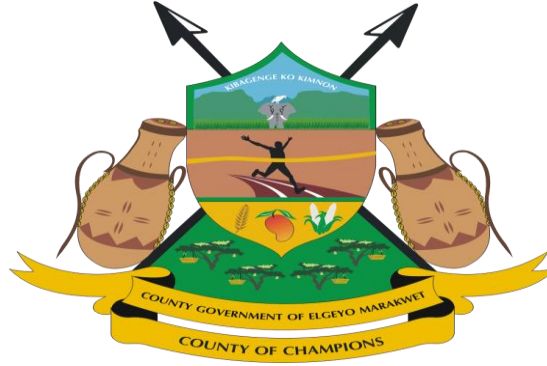




COUNTY GOVERNMENT OF ELGEYO MARAKWET

THE COUNTY TREASURY

2021 COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP)

SEPTEMBER 2021

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FOREWORD

The County Budget Review and Outlook Paper (CBROP) is a policy document that reviews the performance of the previous financial year. This document covers 2020/2021 financial year. 2021 CBROP is the eighth after the enactment of devolved governance following the implementation of Constitution of Kenya, 2010. It presents the fiscal framework which provides a strong basis for building a common future regarding Fiscal discipline and accountability.

The CBROP presents the fiscal outcome for 2020/2021 FY. It is one of the budget policies documents that enhances financial discipline and fiscal responsibilities within the county's financial management framework as provided for in the Public Finance Management Act (PFM) Act, 2012. further, the county is committed to ensuring that there is transparency and accountability by providing feedback on the county's performance indicators as required by the Constitution of Kenya, 2010, the Public Finance Management Act, 2012 and County Public Finance Management Regulations Act, 2015.

Fiscal discipline will seek to ensure that the county's programs, sub-programs and development priorities work harmoniously towards ensuring sustainable economic growth and development. This will further lead to socio-economic wellbeing of county citizens.

The initiatives also work toward improving the residents' livelihoods by instituting mechanisms that enhance financial efficiency and effectiveness. The county is committed to maintaining the trend of economic growth and development as desired by the residents.

The county government is also committed to national and international plans such as Big Four Agenda, Vision 2030 and attainment of Sustainable Development Goals (SDGs). The period under review saw strides and initiatives that guided the county towards realization of the vision and goals.

KEVIN BIWOTT

CECM, FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENTS

The development of this County Budget Review and Outlook Paper (CBROP) received valuable input from all the Departments. It was prepared with the support and dedication of various officers. This is to appreciate their efforts, which culminated in the production of this document.

Special appreciation goes to CECM Finance and Economic Planning and Director Economic Planning for their roles in leading a technical team of officers from the Economic Planning Directorate in preparing this document.

I am confident the county will find this CBROP document a means to enhance transparency, accountability, service provision and successful implementation of programs in the remaining CIDP period.

LORETTA KOTUT

CHIEF OFFICER, ECONOMIC PLANNING & BUDGETING

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
ASDSP	Agricultural Sector Development Support Programme
CBROP	County Budget Review and Outlook Paper
CECM	County Executive Member
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
COB	Controller of Budget
COVID-19	CoronaVirus Disease 2019
CRA	Commission on Revenue Allocation
DANIDA	Danish International Development Agency
EDA	Equitable Development Act
FY	Financial Year
KUSP	Kenya Urban Support Programme
KDSP	Kenya Devolution Support Programme
MTEF	Medium-Term Expenditure Framework
OSR	Own Source Revenue
PFMA	Public Financial Management Act
POS	Point of Sale Services

PPP	Public Private Partnership
SDGs	Sustainable Development Goals
SRC	Salaries and Remunerations Commission
SRC	Salaries and Remunerations Commission

CHAPTER ONE: INTRODUCTION

1.1 Background

This is the 8th Budget Review and Outlook Paper (BROP) to be prepared by the Elgeyo Marakwet County as provided for under the Public Financial Management Act, 2012 section 118. In line with the law, the CBROP contains a review of the fiscal performance of the financial year 2020/2021, updated macroeconomic forecast and the experiences in the implementation of the budget estimates for financial year 2020/2021.

1.2 Legal Framework for the Publication of the Budget Review and Outlook Paper

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

(1) The County Treasury shall

a) Prepare a County Budget Review and Outlook Paper in respect of the County for each of the financial year and

b) Submit the paper to the County Executive Committee by 30TH September of that year.

(2) The Budget Review and Outlook Paper shall include:

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

b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

c) Information on any changes in the forecasts compared with the County Fiscal Strategy Paper; and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year;

d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

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

4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—

- a) Arrange for the Paper to be laid before the County Assembly; and
- b) As soon as practicable after having done so, publish and publicize the Paper.

1.3 Fiscal responsibility principles in the Public Financial Management Law

In line with the constitution the Public Financial Management Act 2012 sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law under Section 107 (b) states that:

1. The County government's expenditure shall not exceed its total revenue.
2. Over the medium term a minimum of 30% of the county government's budget shall be allocated to development expenditure.
3. The county government's expenditure on wages and benefits to employees shall not exceed 35 percent of the total revenue by regulations.
4. Over the medium term, the government's borrowings shall only be used only for the purpose of financing development expenditure only; and short-term borrowings shall only be restricted to management of cash flows and shall not exceed five (5%) of most recent audited county government revenue,
5. The County debt shall be maintained at a sustainable level as approved by the County assembly.
6. Fiscal Risks shall be managed prudently
7. 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 future.

As will be shown in the subsequent chapters of this document, the county government has laid strategies to comply with these principles and legal requirements.

1.4 Objectives of CBROP

The objective of the 2021 CBROP is to provide a review of the previous fiscal performance in the financial year 2020/2021 and how this impacts the financial objectives and fiscal responsibility principles set out in the last Fiscal Strategy Paper (CFSP), 2020. This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of any supplementary estimates and the broad fiscal parameters underpinning the next budget and the medium term. The CBROP will be a key document

in linking policy, planning and budgeting. PFMA ,2012 has set high standards for compliance with the MTEF budgeting process.

CHAPTER TWO: REVIEW OF FISCAL PERFORMANCE IN FY 2020/21

2.1 Overview

The 2021 CBROP is based on the priorities and emerging challenges in the county. Prioritization of resource allocation was based on the County Integrated Development Plan 2018-2022, broad development policies of the County Government, short term as well as the medium-term priorities identified during the County-wide public consultative forums held across the county, captured in the Annual Development Plan and eventual Programme Based Budget for FY 2020/2021.

2.2 Overview of Fiscal Performance in FY 2020/21

During the period under review, the county government had a total budget of Ksh. **5,951,738,490** which comprised Ksh. **3,502,635,497** as recurrent budget and Ksh **2,449,102,992** as development budget.

Table 1 presents the overview of the fiscal performance of the county during the financial year 2020/2021.

Table 1: Fiscal outturn in FY 2020/21

Receiver/ Item	Total Funding Revised Estimates 2020/2021
	KShs.
4409001101 Equitable Share	
1330203 Grants rec'd by Local Auth. -	89,897,000
1330200 Grants Received by Local Authorities from General Government Units	89,897,000
9910201 Exchequer Releases/ Receipts / Provisioning Account	3,861,300,000
9910200 General Provisions	3,861,300,000
4409001303 Compensation for User Fees Forgone	
1330203 Grants rec'd by Local Auth.	8,788,919
1330200 Grants Received by Local Authorities from General Government Units	8,788,919
4409001401 World Bank	
1310101 Current Grants from Foreign Governments	78,340,400
1310102 Capital Grants from Foreign Governments	397,707,039
1310100 Grants from Foreign Governments - Cash Through Exchequer	476,047,439
4409001402 DANIDA	

1310101 Current Grants from Foreign Governments	15,180,000
1310100 Grants from Foreign Governments - Cash Through Exchequer	15,180,000
4409001501 Other Grants & Loans	
1310102 Capital Grants from Foreign Governments	12,921,815
1310100 Grants from Foreign Governments - Cash Through Exchequer	12,921,815
4409001601 Returned CRF Issues	
9910201 Exchequer Releases/ Receipts / Provisioning Account	1,228,517,476
9910200 General Provisions	1,228,517,476
4409002101 Road Maintenance Fuel Levy Fund	
1330202 Funds Received from Road Maintenance Levy Fund	115,085,841
1330200 Grants Received by Local Authorities from General Government Units	115,085,841
Total Revenues from Other Sources	5,807,738,490
Total Revenue from County Sources	144,000,000
Total Revenues for County 4409000000 Elgeyo/Marakwet County - County Revenue Fund for All Sources	5,951,738,490

2.3 Revenue Performance

2.3.1 Internal Revenue

Total actual internal revenue realized by the county government amounted to Ksh 141,267,030 against a target of Ksh 144,000,000. The local revenue target was not met in the financial year 2020/21 which was a decrease compared to the previous year. The targets were not achieved due to the outbreak of COVID 19 Pandemic which led to disturbance of the business operating environment i.e. restricted movements, reduced business working hours, business closures amongst others.

Table 2 presents the breakdown of internal revenue realized during the financial year 2020/21.

Table 2: Internal Revenue Break down FY 2020/21

Revenue Sources	Approved Estimates (Net)	Actual Ksh (Net)	Variance	Percent of Total (%)
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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%
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%

2.3.2 External Revenue

For the period under review, the county was allocated an equitable share amounting to Kshs 3,861,300,000 from the national government. Table 3 shows external revenue breakdown from the national government and donors.

Table 3: External Revenue Performance Report FY 2020/21

Revenue Sources	Approved Supplementary Estimates (Net)	Actual Disbursement (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	1,228,517,476	0	0%
Dev. Of Youth Polytechnics	27,904,894	27,904,894	100%
DANIDA -Universal Health Care	10,980,000	10,980,000	100%
DANIDA -Universal Health Care B/F	4,200,000	4,200,000	100%
Kenya Climate Smart Agriculture Project	280,000,045	252,644,795	90%
Agricultural Sector Dev. Support (ASDSP)	12,921,815	10,422,624	45.16%
KDSP-1	45,000,000	45,000,000	100%
Kenya Urban Support Programme (KUSP)	89,802,100	49,600,541	55%
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%
World Bank -Transforming Health Systems	33,340,400	31,892,642	96%
Support to Abolishment of User Fees in H/C & Dispensaries	8,788,919	8,788,919	100%
Roads Maintenance Levy Funds (RMLF)	115,085,840	115,085,840	100%

Total	5,951,738,489	4,981,056,085	84%
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2.3 Expenditure Performance

The total expenditure for the period under review amounted to Ksh 4,762,278,409 against approved supplementary budget of Ksh5,951,738,489 representing an under spending of Kshs 1,189,460,080 which translates to 20%

Table 4: Aggregate Expenditure

COD E	DEPARTMENT	Recurrent	Development	Budget Total	Actual Expenditure Total	Balance	% On Total Expenditure
4361	County Assembly	572,974,781	15,253,618	588,228,399	587,729,618	498,781	99.92%
4362	Governor's Office	142,289,363	-	142,289,363	140,325,507	1,963,856	98.62%
4363	Finance and Economic Planning	289,283,712	-	289,283,712	211,819,595	77,464,117	73.22%
4364	Agriculture and Irrigation	94,560,436	754,817,206	849,377,642	507,039,183	342,338,459	59.70%
4366	Education & Technical Training	260,512,899	227,420,783	487,933,682	378,652,384	109,281,298	77.60%
4367	Health and Sanitation Services	1,608,515,534	256,966,852	1,865,482,386	1,707,673,764	157,808,622	91.54%
4368	Water, Lands and Physical Planning	81,341,724	449,916,237	531,257,961	274,717,097	256,540,864	51.71%
4369	Roads, Transport & Public Works	80,558,229	501,035,857	581,594,086	484,657,355	96,936,731	83.33%
4371	Trade, Tourism & Industrialization	36,168,213	18,079,051	54,247,264	47,768,734	6,478,530	88.06%
4372	Youth, Sports, ICT and Gender	54,535,825	99,990,519	154,526,344	102,226,219	52,300,125	66.15%
4373	Public Service Management	127,727,465	26,643,739	154,371,204	113,966,641	40,404,563	73.83%
4374	County Public Service Board	46,892,282	-	46,892,282	41,804,039	5,088,243	89.15%
4377	Livestock, Fisheries and Cooperatives	98,056,162	108,198,003	206,254,165	163,898,273	42,355,892	79.46%
	TOTAL	3,493,416,625	2,458,321,865	5,951,738,490	4,762,278,409	1,189,460,081	80.01%

2.3.1 Recurrent Expenditure

Total Recurrent Expenditure amounted to Kshs 3,313,091,684 against an approved budget of Kshs 3,493,416,625 reflecting an under-absorption percentage of 5.16

The table below shows the analysis of the recurrent expenditure

Table 5: Analysis of the Recurrent Expenditure

CODE	DEPARTMENT	Approved Supp. Budget Recurrent	Recurrent Expenditure	Balance	% on Total Expenditure
4361	County Assembly	572,974,781	572,476,064	498,717	99.91%
4362	Governor's Office	142,289,363	140,325,507	1,963,856	98.62%
4363	Finance and Economic Planning	289,283,712	211,819,595	77,464,117	73.22%
4364	Agriculture and Irrigation	94,560,436	93,682,795	877,641	99.07%
4366	Education & Technical Training	260,512,899	233,860,055	26,652,844	89.77%
4367	Health and Sanitation Services	1,608,515,534	1,585,097,603	23,417,931	98.54%
4368	Water, Lands and Physical Planning	81,341,724	79,024,111	2,317,613	97.15%
4369	Roads, Transport & Public Works	80,558,229	75,828,097	4,730,132	94.13%
4371	Trade, Tourism & Industrialization	36,168,213	35,868,538	299,675	99.17%
4372	Youth, Sports, ICT and Gender	54,535,825	50,401,066	4,134,759	92.42%
4373	Public Service Management	127,727,465	97,096,051	30,631,414	76.02%
4374	County Public Service Board	46,892,282	41,804,039	5,088,243	89.15%
4377	Livestock, Fisheries and Co- operatives	98,056,162	95,808,163	2,247,999	97.71%
	TOTAL	3,493,416,625	3,313,091,684	180,324,941	94.84%

2.3.2 Development Expenditure

Total cumulative development expenditure for the period under review amounts to Ksh **1,449,186,725** against an approved supplementary budget of Ksh **2,458,321,865**

This reflects an absorption rate of **58.95%**. The table below shows the breakdown of Development expenditure by departments.

Table 6: Development Expenditures

CODE	DEPARTMENT	Approved Supp. Budget Development	Development Expenditure	Balance	% on Total Expenditure
4361	County Assembly	15,253,618	15,253,554	64	100.00%
4362	Governor's Office	0	0	0	0
4363	Finance and Economic Planning	0	0	0	0
4364	Agriculture and Irrigation	754,817,206	413,356,388	341,460,818	54.76%
4366	Education & Technical Training	227,420,783	144,792,329	82,628,454	63.67%
4367	Health and Sanitation Services	256,966,852	122,576,161	134,390,691	47.70%
4368	Water, Lands and Physical Planning	449,916,237	195,692,986	254,223,251	43.50%
4369	Roads, Transport & Public Works	501,035,857	408,829,258	92,206,599	81.60%
4371	Trade, Tourism & Industrialization	18,079,051	11,900,196	6,178,855	65.82%
4372	Youth, Sports, ICT and Gender	99,990,519	51,825,153	48,165,366	51.83%
4373	Public Service Management	26,643,739	16,870,590	9,773,149	63.32%
4374	County Public Service Board	0	0	0	0
4377	Livestock, Fisheries and Co- operatives	108,198,003	68,090,110	40,107,893	62.93%
	TOTAL	2,458,321,865	1,449,186,725	1,009,135,140	58.95%

2.4 2020/2021 Financing and Balance

The analysis in Table 6, shows that Ksh. **1,009,135,140** for development was not absorbed in the financial year 2020/2021. This translates to **58.95%** of the total capital allocation.

2.5 Implication of 2019/2020 Fiscal Performance on Fiscal Responsibility Principles and Financial Objectives Contained in the 2020 County Fiscal Strategy Paper

2.5.1 Implications on the financial objectives

The performance in the FY 2019/2020 affected the financial objectives set out in the 2020 County Fiscal Strategy Paper and the Budget for FY 2020/2021. Programs and projects initially projected for the period FY 2020/2021 were affected by pending bills being accommodated from FY 2019/2020. Also, revenue projections and expenditure needed some slight adjustments to reduce chances of generating pending bills at the end of the period.

The main reasons for the deviations mentioned above were the effects of COVID 19 pandemic and slow disbursements of funds from the national treasury.

To remedy these variances, the County Government will focus on:

- Capitalizing in County infrastructure and social welfare services in order to unlock the county's potential and improve competitiveness.
- Building the capacity of contractors and suppliers to ensure that they adhere to project/programme implementation timelines so as to reduce the amounts of pending bills being rolled over to the subsequent financial year
- Strengthening capacity in public financial management to ensure good governance and effective service delivery that will in turn lead to increased absorption of funds.

2.5.2 Implication on the Fiscal Responsibility Principles

The implication of the FY 2020/2021 Fiscal Performance on the Fiscal Responsibility Principles was as follows: -

- The County Government will continue to put in place measures to ensure increased revenue collections
- The county will continue to strive to ensure that 30% of the County's allocation expenditure should be development. The county will continue to work and ensure that this minimum threshold is met.

CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Macroeconomic Outlook

The outbreak of Covid-19 Pandemic and the swift containment measures disrupted economic activities in 2020, adversely affecting the economy. The national economy contracted by 5.5 percent in the second quarter of 2020 from a growth of 5.2 percent in the first quarter in 2020. Nonetheless, the economy has demonstrated signs of recovery in the third quarter of 2020 contracting by only 1.1 percent following the reopening of the economy.

The economy continued to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that supports exports. Year-on-year overall inflation remained within the Government target range of 5 ± 2.5 percent in January 2021 at 5.7 percent from 5.8 percent in January 2020. The low inflation was mainly supported by a reduction in food prices and muted demand pressures. The foreign exchange market largely remained stable but was partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 Pandemic. Despite this, the current account deficit, in percent of GDP, is estimated to improve to 4.9 percent in 2020 from 5.8 percent in 2019 and projected at 5.1 percent in 2021 mainly supported by an improvement in the trade balance partly reflecting expected pickup in imports.

Advanced economies are estimated to have contracted by 4.9 percent in 2020 from a growth of 1.6 percent in 2019. Significant contraction of the economy was in the United States (3.4 percent), Japan (5.1 percent), Canada (5.5) and the United Kingdom (10.0 percent). Growth in the Euro area is estimated to have contracted by 7.2 percent in 2020 from a growth of 1.3 percent in 2019.

The emerging markets and developing economies also contracted by 2.4 percent from a growth of 3.6 percent in 2019. All major economies contracted in 2020 except China which is estimated to have grown by 2.3 percent, a slowdown from a growth of 6.0 percent in 2019.

The Sub-Saharan African region has not been spared by the negative impact of the pandemic with the region estimated to have contracted by 2.6 percent in 2020 from a growth of 3.2 percent in 2019. The largest impact of the crisis on growth has been for tourism-dependent economies, while commodity-exporting countries have also been hit hard. Growth in more diversified economies slowed significantly, but in many cases was still positive in 2020.

Growth in the East African Community (EAC) region is estimated to slow down to 0.3 percent in 2020 compared to a growth of 6.0 percent in 2019. This growth was supported by positive growths in Kenya, Tanzania and Rwanda.

3.2 Medium Term Fiscal Framework

Global Growth Outlook

The outbreak and the rapid spread of the Covid-19 Pandemic coupled with the ensuing containment measures devastated global economies disrupting businesses and livelihoods. As a result, global economy is estimated to have contracted by 3.5 percent in 2020 from a growth of 2.8 percent in 2019. Global growth is projected to pick up to 5.5 percent before 2022 though.

The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis. Growth in the advanced economies is projected to improve to 4.3 percent in 2021 compared to a contraction of 4.9 percent in 2020 supported by improved growths in the major economies particularly the United States and the United Kingdom. Growth in the Euro area is also projected to improve to 4.2 percent from a contraction of 7.2 percent in 2020. This growth in the advanced economies reflects expectations of earlier widespread vaccine availability compared to the emerging market and developing economy group. The emerging markets and developing economies are also projected to improve to 6.3 percent in 2021 from a contraction of 2.4 percent in 2020. This recovery is well echoed in the forecasted growths of Emerging and Developing nations.

Economic growth in the Sub-Saharan Africa region is expected to recover to 3.2 percent by the end of 2021 from a contraction of 2.6 percent in 2020 as most of the economies in the region recover from the adverse effects of the Covid-19 Pandemic.

Domestic Growth Outlook

Kenya has not been spared of the negative impact of the Pandemic. The Pandemic and the resultant containment measures have adversely affected businesses and economic activities. Nonetheless, there has been an improvement in economic activity in the third and fourth quarters of 2020, albeit at a slow

pace, following the reopening of the economy. The recovery in economic activities resulted in a contraction of 1.1 percent in the third quarter of 2020, which is an improvement, compared with the contraction of 5.5 percent registered in the second quarter of 2020.

In this respect, economic growth outlook for 2020 has been revised down from the initial projection of 2.6 percent in the 2020 Budget Review and Outlook Paper (BROP) to 0.6 percent following receipt of more recent indicators and taking into account the quarterly GDP releases by Kenya National Bureau of Statistics for second and third quarter of 2020 that showed the economy contracted by 5.5 percent and 1.1 percent, respectively. The economic growth is projected to bounce back to 7.0 percent by the end of 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.

In terms of fiscal years, the economy is projected to expand by 6.3 percent in FY 2021/22 and 6.1 percent in FY 2024/25. This growth outlook will be supported by a stable macroeconomic environment, turn around in trade as economies recover from Covid-19 Pandemic, expected favourable weather that will support agricultural output, ongoing investments in strategic priorities of the Government under the “Big Four” Agenda, the ongoing public investments in infrastructure projects, the Economic Stimulus Programme and the implementation of the Post Covid-19 Economic Recovery Strategy. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth.

3.3 Fiscal Risks to the Outlook

This outlook is not without risks from both within and without the county. The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated economic activities within and without the county; it has greatly affected streams for the county government's own source revenue and thus pose a fiscal risk to the 2021/22 county budget.

The continued spread of Covid 19 threatens the county health system, reduces labour productivity, affects the human capital resource as well as drains household financial resources. The declining national revenue performance in FY 2020/21, led to delay in release of funds by National Treasury to county

governments in FY 2020/21; this meant that allocation to county development programmes stagnated and thus may slowed down the development agenda of the county.

Wage bill is a major risk to the fiscal outlook in the medium-term. The burgeoning public expenditure pressures are heightened mainly by implementation of the last phase of SRC basic salary harmonization circular and the demands for promotions backlog from staff. The burden that wage-bill weighs on the budget is heavy and it is expected to continue posing fiscal risk to the County Government.

The county is home to Kerio Valley and the recent physical attacks from neighbouring Pokot community continued to pose great security risks along the Valley and its environs. Also, the county is prone to natural disasters including landslides, flooding and drought, these disasters pose a 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.

CHAPTER FOUR: RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to 2021/22 Budget

At the time of preparation of this C-BROP, a supplementary budget to adjust 2021/22 FY to take into account some necessary adjustments which include: the shortfall in the projected OSR revenue largely attributed COVID-19 pandemic that constrained the various revenue streams in the late 2020/21 FY, unrealized funds from performance based conditional grants, provision for implementation of the nutrition work plan jointly with Nutrition international and re adjustment of the development rollover provisional figures.

4.2 Medium-Term Expenditure Framework

Medium-Term Fiscal Framework for the County is geared towards supporting socio-economic empowerment, expansion of infrastructure as a development enabler. It will also be geared recovery from the effects of covid 19 pandemic.

The 2018-2022 County Integrated development plan (CIDP), third Medium Term Plan together with the Governments' strategic priorities contained in the 'Big Four' Agenda will also guide the 2021/22 budget. Additionally, Equitable Development Act, 2015 at the county level will continue guiding resource allocation to wards. This can be affirmed by the relevant policies, strategies, and projects that have been incorporated into the Annual Development Plan for 2021/22 as identified by the public during the project/ programme identification and prioritization process taking into account the technical inputs from departments.

The medium-term budget framework for 2021/22- 2023/24 will ensure resources are allocated based on prioritized interventions as identified by the public during the project/ programme identification and prioritization process taking into account the technical inputs from departments together with the macroeconomic outlook of the national and global outlook effects of COVID-19 pandemic. The Senate of Kenya successfully passed a 3rd basis allocating revenue among county governments. The formula will now be used for the next 5 financial years. it will also take into consideration the recently third revenue allocation formula, that has the following parameters: population (18%), health (17%), agriculture (10%) urban services (5%) roads (8%) poverty 14%) Basic share (20%) and land areas (8%).

4.3 2020/21 Budget Framework

4.3.1 Revenue projections

The cumulative revenue forecasts for FY 2021/22 including Appropriation in Aid will reduce marginally owing to constant equitable share by CRA, reduced conditional grant allocation and constrained OSR performance as a result of COVID 19 pandemic. The unconditioning of some grants including RMLF and User fees foregone means that the programmes initially funded by the same grants will reduce significantly.

The County Government is expected to generate revenue amounting to Ksh 186 million from own local sources which is an increase of Kshs 42 Million from the projected local revenue for FY 2020/21. The increase is as a result of increased FIF collections from health facilities; this is attributed to the operationalization of specialized services after installation of machines including renal, radiology and imaging. Also, rebates from NHIF for maternity services have increased health revenues. Administratively, revenue leakages have been sealed after automation at Iten County Referral Hospital. Apart from FIF, the projections from other streams of OSR have been maintained due to the negative effects of covid 19 pandemic.

4.3.2 Expenditure Forecasts

In pursuing a balanced budget requirement, the County Government has projected that overall expenditure will equal the forecasted County receipts for FY 2021/2022. In this regard, the county government's total expenditure will reach Ksh 5.3 billion in the FY 2021/2022 (excluding balances carried forward).

Compensation to employees will account for 44.3% percent of the total County budget. Although, this proportion of the County wage bill is still way above the envisaged level of 35 percent of total revenues as recommended in section 25 of the PFM (County Government Regulations) 2015. In trying to adhere to this provision, the County Government has initiated austerity measures including rationalization of staff across the public service for common cadres, recruitment of only key technical competency to replace retiring staff at entry levels.

The marginal growth in County allocation for salaries and wages is mainly on account of the rise in annual increments and harmonization of wages across the public service by the Salaries and Remuneration Commission (SRC). Further, allocation for other recurrent expenditures shall decrease despite the

marginal increase in County revenues because of the wage increase and adherence to 30% allocations to development expenditures.

CHAPTER FIVE: CONCLUSION AND WAY FORWARD

5.1 Conclusion and Way Forward

The set of policies outlined in this County Budget Review and Outlook Paper reflects the changed fiscal circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM Act. They are also consistent with the 2018-2022 County Integrated Development Plan (CIDP) and national strategic objectives pursued by the county government as the basis of allocating public resources.

The fiscal outcome for FY 2020/21 had implications of the financial objectives elaborated in the last county fiscal strategy paper approved by the County Assembly in March 2021. The county government continued to struggle with high wage bills, low local revenue collection and increased service delivery demands. This occurrence subdued the county government fiscal policy initiatives and responsibilities.

Going forward, the cumulative revenue forecast for FY 2022/23 will increase slightly while county own source revenues are expected to remain constant or even fall a little due to Covid-19 Pandemic and its containment measures which have adversely disrupted economic activities. The reforms in local revenue administration as well as legislative reviews of the current revenue related laws through the Finance bill, 2020 are expected to strengthen local revenue base and performance.

The policies and provisional departmental ceilings annexed herewith will guide the county sectors and sub sectors in preparation of the FY 2022/23 budget. These ceilings will form inputs of the next CFSP which will be finalized by the end of November 2021.

ANNEXES

Annex 1: County Government Operations FY 2020/21 – 2022/23

Sub Sector / Department	2020/21 APPROVED BUDGET			2021/22 APPROVED BUDGET			2022/23 PROJECTIONS		
	Recurrent	Development	Total	Recurrent	Development	Totals	Recurrent	Development	Totals
COUNTY ASSEMBLY	572,974,781	15,253,618	588,228,399	593,254,972	-	593,254,972	622,917,721	-	622,917,721
OFFICE OF GOVERNOR	142,289,363	-	142,289,363	194,343,714	-	194,343,714	204,060,900	-	204,060,900
FINANCE AND ECONOMIC PLANNING	289,283,712	-	289,283,712	209,583,293	-	209,583,293	220,062,458	-	220,062,458
AGRICULTURE AND IRRIGATION	94,560,436	754,817,206	849,377,642	95,797,320	795,238,946	891,036,266	100,587,186	835,000,893	935,588,079
EDUCATION AND TECHNICAL TRAINING	260,512,899	227,420,783	487,933,682	256,268,616	266,562,806	522,831,422	269,082,047	279,890,946	548,972,993
HEALTH AND SANITATION	1,608,515,534	256,966,852	1,865,482,386	1,453,784,098	432,269,417	1,886,053,515	1,526,473,303	453,882,888	1,980,356,191
WATER, LANDS, ENVIRONMENT AND CLIMATE CHANGE	81,341,724	449,916,237	531,257,961	96,178,512	486,926,858	583,105,370	100,987,438	511,273,201	612,260,639
ROADS, PUBLIC WORKS AND TRANSPORT	80,558,229	501,035,857	581,594,086	113,728,668	690,055,391	803,784,059	119,415,101	724,558,161	843,973,262
TOURISM, CULTURE, WILDLIFE, TRADE AND INDUSTRY	36,168,213	18,079,051	54,247,264	37,889,225	82,763,273	120,652,498	39,783,686	86,901,437	126,685,123
YOUTH AFFAIRS, SPORTS, ICT AND SOCIAL SERVICES	54,535,825	99,990,519	154,526,344	43,421,119	106,312,111	149,733,230	45,592,175	111,627,717	157,219,892

Sub Sector / Department	2020/21 APPROVED BUDGET			2021/22 APPROVED BUDGET			2022/23 PROJECTIONS		
	Recurrent	Development	Total	Recurrent	Development	Totals	Recurrent	Development	Totals
PUBLIC SERVICE MANAGEMENT AND COUNTY ADMINISTRATION	127,727,465	26,643,739	154,371,204	216,500,980	46,062,166	262,563,146	227,326,029	48,365,274	275,691,303
COUNTY PUBLIC SERVICE BOARD	46,892,282	-	46,892,282	48,652,913	2,500,000	51,152,913	51,085,559	2,625,000	53,710,559
LIVESTOCK PRODUCTION, FISHERIES AND CO- OPERATIVE DEVELOPMENT	98,056,162	108,198,003	206,254,165	92,502,631	186,657,441	279,160,072	97,127,763	195,990,313	293,118,076
TOTAL	3,493,416,625	2,458,321,865	5,951,738,490	3,451,906,061	3,095,348,409	6,547,254,470	3,624,501,364	3,250,115,829	6,874,617,194

Annex 2: Total Sector Ceilings for the MTEF Period 2020/21 – 2022/23

SECTOR	Sub Sector /Department	APPROVED	APPROVED	PROJECTIONS
		2020/21	2021/22	2022/23
Public Service Administration & Governance	County Assembly	588,228,399	593,254,972	622,917,721
	Office of the Governor & Executive Administration	142,289,363	194,343,714	204,060,900
	Finance & Economic Planning	289,283,712	209,583,293	220,062,458
	Public Service Management and County Administration	154,371,204	262,563,146	275,691,303
	County Public Service Board	46,892,282	51,152,913	53,710,559
Infrastructure	Roads, Transport, Public Works and Energy	581,594,086	803,784,059	843,973,262
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	154,526,344	149,733,230	157,219,892
	Education and Technical Training	487,933,682	522,831,422	548,972,993
Health, Water and Sanitation	Health and Sanitation	1,865,482,386	1,886,053,515	1,980,356,191
	Water, Lands, Environment and Climate Change Management	531,257,961	583,105,370	612,260,639
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	54,247,264	120,652,498	126,685,123
	Agriculture and irrigation	849,377,642	891,036,266	935,588,079
	Livestock Production, Fisheries and Cooperatives Development	206,254,165	279,160,072	293,118,076
TOTALS		5,951,738,490	6,547,254,470	6,874,617,196

Annex 3: Recurrent Sector Ceilings for the MTEF Period 2020/21 – 2022/23

Sector	Sub Sector / Department	RECURRENT APPROVED		PROJECTIONS
		2020/21	2021/22	2022/23
Public Service Administration & Governance	County Assembly	572,974,781	593,254,972	622,917,721
	Office of the Governor & Executive Administration	142,289,363	194,343,714	204,060,900
	Finance & Economic Planning	289,283,712	209,583,293	220,062,458
	Public Service Management and County Administration	127,727,465	216,500,980	227,326,029
	County Public Service Board	46,892,282	48,652,913	51,085,559
Infrastructure	Roads, Transport, Public Works and Energy	80,558,229	113,728,668	119,415,101
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	54,535,825	43,421,119	45,592,175
	Education and Technical Training	260,512,899	256,268,616	269,082,047
Health, Water and Sanitation	Health and Sanitation	1,608,515,534	1,453,784,098	1,526,473,303
	Water, Lands, Environment and Climate Change Management	81,341,724	96,178,512	100,987,438
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	36,168,213	37,889,225	39,783,686
	Agriculture and irrigation	94,560,436	95,797,320	100,587,186
	Livestock Production, Fisheries and Cooperatives Development	98,056,162	92,502,631	97,127,763
TOTALS		3,493,416,625	3,451,906,061	3,624,501,364

Annex 4: Development Sector Ceilings for the MTEF Period 2020/21 – 2022/23

SECTOR	DEPARTMENT/ SUB SECTOR	APPROVED	ESTIMATES	PROJECTIONS
		2020/21	2021/22	2023/24
Public Service Administration & Governance	County Assembly	15,253,618	-	-
	Office of the Governor & Executive Administration	-	-	-
	Finance & Economic Planning	-	-	-
	Public Service Management and County Administration	26,643,739	46,062,166	48,365,274
	County Public Service Board	-	2,500,000	2,625,000
Infrastructure	Roads, Transport, Public Works and Energy	501,035,857	690,055,391	724,558,161
Social Protection and Empowerment	Sports, Youth affairs, ICT and Social Services	99,990,519	106,312,111	111,627,717
	Education and Technical Training	227,420,783	266,562,806	279,890,946
Health, Water and Sanitation	Health and Sanitation	256,966,852	432,269,417	453,882,888
	Water, Lands, Environment and Climate Change Management	449,916,237	486,926,858	511,273,201
Productive and Economic Sector	Tourism, Culture, Wildlife, Trade and Industry	18,079,051	82,763,273	86,901,437
	Agriculture and irrigation	754,817,206	795,238,946	835,000,893
	Livestock Production, Fisheries and Cooperatives Development	108,198,003	186,657,441	195,990,313
TOTALS		2,416,424,508	3,095,348,409.00	3,250,115,829