



COUNTY GOVERNMENT OF ELGEYO MARAKWET

THE COUNTY TREASURY

2022 COUNTY FISCAL STRATEGY PAPER (CFSP)

FEBRUARY, 2022

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FOREWORD

This County Fiscal Strategy Paper (CFSP) of 2022/2023 financial year is being prepared against a background of a contracting global economy occasioned by the outbreak and rapid spread of Covid-19 Pandemic which has disrupted businesses, livelihood and economic variance among various countries which are expected to hoist. Nonetheless, there has been an improvement in economic activities in the fourth quarters of 2021 albeit at a slow pace, following the re-opening of the economy. This is the ninth CFSP to be prepared since the inception of devolution which gave life to the County Government of Elgeyo Marakwet and other governance structures. The CFSP sets out the county's priority programs to be implemented under the Medium-Term Expenditure Framework (MTEF III) and aligns the aspirations of the county with those of the National government as stated in the 2022 Budget Policy Statement (BPS) and provisions of Elgeyo Marakwet County Equitable Development Act (EDA), 2015.

Development expenditures within the MTEF period will be shared out based on the parameters of EDA, 2015 to ensure social economic equity. There is also a need to adhere and implement the provisions of the Public Finance Management (County Governments) Regulations, 2015 for effective public finance management. Implementation of programs expounded in this CFSP is expected to raise county economic efficiency and productivity and in turn, make the county competitive, thus creating vast opportunities for productive jobs and securing livelihoods.

We project revenue collection in the FY 2022/23 to spring back due to the improving economic environment, expanded revenue base courtesy of our Finance Act and revenue administration measures. Expenditure will be streamlined to ensure prudent financial management that will further lead to wealth and employment creation in the county. To achieve efficiency, the pace of public expenditure growth will be moderated, while accelerating the delivery of quality services at the same time. Some of the challenges facing recurrent budgets are the implication of implementing Salaries Remuneration Commission' (SRC) harmonization of public service salaries, implementation of the counties staff pension scheme, costs for staff promotions due, continuous mandatory annual increments in salaries and periodic Collective Bargaining Agreements (CBAs) reached whenever staff go on strike regarding their welfare issues.

The CFSP 2022/23 is being prepared under a revised budget calendar that takes into account the preparations for the 2022 General Elections. Therefore, Departments and Agencies have adhered to the strict deadlines in the revised budget calendar to enable finalization of the FY 2022/23 Budget by March 2022.

The 2022 CFSP emphasizes on containing costs and improving efficiency across government departments and entities. These efforts are expected to moderate the pace of public expenditure growth while accelerating the delivery of quality services and also stimulate economic recovery. Spending baselines which are basis for ceilings allocations have undergone rigorous review taking into account factors which include: the capacity of departments and public entities to manage resources, the link between outcomes, expenditure and departmental mandates, proposals from the public and programme performance so far and the provisions of the Public Finance Management (County Governments) Regulations, 2015.



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ACKNOWLEDGEMENTS

This 2022 CFSP is a product of collective efforts by all County Departments led by respective CECMs, Chief Officers, Directors and other staff. On behalf of this team therefore, I would like to pass our special gratitude to individuals and entities for the passion in the CFSP related work which culminated in the completion of this document. We especially acknowledge the dedication of core team of technical staff from the Department of Finance and Economic Planning, specifically the Directorate of Economic Planning and Budgeting which comprises Economists and budget officers whose assignment was to collect, collate and analyze departmental findings from the CFSP questionnaires administered to all county entities and which formed the primary data for the preparation of this document.

We also wish to thank the County Executive Committee led by H.E Governor Alex Tolgos for direction and policy guidance whose objective is to align the CFSP's strategies with the county's long-term development aspirations contained in the County Integrated Development Plan (CIDP) 2018-22.

The draft 2022 CFSP was presented to the various institutions and members of the public for their inputs and we hereby wish to acknowledge their efforts. Finally, as is their right, our county citizens continue to demand for efficient and effective service delivery and for this reason we as a county do not take for granted their continued inputs and oversight so for this reason, we take this opportunity to thank them and acknowledge their efforts.

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ABBREVIATIONS

AIA	Appropriation in Aid
ADP	Annual Development Plan
BPS	Budget Policy Statement
CBA	Collective Bargaining Agreement
CBROP	County Budget Review and Outlook Paper
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
COVID-19	Coronavirus 2019
CRA	Commission on Revenue Allocation
EAC	East Africa Community
EAMU	East African Monetary Union
ECDE	Early Childhood Development Education
EDA	Equitable Development Act
FY	Financial Year
FIF	Facility Improvement Fund
GDP	Gross Domestic Product
ICT	Information Communication Technology
KDSP	Kenya Devolution Support Program
KUSP	Kenya Urban Support Program
MGR	Meter Gauge Railway
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
OSR	Own Source Revenue
O&M	Operations and Maintenance
PFM	Public Finance Management
PoS	Point of Sale
PSSS	Public Service Superannuation Scheme
RBF	Result-Based Financing
RMLF	Road Maintenance Levy Fund
SDGs	Sustainable Development Goals
SRC	Salaries and Remuneration Commission
UNDP	United Nations Development Program

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1. CHAPTER ONE: INTRODUCTION

1.1 Legal Framework for County Fiscal Strategy Paper (CFSP)

Preparation of the County Fiscal Strategy Paper (CFSP) is provided for in the Public Finance Management (PFM) Act section 117 with emphasis on:

1. Timelines which 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. However, noting that 2022 will be an electioneering year, the fiscal calendar was adjusted forward with the National Budget Policy Statement (BPS) having to be submitted to the parliament by 30th November 2021 and consequently 2022 CFSP need to be approved by County Executive Committee and submitted to County Assembly by 15th December 2021 .
2. How County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
3. How County Treasury in the County Fiscal Strategy Paper 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. How County Treasury in the County Fiscal Strategy Paper shall include 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 consider 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

The preparation of the Elgeyo Marakwet County Government 2022 CFSP has taken into consideration the views of CRA by adhering to the CRA recommendations that gapped the counties equitable sharable revenues at 370 billion which allocated the County Kshs.4, 606,532, 480 just as the allocations for 2021/22 FY. This allocation is affirmed by the National Treasury through the draft 2022 BPS revenue allocation for each County Government. The views of the public have been considered since the departmental development allocation ceilings have been informed by the approved 2022/23 FY Annual development project figures as prioritized by ward residents through their respective Ward Development Committees (WDCs)

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. This provision is further expounded by section 37(1) of the PFM Act 2012 Regulations which indicates the extent of the percentages to amended by County Assembly and states that “Where a county assembly approves any changes in the estimates of budget under section 131 of the Act,

any increase or reduction in expenditure of a Vote, shall not exceed one (1%) percent of the Vote's ceilings. Section 26(3) of the PFM Act 2012 Regulations further provides for an engagement framework between the CEC Finance and the Budget Committee of the County Assembly on changes and decisions to be made by the county assembly on budget documents and process. It states that; "Before tabling a report containing recommendations on the County Fiscal Strategy Paper for adoption by the County Assembly in accordance with section 117(6) of the Act, the relevant committee of the County Assembly shall seek the views of the County Executive Committee member on its recommendations.

7. The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.
8. The County Treasury shall publish and publicize the County Fiscal Strategy

1.2 Fiscal Responsibility Principles for the County Government

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM regulations, and in keeping with prudent and transparent management of public resources, the County Government has adhered to the fiscal responsibility principles as set out in the statute as follows:

- a. The county government's recurrent expenditure has not exceeded the county government's total revenue;
- b. In line with the law, the county's development expenditure is over thirty percent of the county government's budget. Adherence to this principle in the 2022 CFSP is not going to be achieved owing to the ongoing constitutional petition No. 252 of 2016, Council of Governors vs the Attorney General and others that county assemblies cannot re-appropriate conditional funds allocated to county level of government to other functions through a "County Appropriation Bill". This position has also been affirmed by the National Treasury not including conditional allocations from both National Government and other development actors in the draft 2022 BPS as is always the case for previous financial years. The material effect of this ruling is that for a county like Elgeyo Marakwet with minimal resource envelope exacerbated by high wage bill, attainment of this principle will be a challenge
- c. Section 25(1)(b) of the PFM (County Governments) Regulations, 2015 requires that County Governments' wage bill shall not exceed 35 percent of their total revenue. The county has not been able to adhere to this principle because of continued pressure on wage bills occasioned by CBA agreements for the health workers, SRC salary harmonization review circulars and service delivery needed for the devolved functions necessitating additional employees' recruitment together with annual basic pay allowance increments.

1.3 Development Allocations Guidelines

Development expenditure allocations are shared out amongst departments based on the Equitable Development Act, 2015, County Integrated Development Plan (CIDP) and Annual Development Plan (ADP) as well as other strategic objectives and policy goals identified in this CFSP as aligned to the 2022 BPS.

Development ceilings for departments/sectors are the aggregate for the cost of projects for Wards and County prioritized for that departments/sector through statute framework of citizen representation or participation as already approved in 2022/23 FY ADP.

CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

2.1 Overview

Compared to a growth of 5.0 percent in 2019, the Kenyan economy contracted by 0.3 percent in 2020. This reflected the adverse effects of the COVID-19 pandemic, which disrupted activities mainly in the services sectors particularly wholesale and retail trade, education, accommodation and restaurant, transport and storage. However, the economy was expected to rebound to 6.0 percent by the end of 2021, supported by the continued reopening of the services sectors, recovery in manufacturing, and stronger global demand. This is reflected in the robust performance of construction, manufacturing, education, real estate and transport and storage sectors.

The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that supports exports. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since the end of 2017. The year-on-year inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven by higher food prices. However, the inflation rate remained within the target range supported by muted demand pressures.

The foreign exchange market largely remained stable but was partly affected by tight global financial conditions attributed to uncertainty regarding the COVID-19 pandemic. The Kenya Shilling to the US Dollar exchanged at Ksh. 110.9 in October 2021 compared to Ksh. 108.6 in October 2020. The current account deficit is estimated at 5.5 percent of GDP in the 12 months to August and is projected at 5.2 percent of GDP by end of 2021.

2.2 Recent Economic Developments and Outlook

2.2.1 Global and Regional Economic Developments

Global growth in 2021 is projected at 5.9 percent from a contraction of 3.1 percent in 2020 (WEO October 2021). However, most of the emerging markets and developing economies are projected to experience a more challenging recovery from the COVID-19 pandemic compared to their counterparts. This is largely on account of uneven access to COVID-19 vaccine which is therefore likely to negatively impact the full resumption of economic activities in these economies. Additionally, the rapid spread of Delta and the threat of new variants which have increased uncertainty about how quickly the pandemic can be overcome.

The advanced economies are projected to recover to 5.2 percent in 2021 from a contraction of 4.5 percent in 2020. This projected recovery, particularly in the United States, reflects the anticipated legislation of additional fiscal support in the second half of 2021 and broader vaccination coverage across the group.

Economic growth in the Sub-Saharan Africa region is projected at 3.7 percent in 2021 from a contraction of 1.7 percent in 2020 due to improved exports and commodity prices, and the rollout of vaccination programmes. This growth will also be supported by a recovery in both private consumption and investment as economies re-open. However, the recent increase in infection rates in sub-Saharan Africa are expected to weigh down the region's recovery in 2022

There was recovery for majority sectors of the economy in 2021, reflecting the lower base of 2020 when most service sectors were adversely affected by the closure of the economy thereby recording negative growths. The outlook in 2021 will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda, Economic Recovery Strategy and other priority programmes as outlined in the Third Medium Term of Vision 2030. Weather conditions are expected to be favorable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes.

The Government is currently focusing on the implementation of the Economic Recovery Strategy (ERS) that aims at restoring the economy to a strong growth path, creating jobs and economic opportunities across all regions of the country with a view to tackling social and income inequalities. It is expected that the successful implementation of the Economic Recovery Strategy which is also aligned to the "Big Four" Agenda will promote inclusive growth and transform the lives of Kenyans.

2.2.2 Domestic Economic Developments

National Accounts were revised and rebased in 2020 where the base year was changed from 2009 to a more current base year of 2016. The revised growth rates were relatively lower than in the previous estimates, largely on account of an expanded base, change of benchmark data, data sources as well as revision of time series indicators.

The economy contracted by 0.3 percent in 2020 from a growth of 5.0 percent in 2019 following the adverse impact of COVID-19 pandemic and the resultant swift containment measures. The government's priority was premised on the need to safeguard the lives of Kenyans and Kenyan residents while at the same time cushioning the economy from the effects of COVID-19 pandemic. Consequently, the health crisis required the introduction of temporal restrictive measures to curb the spread of the virus which resulted in negative impacts on some key sectors of the economy. 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 with further improvements in subsequent quarters (Figure 1).

The contraction was spread across all sectors of the economy but was more dismal in accommodation and food services activities, education, and transport sectors. The overall performance of the economy in 2020 was cushioned from a deeper slump by accelerated growths in agricultural production (4.8 percent), mining and quarrying (6.7 percent), construction activities (11.8 percent) and health services (6.7 percent).

The agriculture sector was more vibrant in 2020 compared to 2019 despite a contraction in global demand in 2020. The sector's Gross Value Addition was 4.8 percent in 2020 compared to 2.6 percent in 2019. This was mainly on account of favorable weather conditions in 2020 which improved production of food crops such as beans, rice, sorghum and millet and livestock and related products such as milk and meat. Improved production of cash crops such as tea and sugarcane also supported the growth.

Figure 1: Sectoral Performance

Sectors	Sector Growth (%)														
	2018					2019					2020				
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4
Primary Industry	4.1	4.8	5.3	6.7	5.2	4.5	3.4	0.9	1.6	2.7	4.4	4.9	4.3	6.0	4.9
Agriculture, Forestry and Fishing	4.1	5.3	6.3	7.6	5.7	4.8	3.2	0.7	1.3	2.6	4.3	4.9	4.2	5.8	4.8
Mining and Quarrying	4.4	(4.6)	(11.4)	(7.2)	(4.7)	(1.2)	7.0	5.5	6.4	4.3	6.4	4.4	7.0	9.2	6.7
Secondary Sector (Industry)	5.4	4.2	4.4	3.4	4.4	3.2	4.2	3.5	2.6	3.4	4.8	(0.5)	3.2	7.5	3.8
Manufacturing	5.2	2.9	2.7	3.5	3.6	2.5	4.1	2.6	0.9	2.5	2.2	(4.7)	(1.7)	3.8	(0.1)
Electricity and Water supply	4.1	3.0	4.1	3.2	3.6	3.0	1.5	1.5	0.9	1.7	1.5	(4.7)	0.2	3.5	0.1
Construction	6.6	7.0	7.6	3.3	6.1	4.6	5.5	6.1	6.2	5.6	11.0	8.3	12.3	15.7	11.8
Tertiary sector (Services)	5.4	5.9	5.5	7.2	6.1	6.7	7.6	6.6	5.9	6.7	3.8	(6.7)	(4.6)	(1.0)	(2.2)
Wholesale and Retail trade	5.1	6.4	5.8	6.4	5.9	4.6	6.4	5.3	4.8	5.3	4.9	(4.2)	(5.0)	2.6	(0.4)
Accommodation and Restaurant	16.8	15.9	10.9	18.5	15.6	15.6	11.7	11.9	17.6	14.3	(8.1)	(56.8)	(63.4)	(62.2)	(47.7)
Transport and Storage	4.3	6.7	5.3	7.7	6.0	6.8	8.8	4.6	5.2	6.3	2.2	(16.8)	(10.1)	(6.1)	(7.8)
Information and Communication	7.2	8.0	7.7	8.7	7.9	9.5	7.5	7.1	6.1	7.5	5.6	2.6	3.2	7.6	4.8
Financial and Insurance	2.7	0.9	0.7	6.3	2.7	6.1	8.0	9.3	4.4	6.9	7.5	4.4	3.0	7.4	5.6
Public Administration	5.8	7.3	9.3	9.1	7.9	9.0	10.8	10.2	9.7	9.9	4.0	2.7	6.3	8.4	5.3
Others	6.2	6.1	5.7	6.5	6.2	6.1	6.3	6.0	5.6	6.2	3.4	(7.9)	(5.6)	(3.2)	(3.5)
of which Real Estate	6.2	6.4	6.6	6.8	6.5	7.0	7.0	6.7	6.2	6.7	5.4	4.6	3.7	2.7	4.1
Education	7.9	6.2	5.9	5.6	6.4	3.8	3.4	5.6	6.2	4.7	1.8	(22.4)	(17.4)	(5.3)	(10.8)
Health	5.4	6.6	5.0	4.9	5.4	5.7	6.1	6.8	6.4	6.2	7.4	9.8	5.2	4.7	6.7
Taxes less subsidies	5.8	12.2	4.4	1.8	5.9	(1.5)	5.3	4.3	6.7	3.7	5.1	(20.8)	(8.5)	(6.4)	(7.9)
Real GDP	5.2	6.0	5.3	6.0	5.6	4.8	5.9	4.8	4.4	5.0	4.4	(4.7)	(2.1)	1.2	(0.3)
of which Non-Agriculture	5.4	5.5	5.1	6.2	5.6	5.6	6.8	5.9	4.8	5.8	4.4	(5.5)	(2.8)	1.1	(0.7)

Source of Data: Kenya National Bureau of Statistics

The performance of the industry sector improved to a growth of 3.8 percent in 2020 compared to a growth of 3.4 percent in 2019. This was mainly on account of improved performance of the construction sector. The construction sector grew by 11.8 percent in 2020 compared to a growth of 5.6 percent in 2019. The strong growth was attributed to the continued investments in road infrastructure by the Government, expanded construction in the housing sub-sector and the ongoing rehabilitation of the Metre Gauge Railway (MGR).

Electricity and water Supply sector grew by 0.1 percent in 2020 compared to a growth of 1.7 percent in 2019 mainly on account of decline in thermal and wind generation despite the increase in hydro generation. Activities in the manufacturing sector slowed down in 2020 mainly due to COVID-19 containment measures. The sector is estimated to have contracted by 0.1 percent in 2020 compared to 2.5 percent growth in 2019 mainly on account of significant contractions in production in key food products such as processing of coffee and manufacture of beverages. The manufacture of leather and wood products also contracted during the review period.

Services sector was adversely affected by the closure of the economy thereby recording negative growths in 2020. The sector contracted by 2.2 percent in 2020 compared to a growth of 6.7 percent in 2019. Accommodation and Food Services was adversely affected by the COVID -19 containment measures compared to other service sectors and contracted by 47.7 percent in 2020 compared to a growth of 14.3 percent in 2019. This was due to restrictions of international travels while domestic travels were negatively impacted on by restriction of movement to and from some counties and zones for some months especially in the second quarter of 2020. Most hotels and restaurants also either closed or scaled down their operations due to public health measures taken to prevent the spread of the pandemic as well as significant reduction in the number of customers.

Transportation and storage sector contracted by 7.8 percent compared to a growth of 6.3 percent in 2019. The sector's performance was constrained by the COVID-19 pandemic containment measures including restriction of movement across the borders as well as and within the country, social distance in public service vehicles and arrangements of working remotely. However, the sector was cautioned from a deeper contraction by an increase in freight transport through the Standard Gauge Railway from 4,159 thousand tonnes in 2019 to 4,418 thousand tonnes in 2020. Information and Communication sector's growth slowed to 4.8 percent in 2020 compared to 7.5 percent growth in 2019. The growth was mainly supported by increased uptake of digital services as the COVID-19 measures which resulted in increased remote working and learning activities remotely as well as rise in cashless payments for financial transactions.

Similar to the global economy, Kenya's economy was projected to rebound in 2021 to 6.0 percent from an earlier projection of 7.0 percent in the 2021 BPS. The downward revision was due to the impact of containment measures between March and July period as a result of the third wave of the COVID-19 pandemic.

2.3 Fiscal Policy

Going into the medium term, the Government will continue with its revenue mobilization and expenditure prioritization policy geared towards economic recovery to support sustained, rapid and inclusive economic growth and safeguard livelihoods and continue the fiscal consolidation to create fiscal space for the implementation of the "Big Four" Agenda. This will curtail growth in public expenditures to ensure it attains its fiscal consolidation path over the medium term and strengthen management of public debt to minimize cost and risks of the portfolio, while accessing external concessional funding to finance development projects. The fiscal deficit is projected to decline from 8.3 percent of GDP in FY 2020/21 to 3.8 percent of GDP by FY 2025/26.

To achieve this target, the Government will continue to restrict growth in recurrent spending and double its effort in resource mobilization. The Government has also been cutting down on non-priority expenditures such as: hospitality, training, travel and freezing of employment in non-priority sectors in order to manage the public wage bill.

In order to ease the burden of pension payments in future, the Government will continue with implementation of the Public Service Superannuation Scheme (PSSS) for all civil servants below the age of 45 years rolled out in January 2021. Further, the government will continue to enhance devolution and ensure quality services are offered.

2.4 Economic Outlook

2.4.1 Global Growth Outlook

The global economic recovery continues to strengthen, largely supported by gradual reopening of economies, relaxation of COVID-19 restrictions particularly in the major economies, ongoing deployment of vaccines, and strong policy measures. Nevertheless, the outlook for global growth remains highly uncertain, due to the resurgence of infections, the reintroduction of containment measures, and the uneven pace of vaccinations across the globe. As such, global growth was projected to grow at 6.0 percent in 2021, moderating to 4.9 percent in 2022 from the contraction of 3.2 percent in 2020.

Global growth is expected to moderate to 3.4 percent over the medium term reflecting projected damage to supply potential and forces that preceded the pandemic, including slower labor force growth due to aging population in advanced economies and some emerging market economies. The emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses.

The Sub-Saharan African region has not been spared the negative effects of the pandemic with the region estimated to have contracted by 1.8 percent in 2020. Consistent with forecasts in other regions, economic growth in the region was expected to recover to 3.4 percent in 2021 and 4.1 percent in 2022 supported by improved exports and commodity prices along with a recovery in both private consumption and investment. However, per capita output is not expected to return to 2019 levels until after 2022.

2.4.2 Domestic Growth Outlook

Like the rest of the world, the domestic economy was not spared from the adverse impact of the Pandemic in 2020. As such, economic growth is estimated to have contracted to 0.3 percent in 2020. The economic growth was projected to bounce back to 6.0 percent in 2021 reflecting recovery due to reopening after the closure associated with the COVID-19 Pandemic. This also in part reflects the lower base in 2020 when most service sectors especially accommodation and restaurant, education as well transport services contracted in second and third quarters of 2020 with huge margins.

In terms of fiscal years, the economy is projected to expand by 2.9 percent in FY 2020/21, 5.9 percent in FY 2021/22 and 6.1 percent in FY 2025/26. This outlook will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda and Economic Recovery Strategy. Weather conditions are expected to be favorable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth.

2.4.3 Risks to the Economic Outlook

There are risks to this macroeconomic outlook emanating from domestic as well external sources. On the domestic front, the emergence of new COVID-19 variants that required broader reinstatement of containment measures, in the country and its trading partners led to renewed disruptions to trade and tourism.

Other risks relate to lower agricultural output due to potential adverse weather conditions and continued desert locust infestation in the Kerio Valley, which could potentially reduce production of food crops and animal feeds. Additionally, increased public expenditure pressures, particularly wage and other recurrent expenditures would put a strain to the fiscal space.

The upside risk to the domestic economy relates to faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support faster reduction in fiscal deficit.

On the external side, risks will depend on how the world responds to the health crisis, including whether the new COVID-19 strains are responsive to vaccines. Additionally, growth would be weaker than projected if logistical hurdles in procuring and distributing vaccines especially in emerging markets and developing economies will be slow. The delays would allow the new variants to spread, with possibly higher risks of infections among the vaccinated populations. World economies will be shaped by policies taken to limit persistent economic disruptions; the evolution of financial conditions and commodity prices especially oil in the international market; and the adjustment capacity of the economies.

On the upside, better global cooperation on vaccines could help prevent renewed waves of infection and the emergence of new variants, end the health crisis sooner than assumed, and allow for faster normalization of activity, particularly among emerging markets and developing economies. The Government continues to monitor the domestic and external environment and will take appropriate policy measures to mitigate against the risks.

3 CHAPTER THREE: COUNTY FISCAL POLICY

3.1 Overview

The county fiscal policy over the medium term aims at supporting a stable economic growth and ensuring the effective delivery of services. The fiscal policy is aligned to the country's MTP III targets. To sustain the budget, there will be concerted efforts to expand the revenue base and increase revenue collection as projected. The county government will also pursue prudent fiscal policy to ensure macroeconomic stability. The County fiscal policy objective will provide an avenue to support economic activity while allowing for implementation of mandates bestowed upon the county, within a sustainable public finances management system.

3.2 CFSP Alignment to Budget Policy Statement

The county CFSP's strategic priorities and policy goals have been aligned to the national Budget Policy Statement (BPS) 2022. Over the medium term, growth is projected to increase by more than 7.0 percent due to investments in strategic areas under "The Big Four" Plan, namely: increasing the share of manufacturing sector to GDP; ensuring all citizens enjoy food security and improved nutrition by 2022; expanding universal health coverage; and delivering at least 500,000 affordable housing units. At the county level the county government's priorities align with those of the BPS through:

- Roll out of post-Covid-19 Economic Recovery measures.
- Fast tracking the "Big Four" Agenda plan
- Fostering a secure and conducive business environment
- Improving critical infrastructure in the county such as roads and water access, among others, so as to reduce the cost of doing business as well as promote competitiveness;
- Strengthening the healthcare system and supporting youth, women and persons Living with disability to enable them actively to contribute to the economic recovery agenda
- Implementing various structural reforms to enhance the efficiency of public service delivery while at the same time ensuring accountability for better macroeconomic and fiscal stability, improved fiscal discipline and minimized corruption.

3.3 Fiscal Performance

Going forward into the medium term, the Government will continue in its fiscal rationalization path with the overall fiscal balance being maintained broadly at the levels outlined in the CFSP 2022, this will ensure debt is maintained between recurrent and development. To achieve these targets, the Government will continue to rationalize recurrent spending while doubling its effort in resource mobilization. To mobilize revenues, the Government has put in place revenue enhancement measures to boost performance and cushion against further revenue shortfalls by strengthening collection and compliance through:

- i. Continued automation of collection through use of Point of Sale (PoS) devices in collection and documentation of revenues.
- ii. Strengthening of the Directorate of Enforcement to ensure compliance and reduce leakages

- iii. Capacity building of staff through KDSP to motivate and enhance their effectiveness
- iv. Setting of personal targets for individual officers through Performance Contracting and Appraisal System.

3.4 Deficit, Debt policy and Debt Sustainability

Currently, the county has no public debt. On the National level, the Government is required to maintain public debt at sustainable levels as set out in the Public Finance Management Act 2012, and its regulations. The external debt sustainability indicators illustrate that Kenya remains within the sustainable bounds. This is attributed to the large portion of debt that is on concessional terms in terms of low costs and long-term maturity.

3.5 County Economic Performance and Prospects

3.5.1 Growth Prospects and Challenges

The county growth prospects that can propel the county to higher economic possibilities include; improved agricultural productivity, urban growth, enhanced tourism, value addition ventures, revamp irrigation investments and economic gains from sports related activities amongst others.

The county's economic growth majorly relies on rain-fed agriculture and agricultural activities. Climatic conditions, therefore, play a key role in determining the county's economy. It is with this in mind that the county continues to pursue climate-smart initiatives in a bid to combat the impacts of global warming. Citizens within the wards in the Kerio Valley have continued to prioritize and allocate substantial resources to irrigation projects. This has also been complemented by projects from the climate smart programme. All the three ecological zones depend on rainfall, and the zones have varied levels of socio-economic developments and resource endowments. A review of these zones shows that for the overall socio-economic development to be realized, there is need to invest in value addition and modernization of agriculture, improving road network and power supply and improving the marketing chains through cooperatives and farmer organizations. Designation of Iten as a municipality has shown potential prospects for urban growth especially with the implementation of urban infrastructure projects through Kenya Urban Support Programme (KUSP). The implementation of climate smart agriculture programme has a potential to improve production of horticultural crops and thus improve household incomes.

The county government continues to face challenges as a result of constrained fiscal space necessary for implementation of strategic priorities especially in the productive sector. The major challenges include wage bill pressure which has been occasioned over the years by implementation of SRC circulars and demand for promotions from the labour unions. The wage bill pressure has been compounded by stagnation of equitable share of revenue from the national government as well as under performance in local revenue collection.

Also, implementation of development programmes and projects has been slow resulting in low absorption; this can be attributed to challenges in implementation of end-to-end procurement amongst other administrative and external challenges.

3.5.2 Risks to Fiscal Outlook in the County

The Covid-19 Pandemic has devastated global economies with Kenya not being spared. On the domestic front, the economic impact of the Pandemic is already being felt across all sectors of the economy. Measures to contain the pandemic in the County have led to a decline in revenue collection and closure of businesses.

Further the desert locust invasion still being witnessed in parts of the county poses a risk to agricultural production and food security. Another risk relates to rising global oil prices due to tensions between U.S.A and Iran, uncertainty of the global trade agreements as well as uneven and sluggish growth in advanced and emerging market economies could hamper the forecasted growth.

Another risk is the outbreak of infectious diseases which threaten the county health system, labour productivity as well as drainage of household financial resources. Such outbreaks will occasion budget re-organization to contain the situation.

The proposed National Treasury allocation to county governments has stagnated thus there is no growth in the equitable share from the national government. The implication of this is that allocation to the county will be the reduction of allocations to programmes which may slow down the development agenda of the county.

The county is prone to natural disasters including landslides, flooding and drought, these disasters pose huge risk to life and property. The disasters also threaten food security, utilities, road network and public health. Occurrence of such disasters will require huge financial resources and thus pose fiscal risk to the county government.

4 CHAPTER FOUR: COUNTY BUDGET FRAMEWORK

4.1 Fiscal Performance of County Governments in FY 2020/21

In FY 2020/21, the county government had a total budget of Ksh. 5,951,738,490 out of which Ksh 3,861,300,000 was CRA allocation and the rest consisted of Own Source Revenue (OSR), conditional grants and rollover funds from FY 2019/20. From the total revenue, Ksh. 3,500,113,067 was recurrent budget and Ksh. 2,449,102,993 development budget. The table below presents the overview of fiscal performance of the county during the financial year 2020/2021.

Table 1: Fiscal outturn in FY 2020/21

Revenue Sources	Approved FY 2020/21 Estimates (Net)	TOTAL (KSH)	Percent of total (%)
CRA Share	3,861,300,000	3,861,300,000	100%
CRA Share B/f-2019/20 Arrears	-	332,071,800	100%
Local Revenue	144,000,000	141,267,030	98%
Balance b/d (Roll-over funds)	1,228,517,476	-	0%
World Bank			
Dev. Of Youth Polytechnics	27,904,894.00	27,904,894	100%
Kenya Climate Smart Agriculture Project (KCSAP)	280,000,045	252,644,795	90%
KDSP-I	45,000,000	45,000,000	100%
KUSP	89,802,100	49,600,541	55%
Transforming Health Systems -THS	33,340,400	31,892,642	96%
DANIDA			
DANIDA -Universal Health Care	10,980,000	10,980,000	100%
DANIDA -Universal Health Care B/f	4,200,000	4,200,000	100%
Other Grants and Loans			
Agricultural Sector Dev. Support (ASDSP) -Sweden	12,921,815	10,422,624	81%
EU Water Support	-	-	0%
Grants from Government units -COVID-19	57,212,000	57,212,000	100%
Grants -COVID -19 funds B/f	32,685,000	32,685,000	100%

Revenue Sources	Approved FY 2020/21 Estimates (Net)	TOTAL (KSH)	Percent of total (%)
Support to Abolishment of User Fees in H/C & Dispensaries	8,788,919	8,788,919	100%
RMLF	115,085,841	115,085,840	100%
Total	5,951,738,490	4,981,056,085	84%

4.1.1 County Governments' Own-Source Revenue (OSR)

Total OSR collected amounted to Ksh 153,819,514 against a target of Ksh 184,570,247. There was a deficit of Kshs 30,750,733 in the 2019/20 FY translating to 16% shortfall. The shortfall in OSR is attributed majorly to the underperformance in FIF and Tampere university funds' streams.

Table 2: County Governments' Own-Source Revenue (OSR) for period July 2020 to June 2021 (F/Y 2020/2021)

Revenue Sources	Approved FY 2020/21 Estimates (Net)	Actual FY 2020/21 Ksh (Net)	Variance	Percent of Total (%)
Animal Stock auction fees	2,220,450	800,600	-1,419,850	36.06%
Produce and other cess	22,789,204	19,149,304	-3,639,900	84.03%
Single Business Permit	12,032,050	13,101,162	1,069,112	108.89%
Single business permit-Liquor license	4,000,000	110,520	-3,889,480	2.76%
Lands Rates/Plot Rent	2,500,392	3,540,268	1,039,876	141.59%
Bus Park/motorcycle fees	5,000,000	4,139,280	- 860,720	82.79%
Trade applications fees	1,910,890	1,979,610	68,720	103.60%
Slaughter fees	1,451,000	897,510	-553,490	61.85%
House rent/stall/ground	1,730,500	1,243,696	-486,804	71.87%
Conservancy fees	1,436,927	941,475	-495,452	65.52%
Plan approval fees	80,550	78,000	-2,550	96.83%
Clearance fees		12,200	12,200	100.00%
Hide and skins	20,000	5,640	-14,360	28.20%
Promotion/advert	1,103,580	417,050	-686,530	37.79%

Revenue Sources	Approved FY 2020/21 Estimates (Net)	Actual FY 2020/21 Ksh (Net)	Variance	Percent of Total (%)
Hire of road field	18,230	-	-18,230	0.00%
Trade	185,000	325,260	140,260	175.82%
Fines	810,150	110,066	-700,084	13.59%
FI Funds	70,000,000	71,280,545	1,280,545	101.83%
VSD Funds		851,975	851,975	100.00%
Water Department	500,000	157,260	-342,740	31.45%
Health Services-Public Health	2,413,975	2,593,868	179,893	107.45%
Youth Affairs and sports		4,203,600	4,203,600	100.00%
Agriculture		3,300	3,300	100.00%
Tourism	1,056,923	180,350	-876,573	17.06%
Market fees and others	5,322,929	4,403,206	-919,723	82.72%
Recoveries		326,124	326,124	100.00%
Others	7,417,250	10,415,161	2,997,911	140.42%
TOTALS	144,000,000	141,267,030	- 2,732,970	98.10%

Source: Revenue office

4.1.2 County Governments' Budget Absorption

The total expenditure for the FY 2020/2021 amounted to Ksh 4,762,278,409 against an approved budget of KSh 5,951,738,490, representing an under spending of Kshs 1,189,460,081. Absorption rate of recurrent budget remained high amounting to Kshs 3,313,091,684 against an approved budget of Kshs 3,493,416,625 reflecting an absorption rate of 94.66%, the absorption of development budget amounted to Ksh 1,449,186,725 against an approved budget Ksh 2,458,321,865. This reflects an absorption rate of 59.17%. The low absorption rate is explained in large part by procurement challenges occasioned by the COVID-19 Pandemic. These figures also contain rollover funds from the 2019/20 FY.

Table 3: Overall absorption Rates for FY 2020/2021

CODE	Department	Recurrent		Development		Total (Recurrent and Development)		Balance	% On Total Expenditure
		Approved Budget	Actual Expenditure	Approved Budget	Actual Expenditure	Total Approved budget	Actual total Expenditure		
4361	County Assembly	572,974,781	572,476,064	15,253,618	15,253,554	588,228,399	587,729,618	498,781	99.92%
4362	Governor's Office	142,289,363	140,325,507	-	0	142,289,363	140,325,507	1,963,856	98.62%
4363	Finance and Economic Planning	289,283,712	211,819,595	-	0	289,283,712	211,819,595	77,464,117	73.22%
4364	Agriculture and Irrigation	94,560,436	93,682,795	754,817,206	413,356,388	849,377,642	507,039,183	342,338,459	59.70%
4366	Education & Technical Training	260,512,899	233,860,055	227,420,783	144,792,329	487,933,682	378,652,384	109,281,298	77.60%
4367	Health and Sanitation Services	1,608,515,534	1,585,097,603	256,966,852	122,576,161	1,865,482,386	1,707,673,764	157,808,622	91.54%
4368	Water, Lands and Physical Planning	81,341,724	79,024,111	449,916,237	195,692,986	531,257,961	274,717,097	256,540,864	51.71%
4369	Roads, Transport & Public Works	80,558,229	75,828,097	501,035,857	408,829,258	581,594,086	484,657,355	96,936,731	83.33%
4371	Trade, Tourism & Industrialization	36,168,213	35,868,538	18,079,051	11,900,196	54,247,264	47,768,734	6,478,530	88.06%
4372	Youth, Sports, ICT and Gender	54,535,825	50,401,066	99,990,519	51,825,153	154,526,344	102,226,219	52,300,125	66.15%

CODE	Department	Recurrent		Development		Total (Recurrent and Development)		Balance	% On Total Expenditure
		Approved Budget	Actual Expenditure	Approved Budget	Actual Expenditure	Total Approved budget	Actual total Expenditure		
4373	Public Service Management	127,727,465	97,096,051	26,643,739	16,870,590	154,371,204	113,966,641	40,404,563	73.83%
4374	County Public Service Board	46,892,282	41,804,039	-	0	46,892,282	41,804,039	5,088,243	89.15%
4377	Livestock, Fisheries and Cooperatives	98,056,162	95,808,163	108,198,003	68,090,110	206,254,165	163,898,273	42,355,892	79.46%
	TOTAL	3,493,416,625	3,313,091,684	2,458,321,865	1,449,186,725	5,951,738,490	4,762,278,409	1,189,460,081	80.01%

4.2 2021/2022 FINANCIAL PERFORMANCE

The revenue collected in the first half of FY 2021/2022 was Ksh. 75,427,645 against annual target of Ksh. 166,100,000. This is as shown in the table below.

Table 4: Revenue Collection for Period July 2021 to Dec 2021 (F/Y 2021/2022)

S/NO	Revenue Sources	Approved FY 2020/21 Estimates (Net)	Half Year Targets	Half Year Actuals
1.	Penalties/Fines	810,000	405,000	16,800
2.	Market fees	4,322,923	2,161,462	1,667,220
3.	Bus Park/Parking fees	3,610,318	1,805,159	2,272,280
4.	Produce/ Cess	19,149,304	9,574,652	6,048,711
5.	Single Business Permits	13,032,200	6,516,100	1,062,440
6.	Single Business Permits liquor license	-	-	-
7.	Health (A-I. A)-FIF	100,000,000	50,000,000	57,463,870
8.	House/Stall Rent	1,730,500	865,250	179,534
9.	Lands Rates/Plot Rent	2,500,392	1,250,196	670,261
10.	Promotion & Advertising	1,103,580	551,790	101,150
11.	Other Departments	12,423,533	6,211,767	2,631,980
12.	Recoveries		-	286,925
13.	Others	7,417,250	3,708,625	3,026,474
	TOTALS	166,100,000	83,050,000	75,427,645

4.3 FY 2021/2022 ABSORPTION RATES

The absorption rates among departments in the county for the first half year of FY 2021/22 are as shown in table 5 and table 6 below.

Table 5: Recurrent absorption Rate

CODE	DEPARTMENT	Approved FY 2021/22 Budget	Cumulative Expenditure.	Balance	Absorption Rates (%)
R.4361	County Assembly	593,254,972	329,320,366	263,934,606	55.51
R.4362	Governor's Office	194,343,714	70,784,679	123,559,035	36.42
R.4363	Finance and Economic Planning	213,583,293	85,356,731	128,226,562	39.96
R.4364	Agriculture & Irrigation.	95,797,320	43,456,042	52,341,278	45.36
R.4366	Education & Technical Training	256,268,618	95,849,169	160,419,449	37.40
R.4367	Health & Sanitation	1,553,784,098	759,115,253	794,668,845	48.86
R.4368	Water, Lands and Physical Planning	96,178,512	37,210,919	58,967,593	38.69
R.4369	Roads, Transport & Public Works	113,728,668	20,774,066	92,954,602	18.27
R.4371	Trade, Tourism & Industrialization	37,889,225	8,601,770	29,287,455	22.70
R.4372	Youth, Sports and Gender	43,421,119	19,224,014	24,197,105	44.27
R.4373	ICT & Public Service	216,500,980	146,705,744	69,795,236	67.76
R.4374	County Public Service Board	48,652,913	22,118,014	26,534,899	45.46
R.4377	Livestock & Co-op. Development	93,464,981	21,263,711	72,201,270	22.75
	Grand Total	3,556,868,413	1,659,780,478	1,897,087,935	46.66

Table 6: Development Absorption Rates

CODE	DEPARTMENT	Approved FY 2021/22 Budget	Cumulative Expenditure.	Balance	Absorption Rates (%)
R.4361	County Assembly	0	0	0	
R.4362	Governor's Office	0	0	0	0
R.4363	Finance and Economic Planning	0	0	0	0
R.4364	Agriculture & Irrigation.	795,238,946	66,636,086	728,602,860	8.38
R.4366	Education & Technical Training	266,562,806	26,183,510	240,379,296	9.82
R.4367	Health & Sanitation	432,269,417	97,510,928	334,758,489	22.56
R.4368	Water, Lands and Physical Planning	486,926,858	97,169,806	389,757,052	19.96
R.4369	Roads, Transport & Public Works	690,055,392	85,461,158	604,594,234	12.38
R.4371	Trade, Tourism & Industrialization	82,763,276	3,141,344	79,621,932	3.80
R.4372	Youth, Sports and Gender	106,312,111	38,527,886	67,784,225	36.24
R.4373	ICT & Public Service	46,062,166	0	46,062,166	0.00
R.4374	County Public Service Board	2,500,000		2,500,000	0.00
R.4377	Livestock & Co-op. Development	186,657,441	51,562,255	135,095,186	27.62
	Grand Total	3,095,348,409	466,192,973	2,629,155,440	15.06

During the first half of FY 2021/22, the recurrent and development absorption rates are 46.72 percent and 15.06 percent respectively.

4.4 FY 2022/2023 EXPENDITURE

4.4.1 RECURRENT EXPENDITURE

4.4.1.1 PERSONAL EMOLUMENTS (PE)

Table 7: Personnel Emoluments Analysis

CODE	DEPARTMENT	Approved, FY 2021/22	FY 2022/23 PE Estimates
R.4361	County Assembly	-	
R.4362	Governor's Office	119,625,732	130,403,943
R.4363	Finance and Economic Planning	182,975,644	192,852,718
R.4364	Agriculture & Irrigation.	90,156,541	92,168,398
R.4366	Education & Technical Training	216,814,641	223,958,560
R.4367	Health & Sanitation	1,348,093,615	1,382,091,254
R.4368	Water, Lands and Physical Planning	62,994,051	69,067,395
R.4369	Roads, Transport & Public Works	97,011,719	98,396,505
R.4371	Trade, Tourism & Industrialization	31,451,794	34,943,293
R.4372	Youth, Sports and Gender	37,612,967	39,431,928
R.4373	ICT & Public Service	98,453,520	100,443,494
R.4374	County Public Service Board	41,763,360	42,200,027
R.4377	Livestock & Co-op. Development	86,220,807	95,077,664
	TOTAL (KSHS)	2,413,174,391	2,501,035,179

4.4.1.2 OPERATIONS AND MAINTENANCE

Table 8: Operations and Maintenance

CODE	DEPARTMENT	Normal O&M (A)	Mandatory O&M Description	Mandatory O&M Allocation (B)	TOTAL (C=A+B)
R.4361	County Assembly	0	CA Ceiling	580,632,810	580,632,810
R.4362	Governor's Office	38,008,752	Assumption of office	20,000,000	78,008,752
			Operationalization of Governor-elect office	20,000,000	
R.4363	Finance and Economic Planning	31,534,812	Formulation of planning documents and CIDP 2023-2027	15,000,000	48,534,812

CODE	DEPARTMENT	Normal O&M (A)	Mandatory O&M Description	Mandatory O&M Allocation (B)	TOTAL (C=A+B)
			Emergency fund	2,000,000	
R.4364	Agriculture & Irrigation.	8,042,846	Chebara ATC AIA	1,000,000	9,042,846
R.4366	Education & Technical Training	8,461,163	-	-	8,461,163
R.4367	Health & Sanitation	18,030,840	FIF allocation	300,000,000	373,734,340
			DANIDA co-funding	5,703,500	
			Medical Drugs	50,000,000	
R.4368	Water, Lands and Physical Planning	7,065,153	Conservancy	7,000,000	14,065,153
R.4369	Roads, Transport & Public Works	7,590,373	Streetlights	7,000,000	14,590,373
R.4371	Trade, Tourism & Industrialization	6,523,850	-	-	6,523,850
R.4372	Youth, Sports and Gender	6,323,850	-	-	6,323,850
R.4373	ICT & Public Service	15,076,685	Staff Medical cover	145,000,000	164,676,685
			Equipping of County Headquarters	3,000,000	
			NITA	1,600,000	
R.4374	County Public Service Board	6,771,178	-	-	6,771,178
R.4377	Livestock & Co-op. Development	7,032,941	Abattoir	962,350	7,995,291
	TOTAL (KSHS)	160,462,443		1,158,898,660	1,319,361,103

The total O&M is Ksh 1,319,361,103. This comprises Ksh 160,462,443 as general day-to-day running of departmental operation and Kshs 1,158,898,660 is Mandatory O&M which is composed of the following: County Assembly Ceiling, Emergency fund provision, FIF, Street Lighting Bills, Conservancy services, Staff medical scheme, assumption of office costs and Preparation of county planning documents among the other provisions.

4.4.1.3 OVERALL RECURRENT EXPENDITURE ANALYSIS

Table 9: summary of Total Recurrent Estimate Allocation

CODE	DEPARTMENT	FY 2022/23 PE Estimates	FY 2022/23 O&M Estimates	FY 2022/23 Total Recurrent Estimates
R.4361	County Assembly	-	580,632,810	580,632,810
R.4362	Governor's Office	130,403,943	78,008,752	208,412,695
R.4363	Finance and Economic Planning	192,852,718	48,534,812	241,387,530
R.4364	Agriculture & Irrigation.	92,168,398	9,042,846	101,211,244
R.4366	Education & Technical Training	223,958,560	8,461,163	232,419,723
R.4367	Health & Sanitation	1,382,091,254	373,734,340	1,755,825,594
R.4368	Water, Lands and Physical Planning	69,067,395	14,065,153	83,132,548
R.4369	Roads, Transport & Public Works	98,396,505	14,590,373	112,986,878
R.4371	Trade, Tourism & Industrialization	34,943,293	6,523,850	41,467,143
R.4372	Youth, Sports and Gender	39,431,928	6,323,850	45,755,778
R.4373	ICT & Public Service	100,443,494	164,676,685	265,120,179
R.4374	County Public Service Board	42,200,027	6,771,178	48,971,205
R.4377	Livestock & Co-op. Development	95,077,664	7,995,291	103,072,955
	TOTAL (KSHS)	2,501,035,179	1,319,361,103	3,820,396,282

4.4.2 DEVELOPMENT EXPENDITURE

4.4.2.1 SUMMARY OF DEVELOPMENT ALLOCATIONS FOR FY 2022-23

Table 10: Summary of Development Allocation

CODE	DEPARTMENT	Ward Projects	County Level	TOTAL (Kshs)
D. 4361	County Assembly	-		-
D.4362	Office of Governor	-	45,000,000	45,000,000
D.4363	Finance and Economic Planning	-	-	-
D.4364	Agriculture, Livestock and Fisheries	88,439,119	-	88,439,119
D.4366	Education, Science and Technology	166,239,610	-	166,239,610
D.4367	Health & Sanitation	123,585,409	8,788,919	132,374,328

CODE	DEPARTMENT	Ward Projects	County Level	TOTAL (Kshs)
D.4368	Lands, Housing and Physical Planning	194,204,772	-	194,204,772
D.4369	Roads, Public Works and Transport	344,543,362	-	344,543,362
D.4371	Trade, Tourism, Co-operative Development and Energy	9,350,000	-	9,350,000
D.4372	Youth, Sports, Culture and Gender	74,100,000	-	74,100,000
D.4373	Public Service Management (PSM)	28,055,120	-	28,055,120
D.4374	County Public Service Board	-	-	-
D.4377	Livestock Production, Fisheries and Co-operative Development	70,929,887	-	70,929,887
	TOTAL (KSHS)	1,099,447,279	53,788,919	1,153,236,198

4.4.2.2 ANALYSIS OF DEVELOPMENT PRIORITIES

Table 11: Analysis of Development Priorities

Code	Department	APPROVED FY 2021/22 Budget	ESTIMATES FY 2022/2023
D.4361	County Assembly	-	-
D.4362	Office of Governor	-	45,000,000
D.4363	Finance and Economic Planning	-	-
D.4364	Agriculture, Livestock and Fisheries	795,238,946	88,439,119
D.4366	Education, Science and Technology	266,562,806	166,239,610
D.4367	Health & Sanitation	432,269,417	132,374,328
D.4368	Lands, Housing and Physical Planning	486,926,858	194,204,772
D.4369	Roads, Public Works and Transport	690,055,391	344,543,362
D.4371	Trade, Tourism, Co-operative Development and Energy	82,763,273	9,350,000
D.4372	Youth, Sports, Culture and Gender	106,312,111	74,100,000
D.4373	Public Service Management (PSM)	46,062,166	28,055,120
D.4374	County Public Service Board	2,500,000	-

Code	Department	APPROVED FY 2021/22 Budget	ESTIMATES FY 2022/2023
D.4377	Livestock Production, Fisheries and Co-operative Development	186,657,441	70,929,887
	TOTAL	3,095,348,409	1,153,236,198

4.4.3 2022/23 CFSP OVERALL EXPENDITURE ANALYSIS

Table 12: Overall Expenditure Analysis

Expenditure Type	Estimated Budget	Percentage of Estimated Budget
Compensation to Employees	2,501,035,179	50.29
Mandatory & Essential O&M	1,158,898,660	23.30
Utilities and operations	160,462,443	3.23
Development	1,153,236,198	23.19
Total	4,973,632,480	100.00

From the above summary, development allocations are Ksh **1,153,236,198** translating to **23.19 %** of the total budget whereas the balance makes up the recurrent expenditure totaling Ksh. **3,820,396,282**.

4.5 Resource envelop of the Medium Term

Table 13: Resource Envelope

REVENUE SOURCE	APPROVED	APPROVED	APPROVED	APPROVED	APPROVED	PROJECTED
	2018/19	2019/20	2020/2021	2021/2022	2022/2023	2023/2024
CRA Share	3,768,000,000	3,782,000,000	3,861,300,000	4,606,532,480	4,606,532,480	4,836,859,104
Local Revenue	130,000,000	144,000,000	144,000,000	164,000,000	367,100,000	385,455,000
TOTAL REVENUE	3,898,000,000	3,926,000,000	4,005,300,000	4,770,532,480	4,973,632,480	5,222,314,104

4.5.1 Collaboration with National Government and Development Partners

Conditional Allocations from Development Partners have not been included in the 2022 BPS and in line with the court ruling on constitutional petition No. 252 of 2016 relating to non-inclusion of conditional grants from national government and development partners in county budgets

4.5.2 Medium-Term Expenditure Estimates

Table 14: Medium-Term Expenditure Estimates

	Department/ Sector	Description	Approved	Approved	Estimates	Projected Estimates	Projected Estimates
			FY 2020/2021	FY 2021/2022	FY 2022/2023	FY 2023/2024	FY 2024/2025
4361	County Assembly	Rec	572,974,781	607,974,781	580,632,810	609,664,451	640,147,673
		Dev	15,253,618	-		-	-
4362	Office of the Governor	Rec	141,581,512	167,276,993	208,412,695	218,833,330	229,774,996
		Dev	-	16,000,000	45,000,000	47,250,000	49,612,500
4363	Finance & Economic Planning	Rec	205,846,869	341,534,368	241,387,530	253,456,907	266,129,752
		Dev	-	-		-	-
4364	Agriculture and irrigation	Rec	100,777,147	98,605,070	101,211,244	106,271,806	111,585,397
		Dev	198,091,752	494,304,593	88,439,119	92,861,075	97,504,129
4366	Education and Technical Training	Rec	196,390,607	232,142,986	232,419,723	244,040,709	256,242,745
		Dev	146,231,375	133,360,500	166,239,610	174,551,591	183,279,170
4367	Health and Sanitation	Rec	1,488,664,304	1,549,291,902	1,755,825,594	1,843,616,874	1,935,797,717
		Dev	303,357,467	208,495,517	132,374,328	138,993,044	145,942,697
4368	Water, Lands, Environment and Climate Change	Rec	78,059,121	89,961,627	83,132,548	87,289,175	91,653,634
		Dev	299,700,066	268,321,570	194,204,772	203,915,011	214,110,761
4369	Roads, Transport, Public Works, and Transport	Rec	66,968,217	127,877,870	112,986,878	118,636,222	124,568,033
		Dev	327,564,031	384,895,588	344,543,362	361,770,530	379,859,057
4371	Tourism, Culture, Wildlife, Trade, and Industry	Rec	35,609,808	39,425,694	41,467,143	43,540,500	45,717,525
		Dev	85,866,439	44,998,684	9,350,000	9,817,500	10,308,375
4372	Sports, Youth affairs, ICT and Social Services	Rec	38,369,182	54,291,406	45,755,778	48,043,567	50,445,745
		Dev	71,694,579	97,349,562	74,100,000	77,805,000	81,695,250
4373	Public Service Management and County Administration	Rec	152,260,578	227,539,758	265,120,179	278,376,188	292,294,997
		Dev	21,000,000	61,812,715	28,055,120	29,457,876	30,930,770
4374	County Public Service Board	Rec	46,738,274	54,296,311	48,971,205	51,419,765	53,990,754
		Dev	-	2,500,000	-	-	-
4377	Livestock Production, Fisheries and Cooperatives Development	Rec	97,522,268	97,709,609	103,072,955	108,226,603	113,637,933
		Dev	65,238,670	72,619,759	70,929,887	74,476,381	78,200,200

	Department/ Sector	Description	Approved	Approved	Estimates	Projected Estimates	Projected Estimates
			FY 2020/2021	FY 2021/2022	FY 2022/2023	FY 2023/2024	FY 2024/2025
	TOTAL	Rec	3,221,762,668	3,687,928,375	3,820,396,282	4,011,416,096	4,211,986,901
		Dev	1,533,997,997	1,784,658,488	1,153,236,198	1,210,898,008	1,271,442,908
	GRANT TOTAL		4,755,760,665	5,472,586,863	4,973,632,480	5,222,314,104	5,483,429,809

5 ANNEXES

Annex 1: Recurrent Departmental Ceilings

Department/ Sector	Approved	Approved	Approved Estimates	Estimates Ceiling	Projection
	FY 2019/2020	FY 2020/2021	FY 2021/2022	FY 2022/2023	FY 2023/2024
County Assembly	566,844,007	557,721,163	593,254,972	580,632,810	609,664,451
Office of the Governor	157,236,868	143,881,512	194,343,714	208,412,695	218,833,330
Finance & Economic Planning	238,064,887	223,846,869	213,583,293	241,387,530	253,456,907
Agriculture and irrigation	100,653,823	100,777,147	95,797,320	101,211,244	106,271,806
Education and Technical Training	216,736,544	196,390,607	256,268,616	232,419,723	244,040,709
Health and Sanitation	1,401,878,154	1,545,876,304	1,553,784,098	1,755,825,594	1,843,616,874
Water, Lands, Environment and Climate Change	73,112,006	78,059,121	96,178,512	83,132,548	87,289,175
Roads, Transport, Public Works and Transport	64,250,494	66,968,217	113,728,668	112,986,878	118,636,222
Tourism, Culture, Wildlife, Trade and Industry	35,086,495	35,609,808	37,889,225	41,467,143	43,540,500
Sports, Youth affairs, ICT and Social Services	35,742,302	38,369,182	43,421,119	45,755,778	48,043,567
Public Service Management and County Administration	92,480,618	152,260,578	216,500,980	265,120,179	278,376,188
County Public Service Board	45,650,555	46,738,274	48,652,913	48,971,205	51,419,765
Livestock Production, Fisheries and Cooperatives Development	96,058,255	97,522,268	93,464,981	103,072,955	108,226,603
TOTAL	3,123,795,008	3,284,021,050	3,556,868,411	3,820,396,282	4,011,416,096

Annex 2: Development Departmental Ceilings

Department/ Sector	Approved	Approved	Approved Estimates	Estimated Ceiling	Projection
	FY 2019/2020	FY 2020/2021	FY 2021/2022	FY 2022/2023	FY 2023/2024
County Assembly	1,028,790	15,253,618	0	-	0
Office of the Governor	0	0	0	45,000,000	47,250,000
Finance & Economic Planning	0	0	0	-	-
Agriculture and irrigation	342,219,054	751,249,338	795,238,946	88,439,119	92,861,075
Education and Technical Training	360,017,259	280,613,534	266,562,806	166,239,610	174,551,591
Health and Sanitation	646,776,275	299,102,466	432,269,417	132,374,328	138,993,044
Water, Lands, Environment and Climate Change	438,798,148	518,709,963	486,926,858	194,204,772	203,915,011
Roads, Transport, Public Works and Transport	470,912,642	499,065,857	690,055,391	344,543,362	361,770,530
Tourism, Culture, Wildlife, Trade and Industry	27,902,398	15,678,318	82,763,273	9,350,000	9,817,500
Sports, Youth affairs, ICT and Social Services	129,722,400	111,442,206	106,312,111	74,100,000	77,805,000
Public Service Management and County Administration	51,629,292	31,971,009	46,062,166	28,055,120	29,457,876
County Public Service Board	0	0	2,500,000	-	-
Livestock Production, Fisheries and Cooperatives Development	83,793,128	98,446,438	186,657,441	70,929,887	74,476,381
Total	2,552,799,386	2,621,532,747	3,095,348,409	1,153,236,198	1,210,898,008

Annex 3: Summary Departmental Ceilings

Department/ Sector	Approved	Approved	Approved Estimates	Estimated Ceiling	Projection
	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
County Assembly	567,872,797	572,974,781	593,254,972	580,632,810	609,664,451
Office of the Governor	157,236,868	143,881,512	194,343,714	253,412,695	266,083,330
Finance & Economic Planning	238,064,887	223,846,869	213,583,293	241,387,530	253,456,907
Agriculture and irrigation	442,872,877	852,026,485	891,036,266	189,650,363	199,132,881
Education and Technical Training	576,753,803	477,004,141	522,831,422	398,659,333	418,592,300
Health and Sanitation	2,048,654,429	1,844,978,770	1,986,053,515	1,888,199,922	1,982,609,918
Water, Lands, Environment and Climate Change	511,910,154	596,769,084	583,105,370	277,337,320	291,204,186
Roads, Transport, Public Works and Transport	535,163,136	566,034,074	803,784,059	457,530,240	480,406,752
Tourism, Culture, Wildlife, Trade and Industry	62,988,893	51,288,126	120,652,498	50,817,143	53,358,000
Sports, Youth affairs, ICT and Social Services	165,464,702	149,811,388	149,733,230	119,855,778	125,848,567
Public Service Management and County Administration	144,109,910	184,231,587	262,563,146	293,175,299	307,834,064
County Public Service Board	45,650,555	46,738,274	51,152,913	48,971,205	51,419,765
Livestock Production, Fisheries and Cooperatives Development	179,851,383	195,968,706	280,122,422	174,002,842	182,702,984
TOTAL	5,676,594,394	5,905,553,797	6,652,216,820	4,973,632,480	5,222,314,104

EXPLANATORY NOTES

A: RESOURCE ENVELOPE

Revenue/Expenditure	2021/22 (Approved)	2022/23 (Proposed)	Deviation
Local Revenue	166,100,000	367,100,000	+201,000,000
CRA Share	4,606,532,480	4,606,532,480	-
Total Revenue	4,772,632,480	4,973,632,480	+201,000,000

Note 1: There is no increase in CRA share for all counties as recommended by Commission on Revenue Allocation (CRA) affirmed in the 2022 Budget Policy Statement (BPS) which cited the country's debt burden and slowed economic growth due to COVID-19 effects as the main reason for maintaining allocation to counties at the level of 2021/22 FY

Note 2: There is no increase in the county's Own Source Revenue (OSR) for all revenue streams captured in the 2021 Elgeyo Marakwet Finance Act except for the Facility Improvement Fund (FIF) stream which has been increased by KES 200,000,000. The decision not to increase the other streams was informed by the OSR performance for the first half of the current FY 2021/22 FY

Note 3: The increase by KES 200,000,000 of the FIF revenue stream is because the services being offered at most county health facilities have increase because of commencement of new services

Note 4: There is a new Appropriation in Aid provision (KES 1,000,000) for the Department of Agriculture and Irrigation for Chebara Agricultural Training College (ATC). This means the ATC would offer services and/or make sales from agricultural produce and the whatever amount generated and deposited in the county CRF account would be reimbursed 100% to the ATC

Note 5: Conditional Grants will from 2022/23 FY cease to be included in the budget as directed by the Council of Governors (COG) informed by a Court ruling which directed that Conditional Grants cannot be appropriated twice as has been the case in the past where the National Parliament and County Assemblies would appropriate them in a sequence. That is why the Conditional Grants were not included in the 2022 BPS

B: ALLOCATION CLASSIFICATIONS AND OVERALL ALLOCATIONS FOR 2022/23 FY

The expenditure allocations of CFSPs are classified into two components. Each component has sub-components and Divisions as depicted in Table 1 below;

Expenditure Component	Sub-Component	Divisions	Description/Objectives
Development	Ward/EDA Projects	-	To comply with the County Equitable Development Act (EDA) Section 6 (2) & (3) provisions which requires that each Ward be allocated funds based on agreed parameters which includes; population size, land area, poverty level and ASAL coverage
	County Level Projects	-	<p>These are projects whose benefits are not confined to one Ward but more than two Wards as guided by EDA Section 6 (3) (ii). These projects are approved in the 2018-22 CIDP and prioritized with regional balancing considerations.</p> <p>These are projects that facilitates effective and efficient delivery of the county mandates by providing premises and conducive environment</p>
Recurrent	Personal Emoluments (PE)	Existing staff and positions in the current FY	<p>This provision is based on what each county staff earns in the current FY and adjusted for;</p> <ul style="list-style-type: none"> i) Mandatory annual salary incremental ii) Replacement amounts retained in the positions whose staff have retired, left service or passed on iii) Annual increase of salary for ECDE teachers. These staff don't automatically get annual increment in the IPPD like in (i) above because they are on contract terms
	Operations & Maintenance (O&M)	Mandatory O&M	This type of O&M are the ones that must be provided for because without them important county mandates cannot be delivered. The benefits of this type of O&M cuts across many Departments. Examples include medical drugs, FIF, street lighting, conservancy services costs, staff medical insurance, assumption of office for new government and merging grants for any Conditional Grants as appropriately directed by Circulars and conditions
		Normal O&M (Operations and Utilities)	This type of O&M is discretionary and mainly used for electricity bills, allowances, fuel, stationery amongst other necessary costs to run the government
	County Assembly Budget Ceilings		CRA annually recommends the County Assemblies budget ceilings, and The Senate approves with or without amendments under the County Revenue Allocation Acts

**C: OVERALL ALLOCATIONS FOR 2022/23 FY BASED ON ALLOCATION CLASSIFICATIONS
IN No. B ABOVE**

Expenditure Component	Sub-Component	Divisions	Amount Proposed for 2022/23 FY	Justifications & Reference Documents
Development (Annex 1a)	Ward/EDA Projects	-	1,099,447,279	Approved 2022/23 ADP
	County Level Projects	-	53,788,919	County Level Project list is attached as Annex 1(b) with justifications for each
Recurrent (Annex 2a)	Personal Emoluments (PE)	-	2,501,035,179	Summary of Staff/Positions- Annex 2(b)
	Operations & Maintenance (O&M)	Mandatory O&M	578,265,850	List of items under Mandatory O&M is attached is in Annex 2(c)
		Normal O&M (Operations and Utilities)	160,462,443	List of items under Normal O&M is attached is in Annex 2(d)
	County Assembly Budget Ceilings	-	580,632,810	Tentative figure by CRA as CARA approval is being awaited
Total			4,973,632,480	

Annex 4(a): 2022/23 FY Development Allocation Summary

Department	Ward/EDA Projects	County Level Projects	Total
4361 - County Assembly	0	0	-
4362- Office of The Governor and Executive Administration	0	45,000,000	45,000,000
4363-Finance and Economic Planning	0	0	-
4364- Agriculture and Irrigation	88,439,119	0	88,439,119
4366- Education and Technical Training	166,239,610	0	166,239,610
4367 Health and Sanitation	123,585,409	8,788,919	132,374,328
4368- Water, Lands, Environment and Climate Change	194,204,772	0	194,204,772
4369- Roads, Transport, Energy and Public Works	344,543,362	0	344,543,362
4371- Tourism, Culture, Wildlife, Trade and Industry	9,350,000	0	9,350,000
4372- Youth Affairs, Sports, ICT and Social Services	74,100,000	0	74,100,000
4373- public Service management and County Administration	28,055,120	0	28,055,120
4374- County Public Service Board	0	0	-
4377- Livestock Production, Fisheries and Cooperative Development	70,929,887	0	70,929,887
Total	1,099,447,279	53,788,919	1,153,236,198

Annex 4(b): List of County Level Projects for 2022/23 FY

Department	County Development Projects	Allocation
Office of the Governor	Governor's Residence	45,000,000
Health & Sanitation	User Fees (Health Facilities)	8,788,919
Total		53,788,919

Note 6: Allocation to EDA ward Projects is 95% of the total development allocation against 5% for Flagship/County Level Projects

Annex 5(a): Recurrent Allocation Summary for 2022/23 FY

DEPARTMENT	PERSONAL EMOLUMENTS (PE)	OPERATIONS AND MAINTAINANCE (O&M)			TOTAL RECURRENT
		MANDATORY O&M	NORMAL O&M (OPERATIONS AND UTILITIES)	TOTAL O&M	
4361 - County Assembly	0	580,632,810	0	580,632,810	580,632,810
4362- Office of The Governor and Executive Administration	130,403,943	40,000,000	38,008,752	78,008,752	208,412,695
4363-Finance and Economic Planning	192,852,718	17,000,000	31,534,812	48,534,812	241,387,530
4364- Agriculture and Irrigation	92,168,398	1,000,000	8,042,846	9,042,846	101,211,244
4366- Education and Technical Training	223,958,560	0	8,461,163	8,461,163	232,419,723
4367 Health and Sanitation	1,382,091,254	355,703,500	18,030,840	373,734,340	1,755,825,594
4368- Water, Lands, Environment and Climate Change	69,067,395	7,000,000	7,065,153	14,065,153	83,132,548
4369- Roads, Transport, Energy and Public Works	98,396,505	7,000,000	7,590,373	14,590,373	112,986,878
4371- Tourism, Culture, Wildlife, Trade and Industry	34,943,293	0	6,523,850	6,523,850	41,467,143
4372- Youth Affairs, Sports, ICT and Social Services	39,431,928	0	6,323,850	6,323,850	45,755,778
4373- public Service management and County Administration	100,443,494	149,600,000	15,076,685	164,676,685	265,120,179
4374- County Public Service Board	42,200,027	0	6,771,178	6,771,178	48,971,205
4377- Livestock Production, Fisheries and Cooperative Development	95,077,664	962,350	7,032,941	7,995,291	103,072,955
TOTAL	2,501,035,179	1,158,898,660	160,462,443	1,319,361,103	3,820,396,282

Annex 5(b): PE Allocation and Summary of Staff/Positions

Department	2021/22 Approved	2022/23 PE Proposed	VARIANCE	No. of Staff/Positions
4362- Office of The Governor and Executive Administration	119,625,732	130,403,943	10,778,211	127
4363-Finance and Economic Planning	182,975,644	192,852,718	9,877,074	239
4364- Agriculture and Irrigation	90,156,541	92,168,398	2,011,857	93
4366- Education and Technical Training	216,814,641	223,958,560	7,143,919	1014
4367 Health and Sanitation	1,348,093,615	1,382,091,254	33,997,639	906
4368- Water, Lands, Environment and Climate Change	62,994,051	69,067,395	6,073,344	72
4369- Roads, Transport, Energy and Public Works	97,011,719	98,396,505	1,384,786	114
4371- Tourism, Culture, Wildlife, Trade and Industry	31,451,794	34,943,293	3,491,499	30
4372- Youth Affairs, Sports, ICT and Social Services	37,612,967	39,431,928	1,818,961	30
4373- public Service management and County Administration	98,453,520	100,443,494	1,989,974	77
4374- County Public Service Board	41,763,360	42,200,027	436,667	18
4377- Livestock Production, Fisheries and Cooperative Development	86,220,807	95,077,664	8,856,857	98
Total	2,413,174,391	2,501,035,179	87,860,788	2818

Note 7: The increase in PE of KES 87,860,788 from 2021/22 FY is due to the automatic annual salary increment for staff calculated and updated by the IPPD system

Note 8: In the PE allocation for 2022/23 no amount has been provided for all staff promotions due to the county's fiscal pressure caused by non-increase in the allocation to the county through the CRA equitable share

Note 9: Also in the 2022/23 FY PE, no amount has been provided for recruitment of new staff for vacant positions. New recruitments in 2022/23 FY will only for staff replacements from retirements.

Annex 5(c): Operations & Maintenance (O&M) Summary for 2022/23 FY

Department	MANDATORY O&M	NORMAL O&M (OPERATIONS AND UTILITIES)	TOTAL O&M
4361 -County Assembly	580,632,810	0	580,632,810
4362- Office of The Governor and Executive Administration	40,000,000	38,008,752	78,008,752
4363-Finance and Economic Planning	17,000,000	31,534,812	48,534,812
4364- Agriculture and Irrigation	1,000,000	8,042,846	9,042,846
4366- Education and Technical Training	0	8,461,163	8,461,163
4367 Health and Sanitation	355,703,500	18,030,840	373,734,340
4368- Water, Lands, Environment and Climate Change	7,000,000	7,065,153	14,065,153
4369- Roads, Transport, Energy and Public Works	7,000,000	7,590,373	14,590,373
4371- Tourism, Culture, Wildlife, Trade and Industry	0	6,523,850	6,523,850
4372- Youth Affairs, Sports, ICT and Social Services	0	6,323,850	6,323,850
4373- public Service management and County Administration	149,600,000	15,076,685	164,676,685
4374- County Public Service Board	0	6,771,178	6,771,178
4377- Livestock Production, Fisheries and Cooperative Development	962,350	7,032,941	7,995,291
TOTAL	1,158,898,660	160,462,443	1,319,361,103

Annex 5(d): Mandatory O&M List of Items

CODE	DEPARTMENT	Mandatory O&M Description	Allocation	Total
R.4361	County Assembly	CA Ceiling	580,632,810	580,632,810
R.4362	Governor's Office	Assumption of office	20,000,000	40,000,000
		Operationalization of Governor-elect office	20,000,000	
R.4363	Finance and Economic Planning	Formulation of planning documents and CIDP 2023-2027	15,000,000	17,000,000
		Emergency fund	2,000,000	
R.4364	Agriculture & Irrigation.	Chebara ATC AIA	1,000,000	1,000,000
R.4366	Education & Technical Training	-	0	
R.4367	Health & Sanitation	FIF allocation	300,000,000	355,703,500
		DANIDA co-funding	5,703,500	
		Medical Drugs (Level 4 & 5 facilities)	50,000,000	
R.4368	Water, Lands and Physical Planning	Conservancy	7,000,000	7,000,000
R.4369	Roads, Transport & Public Works	Streetlights	7,000,000	7,000,000
R.4371	Trade, Tourism & Industrialization	-	0	0
R.4372	Youth, Sports and Gender	-	0	0
R.4373	ICT & Public Service	Staff Medical cover	145,000,000	149,600,000
		Equipping of County Headquarters	3,000,000	
		NITA	1,600,000	
R.4374	County Public Service Board	-	0	0
R.4377	Livestock & Co-op. Development	Abattoir	962,350	962,350
TOTAL				1,158,898,660

Note 10: County Assembly budget ceiling has reduced as compared to the 2021/22 FY level as guided by the CRA recommended level. The final ceilings level will be approved in the County Allocation Revenue Act (CARA) when approved by The Senate. Any deviation from the CRA recommended level will be adjusted accordingly at the Budget Estimates approval stage

Note 11: FIF allocation has been increased from 100,000,000 to 300,000,000 to avail a fiscal space for expenditure if more collections are realized

Note 12: Allocation of medical drugs have for the first time been broken into two classifications. Classification 1 are medical drugs targeted for Level 4 & 5 health facilities of which KES 50,000,000 has been allocated as indicated in the Mandatory O&M items allocations. Classification 2 of medical drugs are for level 2 and 3 facilities of which a Memorandum seeking to amend the approved 2022/23 FY Annual Development Plan (ADP) by KES 100,000,000 (5m per Ward) has been send to the County Assembly separately. This will add medical drugs allocation to KES 150,000,000

Note 13: DANIDA Conditional grant matching grant has been necessitated by the Circular issues by the Council of Governors (COG)

Annex 5(e): Normal O&M (Operations and Utilities) Items

CODE	DEPARTMENT	Normal O&M (A)
R.4361	County Assembly	0
R.4362	Governor's Office	38,008,752
R.4363	Finance and Economic Planning	31,534,812
R.4364	Agriculture & Irrigation.	8,042,846
R.4366	Education & Technical Training	8,461,163
R.4367	Health & Sanitation	18,030,840
R.4368	Water, Lands and Physical Planning	7,065,153
R.4369	Roads, Transport & Public Works	7,590,373
R.4371	Trade, Tourism & Industrialization	6,523,850
R.4372	Youth, Sports and Gender	6,323,850
R.4373	ICT & Public Service	15,076,685
R.4374	County Public Service Board	6,771,178
R.4377	Livestock & Co-op. Development	7,032,941
	TOTAL (KSHS)	160,462,443

Note 14: These are O&M items listed IFMIS print-out which does not fall under mandatory or essential O&M

**D: 2022/23 FY RESOURCE AND EXPENDITURE ALLOCATIONS COMPARED TO 2021/22
FY**

Classification	Revenue + Expenditure	Approved 2021/22 FY	Proposed 2022/23 FY	Increase/Decrease
Revenue	Local Revenue	166,100,000	367,100,000	201,000,000
	CRA Share	4,606,532,480	4,606,532,480	-
	Total Revenue	4,772,632,480	4,973,632,480	201,000,000
Expenditure	Development (a+b)	1,246,136,197	1,153,236,198	(92,899,999)
	a) Wards/EDA Projects Allocation	1,231,347,280	1,099,447,279	(131,900,001)
	b) Flagship/County Level Projects Allocation	14,788,917	53,788,919	39,000,002
	Recurrent (c+d+e+f)	3,683,190,419	3,820,396,282	
	c) County Assembly ceiling	593,254,972	580,632,810	(12,622,162)
	d) PE/Wage Bill	2,413,183,391	2,501,035,179	87,851,788
	e) Mandatory O&M for County Executive	520,057,920	578,265,850	58,207,930
	f) Normal O&M	156,694,136	160,462,443	3,768,307
	Total Expenditure (Development + Recurrent)	4,929,326,616	4,973,632,480	

E. BREAKDOWN OF REVENUE & EXPENDITURE ALLOCATION FOR 2022/23 FY

Revenue & Expenditure	2021/22 (Approved)	2022/23 (Proposed)	Deviation
Local Revenue	166,100,000	367,100,000	201,000,000
CRA Share	4,606,532,480	4,606,532,480	-
Total Revenue	4,772,632,480	4,973,632,480	201,000,000
Less Development allocation	1,246,136,197	1,153,236,198	(92,899,999)
=Amount for Recurrent	3,526,496,283	3,820,396,282	293,899,999
Less PE (Salaries)	2,413,183,391	2,501,035,179	87,851,788
=Remainder is O&M	1,113,312,892	1,319,361,103	206,048,211
Less County Assembly Ceiling	593,254,972	580,632,810	(12,622,162)
= O&M for County Executive	520,057,920	738,728,293	218,670,373
Less FIF Allocation to Health	100,000,000	300,000,000	200,000,000
Less medical drugs	95,000,000	50,000,000	(45,000,000)
Less Staff Medical cover	103,181,625	145,000,000	41,818,375
Less Streetlights	7,000,000	7,000,000	-
Less Conservancy costs	7,000,000	7,000,000	-
Less Assumption of Office costs for new Government	-	20,000,000	20,000,000
Less Operationalization of Governor-elect office	-	20,000,000	20,000,000
Less costs pf formulation of planning documents & CIDP 2023-27	-	15,000,000	15,000,000
Less Emergency Fund costs	-	2,000,000	2,000,000
Less NITA subscription	-	1,600,000	1,600,000
Less DANIDA Co-Funding (Matching grant)	-	5,703,500	5,703,500

Revenue & Expenditure	2021/22 (Approved)	2022/23 (Proposed)	Deviation
Less Abattoirs AIA	962,350	962,350	-
Less Chebara ATC AIA	-	1,000,000	1,000,000
Less Equipping costs for new county offices (HQ)	-	3,000,000	3,000,000
Remainder: CE O&M allocations for Operations and Utilities	156,694,136	160,462,443	3,768,307
Surplus/Deficit	-	-	-

Note 15: Development allocation is 23% which is below the recommended 30% but owing to fiscal pressures indicated in the breakdown of revenue and expenditure above

Note 16: Recurrent expenditure allocation is 77% which is composed of; County Executive PE (wage bill) – 50.3%, County Assembly ceiling – 11.7%, County Executive Mandatory O&M and Normal (Operations and Utilities) being 12% and 3.2% respectively