environment, Natural Resources and Climate Change	419,777,397	2,998,000	416,779,397	0.7%
Trade, Tourism, Industry and Marketing	240,035,907	-	240,035,907	0.0%
Lands, Physical Planning, Housing and Urban Development	213,845,336	-	213,845,336	0.0%
Youth, Sports, Culture, Arts and Social Services	77,462,320	-	77,462,320	0.0%
Education, Technical Training and Innovation	143,208,541	-	143,208,541	0.0%
Infrastructure, Roads and Public Works,	1,072,056,563	31,567,921	1,040,488,642	2.9%
Kisii Municipality	122,826,294	-	122,826,294	0.0%
Ogembo Municipality	46,372,692	-	46,372,692	0.0%
Total	4,344,631,746	110,439,812	4,210,459,584	2.5%

Source: Kisii County Treasury

Tables 1a and 1b, indicate that the County Government has absorbed 49.5 percent of funds released by the National Government for both development and recurrent expenditure, however untimely exchequer releases from the National Government still remains a source of concern as it affects the implementation of planned programmes and projects.

43. To enhance execution of development expenditure, the County has instituted various measures which include; timely preparation of procurement plans, annual work plans and regular monitoring of projects and programmes. All these are geared towards ensuring efficient and timely procurement processes in the County to avoid delay in implantation.

44. In adherence to the financial regulations, the County Treasury shall ensure that departmental expenditures are within the approved ceilings in the Fiscal Strategy Paper.

45. Additionally, a budget monitoring, evaluation and reporting framework will be put in place by the County Treasury to monitor, evaluate and oversee the management of public finances and economic affairs of the County Government. This will lead to completion of development projects within the set timelines due to efficient reporting.

2.2.2 Revenue Projections

46. The County Government projected to raise KShs 160.3 million from local sources in the first six months of FY 2023/2024. However, only KShs.147.9 million was realised in the same period. This translates to a shortfall of KSh 12.4 million.

Table 2: Revenue Out-turn for the First Six Months of FY 2023/2024

Revenue Stream	FY2023/24	Targets	Variance	%age	Rank
Advertisement	5,698,620.00	6,402,709.55	(704,089.55)	89.00%	9
Cess	4,908,439.50	4,899,246.91	9,192.59	100.19%	4
Clamping Fees	350,000.00	606,626.35	(256,626.35)	57.70%	19
County Library Services	181,360.00	240,000.00	(58,640.00)	75.57%	13
Environment Permits	2,779,400.00	3,894,338.61	(1,114,938.61)	71.37%	14
Hire of Plant and Machinery	-	-	-	0.00%	22
Hire of Stadium	14,000.00	109,499.34	(95,499.34)	12.79%	21
Hiring of County Halls	53,000.00	65,989.72	(12,989.72)	80.32%	12
House & Stall Rent	3,158,550.00	4,543,231.70	(1,384,681.70)	69.52%	15
Impounding Fees	1,346,700.00	2,109,066.82	(762,366.82)	63.85%	17
Land Rates	9,864,254.00	7,183,000.22	2,681,253.78	137.33%	1
Market	22,148,100.00	23,601,641.41	(1,453,541.41)	93.84%	5
Matatu Stickers	23,266,400.00	25,699,621.35	(2,433,221.35)	90.53%	6
Motorbikes	10,826,872.00	12,905,990.97	(2,079,118.97)	83.89%	11
Plan Approval	29,502,679.06	23,497,831.44	6,004,847.62	125.55%	3
Rent Charges for Cold Room (Fisheries)	90,000.00	100,000.00	(10,000.00)	90.00%	7
Reserved Parking	439,000.00	1,028,198.82	(589,198.82)	42.70%	20
Sale of Fingerings	307,478.00	487,261.12	(179,783.12)	63.10%	18
Single Business Permit & Licenses	14,680,830.00	22,901,480.67	(8,220,650.67)	64.10%	16
Slaughter House Fees	319,950.00	375,226.59	(55,276.59)	85.27%	10
Street Parking	16,906,570.00	18,802,668.74	(1,896,098.74)	89.92%	8
Weights & Measures	1,070,080.00	826,369.63	243,710.37	129.49%	2
	147,912,282.56	160,279,999.95	(12,367,717.39)	92.28%	

source: County Treasury

47. To address the challenges of revenue shortfalls and expenditure pressures, the County Government will step up efforts on revenue administration and mobilization to eliminate leakages and increase revenue collection as targeted in the FY 2023/2024 as well as rationalize expenditure to avoid budget deficit.

48. Specific measures the County is putting in place to address the revenue administration and management are; automation of revenue collection across the streams, broadening revenue base, enhancing enforcement services, setting targets, development of valuation role; renovating and upgrading County Government houses for monthly rent; registering all the vehicles using the enclosed bus park; fencing all open air markets in the county and enhancing collection of coffee, tea, sugarcane, log and other cess while enforcing the collection of land rates in the county.

1.4 Macroeconomic Policies and Outlook

2.3.1 Growth Prospects

49. Growth will be bolstered by investments in agriculture with the assumption that the prevailed favourable weather conditions in the previous year will persist and that the ongoing key infrastructural projects such as roads and ICT are completed in time. Domestic demand is expected to be robust following a drop in inflation at the national level, increasing foreign remittances, and fostering of investor confidence.

50. On the other hand, the County Government of Kisii will continue with strategic interventions to accelerate growth and improve competitiveness. Specifically, the following strategies will be implemented:

a) Investment in Infrastructure

Poor road network negatively affect economic development since it restricts movement of people, goods and services. The county continue with Investments in key infrastructural projects to realize its development objectives of employment and wealth creation and poverty reduction while encouraging private participation across the county sectors.

b) Agro-processing

51. The county will invest in agriculture to ensure sustainability in food security and wealth creation given that the sector has the highest multiplier effect due to its forward and backward linkages to other sectors of the county economy. There is availability of enormous raw materials in the county to support value addition in the agricultural sector. The County Government will place major emphasis on agricultural inputs; marketing; value addition; agricultural extension services; and staffing.

c) Supporting Manufacturing and Small and Medium Enterprises (SMEs)

52. The County government will ensure support for the manufacturing sector, Micro, Small and Medium Enterprises for productivity and wealth creation. This initiative will address the bottlenecks impeding the growth of manufacturing and competitiveness of the manufacturing sector in the county while providing affordable credit to traders. This will also be realized over the medium term through the completion of the Agro processing Industrial Park at Tongeri in Bomachoge Borabu and provision of adequate resources towards the Joint Loan Board credit scheme.

d) Investment in Urban Development for Sustainable Development

53. The County government will ensure adequate planning to address the issues of urban expansion, functional specialization and sustainability. This is due to the fact that the municipalities of Kisii and Ogembo together with other urban centres are growing largely at an unprecedented and challenging pace thus posing serious challenges for development opportunities.

f. Investment in Environmental Conservation

54. Climate change remains a key concern not only in the County but globally given its adverse impacts on the economy. In this regard, the County government will strengthen capacity to plan, budget, implement and monitor climate resilience investment. The Kisii County Climate Change Fund and its legislation is operational and this will help strengthen the County government's capabilities climate change management.

2.3.2 Sustaining Inclusive Growth

55. The County Government will mobilize significant resources and provide an appropriate environment for businesses to thrive to ensure sustainability of inclusive growth through continuous building of transparency, responsiveness, accountability efficiency and effectiveness. Further, emphasis will be laid on the implementation of the key priorities as outlined in the Annual Development Plan while ensuring that resources reach the lowest administrative units in line with the Constitution.

2.4 Economic Outlook

56. The national economy is projected to remain strong and resilient in 2024 and over the medium term supported by the continued robust growth of the services sectors, the rebound in agriculture and the ongoing implementation of measures to boost economic activity in priority sectors by the Government. As such, the economy is expected to remain strong and expand by 5.6 percent in 2024.

57. From the supply side, this growth will be driven by a strong recovery in the agriculture sector supported by the anticipated adequate rainfall in most parts of the country and a decline in global commodity prices that will reduce the cost of production. Additionally, Government intervention measures aimed at lowering the cost of production such as the ongoing fertilizer subsidy program and provision of adequate affordable working capital to farmers will support growth of the sector.

58. On the demand side, growth will be driven by an improvement in aggregate demand. Aggregate demand will be supported by household private consumption and robust private sector investments coupled with Government investments as the public sector consolidates. This growth will also be supported by improvement in the external account supported by strong export growth and resilient remittances.

59. The persisting revenue and expenditure pressures and deficits at the National level are likely to affect the realization of enough revenue to support County Government programs. To address this, the County will collaborate and partner with development and implementing partners within the County to substitute government resources from the Equitable Share. On the downside, the growth will be hampered by a decline in domestic demand as a result of elevated inflation rates. The reduction in domestic demand is likely to suppress private investment. At a more local level, this is likely to affect the attainment of the projected Own Source Revenue amounts.

60. At county level, over the medium-term resources will be channeled to the County Priorities, namely: Wealth creation; Devolution and Governance; Social Development; Roads, ICT and Infrastructure, and finally Environmental conservation.

2.5 Risks to the Economic Outlook

61. The County is exposed to risks related to the national economy that may affect growth within the County. At the local level, risks relate to unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural production and result in food insecurity and inflationary pressures given that most of the agriculture practiced in the County is rain-fed.

62. On the national front, the weakening Kenya Shilling and strengthening of the US dollar against other global currencies arising from aggressive monetary policy tightening presents significant risks to financial flows and puts pressure on the exchange rate with implications for growth and inflation at the local level.

63. The continued increase in discretionary expenditure on operations and maintainable and non-discretionary expenditure especially on debt redemption at the National Government will continue to put a squeeze on County Government sharable revenue. The ever-increasing and volatile global oil prices are likely to lead to a loss in output across various sectors and higher inflation in oil-importing countries like Kenya. This will have an effect on both public and private consumption.

CHAPTER THREE

3. FISCAL POLICY AND BUDGET FRAMEWORK

3.1 Overview

64. The Kisii County 2024 Medium-Term Fiscal Framework aims at striking an appropriate balance between support for County development and continued fiscal consolidation, while providing room for the constitutional requirements and implementation of County Integrated Development Plan 2023-2027. Specifically, the 2024/2025 Fiscal Strategy Paper aims at ensuring the following:

- That the level of expenditure is adequate to sustain County development through continued investment in the five County priorities wealth creation, Social development, Infrastructure and ICT, Environmental conservation and Devolution and Governance sustaining of the County wage bill, and a balanced budget in FY 2024/2025 and the medium term.
- Ensure transparency, accountability and efficiency in the management of the County resources and provision of adequate resources towards the implementation of the Kisii CIDP 203-2027.
- Observing the fiscal responsibility principles of retaining the ratio of recurrent expenditure at 70 percent and that of development at a minimum 30 percent. This will be realized through moderation and efficiency in spending as well as improved revenue collection following the outlined reforms in revenue administration and management.

3.2 Fiscal Policy Framework

65. The County government's fiscal policy will continue to support County development activities while providing room for the implementation of the CIDP within a context of sustainable public financing. Over the past year, the County Government has reoriented expenditure towards priority programmes and projects for Wealth creation, Social development, Infrastructure and ICT, Environmental conservation and Devolution and Governance. This process will be strengthened in the FY 2024/25 by supporting the growth in OSR as part of the County Government's efforts on commitment to the observance of the fiscal responsibility principles envisioned in our Constitution. At the same time, the County government will ensure prudent utilization of its resources in a framework that minimizes wastage and improve efficiency in resource management.

66. Based on the budget out turn over the past six months of the FY 2023/24 and in view of the interventions the County Government has made especially in revenue collection and

expenditure management, it is expected that both revenue and expenditure current trends will be adequately addressed over the 2024/25 financial year and the medium term.

67. In the FY 2024/2025, the total resource basket has been projected at **KShs. 12.6 billion**, with local revenues projected at KShs.650 million, Equitable share at **Kshs 9.4 billion**, Conditional allocations from the National government **Kshs. 498.5 million** while Loans and Grants form development partners is **Kshs. 257 million**. The overall resource basket has gone down from **KShs.13.3 billion** in FY 2023/2024 to **KShs. 12.6 billion** in FY 2024/2025. Departmental ceilings for FY 2024/25 have been adjusted accordingly. Table 4 presents the County Government fiscal projections over the medium term.

Table 4: County Government Fiscal Projections over the Medium Term

Item	2023/2024	2024/2025	2025/2026	2026/2027
Revenue/Grants				
Equitable Share	9,258,588,608	9,393,032,943	9,700,000,000	10,014,089,438
Conditional Share, Loans and Grants	945,459,759	257,494,227	257,494,227	257,494,227
Unconditional Allocations from National Government	682,562	117,616	200,000	250,000
Conditional Allocations from National Government	421,000,000	498,504,182	498,504,182	498,504,182
Unspent Balances for FY 2023/2024	2,350,000,000	1,737,726,321	900,000,000	900,000,000
Own Source Revenue	650,000,000	650,000,000	680,000,000	720,000,000
Total Expenditure	13,286,508,398	12,536,029,020	12,036,198,409	12,390,337,847
Recurrent	8,941,876,652	8,499,491,646	7,876,148,705	4,326,451,692
Development	4,344,631,746	4,036,537,374	4,160,049,704	8,063,886,055

Source: County Planning Department

3.3 Fiscal Responsibility Principles

68. Over the medium term, the County Government will ensure strict adherence to Section 107 of the Public Finance Management (PFM) Act of 2012 which outlines the fiscal responsibility principles.

69. Over the medium term, the County government will match the increased expenditure demands with a corresponding increase in revenue yield through efficient collection, widening of

revenue base and reasonable revenue rates in a bid to comply with the fiscal responsibility principles. This will be realized through reforms in revenue mobilization and management and continuous restructuring of expenditure systems to ensure efficiency and create fiscal space for funding the priority expenditures on sustainable basis.

3.4 Fiscal Structural Reforms

70. For effective and efficient management of financial resources, the County government will continue to eliminate leakages and enhance revenue collection as well as rationalize expenditure. Some of the measures include continuous automation of revenue collection across the streams, enhance revenue compliance, and broaden the revenue base.

71. On the other hand, the County Government will continue with prudent financial management with the aim of improving efficiency and reduction in wastages.

3.5 Kisii County 2024/2025 Budget Framework

72. The Kisii County 2024/2025 budget framework is set against the background of the County Government's strategic objectives and priorities as outlined in the CIDP (2023-2027) and the Annual Development Plan (ADP) 2024. The County is expected to realize key developments by directing adequate budgetary allocations to the project activities and programmes of the priority areas as identified in the ADP.

3.5.1 Revenue Projections

73. The Kisii County 2024/2025 financial year budget targets local revenue collection of Kshs 650 million, equitable share of **KShs.9.4 billion** from the National Government, KShs 498.5 million for conditional allocations from National Government, **KShs. 257 million** for Loans and Grants from development partners and **KShs 1.8 billion** for unspent balances for FY 2023/2024. This performance will be underpinned by the on-going reforms in revenue administration and management.

3.5.2 Expenditure Forecasts

74. The County Government's funding allocation decisions for the FY 2024/2025 are guided by the Annual Development Plan (2024) which outlines the priority areas to be addressed in the FY 2024/2025 in the realization of the County development agenda through the CIDP. Overall expenditures are projected at **KShs 12.6 billion** comprising of **KShs. 4.04 billion** for the development budget and **KShs 8.49 billion** for recurrent budget.

75. The County will also ensure prudence in expenditure management through identification of slow moving programmes to fast moving ones and identify saving from such programmes by modifying or cutting down non-priority activities.

76. Efficiency saving initiative will be adopted by the County to ensure that funds are directed to service delivery rather than non-essential spending.

3.5.3 Recurrent Expenditure

77. The County Government will ensure that the recurrent expenditure is kept below 70 percent of the County budget so as to realize more money for implementation of development projects. This is in line with the fiscal responsibility requirement for County Governments that requires the recurrent expenditure to be at a maximum of 70 percent of the total budget.

78. The County will exercise essential controls and ensure prudent management of the wage bill by ensuring that department's budget for all their human resource requirements is based on human resource plans clearly indicating the in-post.

3.5.4 Development

79. The County Government will endeavour to allocate adequate resources towards development outlays and aspire to complete critical infrastructure priority projects and programmes in collaboration with development partners. During the FY 2024/2025, the ceiling for development expenditures including the donor funded projects is KShs 4.0 billion.

CHAPTER FOUR

4. MEDIUM TERM EXPENDITURE FRAMEWORK

4.1 Resource Environment

80. In the FY 2024/2025 and the medium term, the County Government will be financed through the equitable share from the national government, own source revenue, conditional allocations from the national government and Loans and Grants from development partners. The resource envelope available for allocation among the spending units in the county is based on the medium term fiscal framework outlined in Chapter Three.

4.2 Spending Priorities

81. Prioritization of resource allocation will be based on the ADP (September 2023) which spells out programmes to achieve County priorities identified during the County-wide budget consultative meetings.

82. The County Government will promote budget transparency, accountability and effective financial management of resources based on clearly set priorities to ensure that budgets are directly linked to plans.

83. Spending proposals will undergo rigorous scrutiny to identify areas of inefficient and non-priority expenditure with a view to making savings to be redirected to deserving priority expenditures as indicated in the table x below.

Targeted Expenditures for Scrutiny
Recurrent Domestic Travel and Subsistence, and other transportation Costs Foreign Travel and Subsistence, and other transportation costs Printing, Advertising and Information Supplies and Services Training Expenses Hospitality Supplies and Services Office and General Supplies and Services Minor Alterations to Buildings and Civil Works Purchase of Office Furniture and General equipment Refurbishment of Building Purchase of Motor vehicles

84. The County Government will reorient its expenditure programmes to focus on the following priority areas:

4.2.1 Wealth Creation

85. The priority includes areas include investment in agriculture to ensure sustainability in food security and wealth creation given that the sector has the highest multiplier effect due to its forward and backward linkages to other sectors of the county economy. Support for the manufacturing sector, Micro, Small and Medium Enterprises is also key for productivity and wealth creation. This will be done through the on- going construction of the aggregated industrial park at Tongeri and provision of affordable credit to traders through the Joint Loan Board Credit Scheme.

4.2.2 Social Development

86. The social development agenda of the county will be realized through programmes and projects in Health, Water, Education and Sports respectively. Health is key to enhancing productivity and the welfare of our people. In strengthening health systems, the Government will continue with the programme of construction and completion of health infrastructure throughout the county. In the FY 2024/2025, the Health Sector will shift focus to address the emergent health issues facing the County. The sector will put in place important infrastructure aimed at achieving the highest standards of health through primary health care measures while ensuring a steady supply of drugs in the health facilities.

87. During the FY 2024/25, the county government will strive to provide equitable access to safe and affordable drinking water for the County residents and improving of water quality through construction and rehabilitation of water schemes, spring protection and drilling of boreholes.

88. In education, the county government will endeavor to build on the gains of skilling programmes in the Vocational Training Centres by upgrading, completing and equipping a number of them into effective institutions of learning and skills development.

The County Government will also continue to scale up and enhance social protection programmes with improved targeting and selection mechanisms to uplift the wellbeing of the vulnerable.

4.2.3 Enablers and ICT

89. Information and Communications Technology is key to enhancing socio-economic transformation and improving efficiency and productivity. Therefore, in the FY 2024/2025 and the medium term, adequate resources will be directed towards ICT.

90. Resources will also be directed towards upgrading and rehabilitating of the county roads to enhance connectivity of rural areas to markets, promote investments in these areas, reduce the cost of transport, promote competitiveness and facilitate faster and more inclusive county development, employment creation and poverty reduction.

4.2.4 Environmental Conservation

91. Climate change remains a key concern not only in the County but globally given its adverse impacts on the economy. In this regard, the County government will strengthen capacity to plan, budget, implement and monitor climate resilience investment. The Kisii County Climate Change Fund and the legislation on the same are operational. During the financial year, priority will be given towards strengthening the capabilities to manage climate change.

4.2.4 Devolution and Governance

92. To strengthen devolution and governance, adequate resources will be provided towards the completion of Governor's residence, construction of County headquarters, Speaker's residence and completion of ward offices.

4.3 Medium –Term Expenditure Estimates

93. In the FY 2024/2025 development budget expenditure, infrastructure and roads development takes large share of expenditure followed by the social sectors of health, education and water. In the recurrent expenditure category, non-discretionary expenditures take first charge which includes payment of pending bills, salaries and pension.

94. Overall, in the FY 2024/2025 budget, recurrent expenditure account for 68% of the projected budget while development expenditure is at 32% of the total resource basket. The Own Source Revenue will finance 5.1% of the budget while the rest will be financed by conditional allocations from National Government and loans and grants from the development partners.

95. Development expenditures are shared out on the basis of the County priorities, economic development enablers as well as other strategic interventions to deal with unemployment, poverty reduction, wealth creation and accelerated growth. The following guidelines was used in the appropriation of resources:

- **On-going projects:** emphasis was given to completion of on-going projects and in particular infrastructure projects and other projects with high impact on poverty reduction and equity, employment and wealth creation.
- **Strategic policy interventions:** priority was also given to policy interventions covering the entire county in the key priority areas.
- **Counterpart Funding:** Priority was given to allocations for counterpart funding for donor funded projects. This is the County Government's share to finance such projects.
- **Pending bills:** Emphasis was given to completed works that have not been paid for.

4.4 Details of Sector Priorities

96. The medium-term spending estimates for Kisii County 2024/2025-2026/2027 will ensure continuity in resource allocation from the last FY based on prioritized programmes aligned to the CIDP, Vision 2030 and policy initiatives to accelerate growth, employment creation and poverty reduction. Sectoral ceilings are given in Table 5 below.

Table 5: Projected Sector Ceiling for 2024/2025 and the Medium Term

Medium –Term Sector Ceilings				
Sector.	Approved Revised Budget FY 2023/2024 Budget	(KShs Millions)		
		Proposed Budget FY 2024/2025	Projected Budget FY 2025/2026	Projected Budget FY 2026/2027
County Assembly	1,162,890,743	1,082,071,233	1,334,206,372	1,387,574,627
Executive Office of the Governor and County Public Service Board	503,146,720	600,114,950	487,661,498	507,167,957
Public Service & County Administration	677,786,519	608,528,145	676,427,860	703,484,974
Finance, Economic Planning and ICT	1,235,902,998	1,355,000,000	1,154,389,539	1,200,565,120
Agriculture, Livestock, Fisheries, Co-operative Development & Irrigation	1,189,075,081	740,812,995	950,957,777	988,996,088
Water, Environment, Natural Resources, Energy and Climate Change	549,772,397	620,186,382	563,156,804	585,683,076
Education, Technical Training and Innovation	1,153,917,270	1,044,859,123	1,214,613,261	1,263,197,791
Medical Services, Public Health and Sanitation	3,953,930,185	3,824,909,152	3,948,106,129	4,106,030,375
Lands, Physical Planning, Housing & Urban Development	355,795,336	310,700,000	318,036,476	330,757,935
Infrastructure, Roads and Public Works	1,340,821,563	1,561,537,374	1,491,311,098	1,550,963,542
Trade Tourism and Industry and Marketing	382,548,147	451,714,809	541,362,695	563,017,203

Youth,Sports,Culture, Arts and Social Services	209,567,320	115,852,345	176,774,768	183,845,758
Kisii Municipality	268,161,196	182,957,337	216,399,768	225,055,758
Ogembo Municipality	60,372,692	36,785,175	44,666,132	46,452,777
Total	13,286,508,398	12,536,029,020	13,118,070,177	13,642,792,981

Table 6: Proposed Sharing of funds by Economic Classification per Department (FY 2024/2024)

Department	P.E	O&M	Recurrent	Development	Total Ceilings
County Assembly	622,071,233	430,000,000	1,052,071,233	30,000,000	1,082,071,233
Executive Office of the Governor and County Public Service Board	250,000,000	150,114,950	400,114,950	200,000,000	600,114,950
Public Service & County Administration	468,100,000	100,428,145	568,528,145	40,000,000	608,528,145
Finance, Economic Planning and ICT	530,000,000	600,000,000	1,130,000,000	225,000,000	1,355,000,000
Agriculture, Livestock, Fisheries, Co-operative Development & Irrigation	270,000,000	20,812,995	290,812,995	450,000,000	740,812,995
Water, Environment, Natural Resources, Energy and Climate Change	70,000,000	50,186,382	120,186,382	500,000,000	620,186,382
Education, Technical Training and Innovation	675,000,000	269,859,123	944,859,123	100,000,000	1,044,859,123
Medical Services, Public Health and Sanitation	2,989,204,081	285,705,071	3,274,909,152	550,000,000	3,824,909,152
Lands, Physical Planning, Housing & Urban Development	85,700,000	25,000,000	110,700,000	200,000,000	310,700,000
Infrastructure, Roads and Public Works	190,000,000	100,000,000	290,000,000	1,271,537,374	1,561,537,374
Trade Tourism and Industry and Marketing	70,000,000	31,714,809	101,714,809	350,000,000	451,714,809
Youth, Sports, Culture, Arts and Social Services	80,000,000	20,852,345	100,852,345	15,000,000	115,852,345
Kisii Municipality	95,000,000	7,957,337	102,957,337	80,000,000	182,957,337
Ogembo Municipality	4,300,000	7,485,175	11,785,175	25,000,000	36,785,175
Totals	6,399,375,314	2,100,116,332	8,499,491,646	4,036,537,374	12,536,029,020

4.4.1 County Assembly

97. The County Assembly plays a key role in the implementation of development programmes in the county as it has the oversight role. It also plays the role of strengthening the democratic space and governance in the county. Due to the crucial role of the sector, it has been allocated **KShs. 1,082,071,233 billion** in FY 2024/2025.

4.4.2 Executive Office of the Governor and County Public Service Board

98. The office is responsible for the provision of overall policy direction, coordination of county government, communication and legal services. It is also critical in the promotion of integrity and transparency in county governance. This sector requires considerable funding to oversee the implementation of the CIDP, provision of leadership and policies in governing of the county. The sector has been allocated **KShs. 600,114,950 million** in the FY 2024/2025.

4.4.3 Public Service and County Administration

99. The sector plays a key role in enhancing public service delivery, organization and coordination of County Government business. In addition, the sector links all other sectors with stakeholders. The sector is key in the provision of leadership and policy direction in the county governance, coordination and supervision of County Government affairs, promotion of efficient and effective human resource management and public service integrity. The sector will construct and complete administration offices in the sub-counties and wards to enhance service delivery. To achieve the above objectives, the sector has been allocated **KShs. 608,528,145million** in the FY 2024/2025.

4.4.4 Agriculture, Livestock, Fisheries, Cooperative Development and Irrigation

100. This sector is critical to the county's economic growth, employment creation and poverty reduction. The sector contains multiple linkages with other key sectors such as manufacturing, wholesale and retail, transport and distribution and other service-related sectors. The challenges facing the sector include land subdivisions, uncertified seeds, low production and productivity, poor marketing and marketing infrastructure, low value addition and competitiveness, inadequate physical infrastructure and low access to financial services as well as affordable credit.

101. The sector aims to address the above challenges by raising agricultural productivity through improvement in the provision of extension services; improved livestock breeds through artificial insemination; increased adoption of appropriate livestock production technologies and promotion of sustainable management of fisheries and forestry. To achieve the above targets, **KShs. 740,812,995million** has been allocated for the sector in the 2024/2025 budget.

4.4.5 Education, Technical Training and Innovation

102. The sector's goal is to enhance access to basic quality education, provide learning materials and equipment and skills development for competitive labour force. The sector faces many challenges including inadequate infrastructure, inadequate learning materials and staffing. In the FY 2024/2025, the sector intends to construct classrooms; purchase learning materials, construct workshops and hostels in the Vocational Training Centres (VTCs). The sector has been allocated **KShs. 1,044,859,123 billion** in FY 2024/2025.

4.4.6 Energy, water, Environment, Natural Resources and Climate Change

103. This is a critical sector in the county economy with the role of ensuring that every citizen has access to safe and clean water and secure environment. Under the sector, the assigned functions to the county include soil and water conservation, forestry, storm water management, water sanitation services, air pollution, noise pollution, other public nuisance, mitigation and adaptation measures on climatic change and outdoor advertising. The goal of the sector in the medium term is to reduce the distance to the nearest water points through water reticulation. To achieve the above objectives, the sector has been allocated **Kshs. 620,186,382 million** in the FY 2024/2025.

4.4.7 Finance, Economic Planning and ICT Services

104. The key role of the sector is to provide overall leadership and policy direction in resource mobilization, management and accountability for quality public service delivery.

105. Strategies to attain the overall goal include: strengthening monitoring and Evaluation, continuous training of staff on e-procurement and adherence to the provisions of the PFM Act, Participatory planning and budgeting as well as mainstreaming cross cutting issues to planning and budgeting. To achieve this, in the FY 2024/2025, the sector has been allocated **Kshs. 1,355,000,000 billion**.

4.4.8 Medical Services, Public Health and Sanitation

106. The sector is responsible for the provision of equitable and affordable health care to the county residents. To achieve this, the sector will undertake construction and equipping programmes of the health facilities, Purchase pharmaceutical and non- pharmaceutical supplies develop health human resources among others. To achieve this, the sector has been allocated **Kshs. 3,824,909,152** in the FY 2024/2025.

4.4.9 Lands, Physical Planning Housing and Urban Ddevelopment

107. This sector is in charged with the development of physical development plans, spatial plans, solid waste management, construction and maintainance of urban roads, administration of public lands and housing. To achieve the above targets, in FY 2024/2025, the sector has been allocated **Kshs. 310,700,000million**.

4.4.10 Infrastructure, Roads and Public Works,

108. The sector is a key enabler for sustained development of the county economy. The sector's priorities include improved road network in the county, general improved infrastructure and supervision of buildings among others. The total budget estimate for the sector is **KShs. 1,561,537,374 billion** in FY 2024/2025.

4.4.11 Youth, Culture, Arts and Social Services

109. The sector is involved in vocational rehabilitation and training; social infrastructure development and gender mainstreaming, provision of public library services, training of youth in life skills and refurbishment of sports facilities and sporting activities. Though, some of the programmes are executed by the national government, the County government is undertaking them for the good of the county residents. To achieve the above targets, the sector has been allocated **Kshs. 115,852,345 million** in FY 2024/2025.

4.4.12 Trade, Tourism, Industry and Marketing

110. This sector is charged with market development, tourism promotion, creation of an environment conducive for investment and the implementation of County Trade Credit scheme. To achieve these goals, the sector has been allocated **Kshs.471,714,809 million** in the FY 2024/2025.

4.4.13 Kisii Municipality

111. The Kisii Municipality is charged with the responsibility of managing Kisii town through the provision of services and infrastructure for the residents. Some of the services provided include, improved sewerage systems, construction of walkways and backstreet roads, waste management among others. To achieve the above targets, in the FY 2024/2025, the Kisii Municipality has been allocated **Kshs. 182,957,337 million**.

4.4.14 Ogembo Municipality

112. The Ogembo municipality is charged with the responsibility of managing Ogembo town through the provision of services and infrastructure for the residents. Some of the services

provided include, improved sewerage systems, construction of walkways and backstreet roads, waste management among others. To achieve the above targets, in the FY 2024/2025, the Ogembo Municipality has been allocated. **Kshs. 36,785,175 million.**

