



KISII COUNTY GOVERNMENT

FINANCE AND ECONOMIC PLANNING DEPARTMENT

COUNTY BUDGET REVIEW AND OUTLOOK PAPER FOR FINANCIAL YEAR 2021/2022

SEPTEMBER 2022

FOREWORD

The County Budget Review and Outlook Paper (CBROP) 2022 is prepared in line with the Constitution of Kenya 2010 and Section 118 of the PFM Act, 2012. The paper presents the fiscal performance for 2021/2022 Financial Year and the outlook in the medium-term period. The updated macroeconomic outlook provides a basis to revise the 2022/2023 budget in the context of the supplementary estimates, as well as setting out the broad fiscal parameters for the next medium-term framework budget. In the FY 2021/22, the total receipts for the County stood at 78 percent.

In the FY 2022/2023, the County own source revenue collection is expected to register improved performance owing to enhanced revenue administration and surveillance measures put in place. At the same time, priority will be given to projects geared towards the recovery of the county economy from the devastating effects of the COVID -19 pandemic, pending bills, on-going projects and the priority areas identified in the Annual Development Plan aligned to Governor's Manifesto. It is therefore important that as we start another phase of the implementation of the County Integrated Development Plan (CIDP) 2023-2027, the Accounting Officers ensure resources are directed towards the completion of on-going projects and the clearance of pending bills in their respective departments.

This Paper forms the basis for the revision of the Financial Year 2022/2023 budget and the preparation of the medium-term budget. I therefore expect that this policy paper will be useful in enhancing financial discipline and adherence to the fiscal responsibilities as outlined in section 107 of the PFM Act 2012.

Kennedy Okemwa Abincha
County Executive Committee Member, Finance and Economic Planning

ACKNOWLEDGEMENT

The preparation of the County Budget Review and Outlook Paper (CBROP) was a concerted and consultative effort among various departments and stakeholders that provided useful information required in developing this document.

Special gratitude goes to His Excellency the Governor and Deputy Governor for their leadership roles, providing direction and guiding the preparation of this policy document. I also wish to thank the outgoing County Executive Committee Members, their Chief Officers and Directors for their valuable contributions in terms of providing information to the technical team working on this document. Immense appreciation goes to the County Treasury leadership for their goodwill and guidance throughout the entire period of the preparation of this paper.

I particularly thank the economic Planning and Budget team for working tirelessly in the development of this document. Finally, I thank the County Budget and Economic Forum (CBEF) members for their immense contributions in the development of this Paper.

Dr. Kennedy Ben Mwengei Ombaba
Chief Officer, Economic Development and Planning

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

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

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

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

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

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

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

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

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

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

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

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

- (a) The county government's recurrent expenditure shall not exceed the county government's total revenue.
- (b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure.
- (c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly.
- (d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- (e) The county debt shall be maintained at a sustainable level as approved by county assembly;
- (f) The fiscal risks shall be managed prudently; and
- (g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

Contents

| | |
|--|------|
| FOREWORD..... | ii |
| ACKNOWLEDGEMENT..... | iii |
| Legal Basis for Preparation of the County Budget Review and Outlook Paper..... | iv |
| Fiscal Responsibility Principles in the Public Financial Management Act, 2012..... | v |
| ABBREVIATIONS AND ACRONYMS..... | viii |
| EXECUTIVE SUMMARY..... | 10 |
| CHAPTER ONE..... | 11 |
| 1.0 Introduction..... | 11 |
| 1.1 Structure of the Paper..... | 11 |
| 1.2 Significance of the Paper..... | 11 |
| CHAPTER TWO..... | 13 |
| RECENT ECONOMIC DEVELOPMENT AND OUTLOOK..... | 13 |
| 2.1 Introduction..... | 13 |
| 2.2 Recent Economic Performance..... | 13 |
| 2.3 Bank rates..... | 15 |
| 2.4 Foreign Exchange-BOP..... | 15 |
| 2.5 National Economic outlook and risks..... | 15 |
| 2.4 County Economic Outlook and risks..... | 16 |
| CHAPTER THREE..... | 20 |
| REVIEW OF FISCAL PERFORMANCE IN FY 2021/2022..... | 20 |
| 3.1 Overview..... | 20 |
| 3.2 Fiscal Performance..... | 20 |
| 3.2.2. Exchequer Releases and Requisitions to Operations Account for FY 2021/2022..... | 22 |
| 3.3 OWN SOURCE REVENUE..... | 29 |
| 3.4 Recurrent and Development Expenditure..... | 31 |
| 3.4.1 Recurrent Expenditure..... | 31 |
| 3.4.2 Development Expenditure..... | 33 |
| CHAPTER FOUR..... | 35 |
| RESOURCE ALLOCATION FRAMEWORK..... | 35 |
| 4.1 Adjustments to 2022/2023 Budget and Over the Medium Term..... | 35 |
| 4.2 Medium-Term Expenditure Framework..... | 36 |
| 4.3.1 Wealth creation..... | 36 |
| 4.3.2 Social Development..... | 36 |
| 4.3.3 Sustainable Environmental Conservation..... | 37 |

4.3.4 Enablers and ICT37

4.3.5 Devolution and Governance38

4.3 Indicative Ceilings38

4.4 Revenue Projections40

4.5 Challenges experienced in the Implementation of FY 2022/202340

ABBREVIATIONS AND ACRONYMS

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

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

EXECUTIVE SUMMARY

The Kisii County Budget Review and Outlook Paper 2022 has been prepared in line with the provisions of the Public Finance Management (PFM) Act, 2012 and with details on the actual fiscal performance for the Financial Year 2021/2022, economic development on macro-economic indicators and the indicative ceilings for the FY 2023/2024 and Medium Term. Paper demonstrates compliance with the fiscal responsibility principles and financial objectives as spelt out in the PFM Act and the Fiscal Strategy Paper through the actual performance of the FY 2021/22.

During the period under review, the County's actual revenues stood at **KShs 9.9 Billion** against a target of **12.6 Billion** while the total expenditure stood at **KShs 9.7 Billion** representing an overall absorption rate of **98 percent**.

In the same period, collection from Own Source Revenue (OSR) was **KShs 404 Million** against a target of **KShs 700 Million** representing a performance of **58 percent**. The OSR will be improved over the medium term through a number of strategies which include; continued capacity building in OSR management and administration and the full use of automation in revenue streams among others. These strategies complimented with expenditure rationalization measures will create the necessary fiscal space for the implementation of the County strategic priorities as outlined in the CIDP (2023-2027).

The current FY budget is aimed at the settlement of outstanding pending bills, completion of on-going projects and implementation of projects aimed at economic recovery from the effects of the COVID-19 pandemic. However, over the Medium term, the County will seek partnership and cooperation from the National Government, development partners and new frontiers for resource mobilization.

CHAPTER ONE

1.0 Introduction

This Paper provides a review of the fiscal performance for the FY 2021/2022 and how such a performance impacts the implementation of programs and projects set out in the Approved Budget Estimates for FY 2022/2023. This Paper will also form a basis for the revision of priority spending areas and the broad fiscal parameters which will go a long way in guiding the preparation of FY 2023/2024 budget and over the medium term.

During the period under review, the County registered a shortfall in revenues which adversely impacted implementation of programs and projects set out in the FY 2021/2022 Budget. This Paper, further presents a fiscal outlook underpinned by revenue administration and financial management measures to enhance compliance.

The PFM Act, 2012 emphasizes on efficient and effective utilization of resources. In this regard, the County Government of Kisii will continue instituting prudent measures aimed at enhancing revenue and rationalization of expenditures so as realize the resource requirements of the FY 2023/2024 budget and the medium term. This CBROP provides indicative sector ceilings which will form the basis for the budget preparation for the FY 2023/2024 and the medium term. These sector ceilings are guided by the overall resource envelope that is informed by the macro-economic and fiscal outlook as presented in chapters two and four of this document respectively.

1.1 Structure of the Paper

The Paper is structured into four chapters. Chapter one provides the introduction and significance of the Paper. Chapter two presents the recent economic developments and Outlook while chapter three provides a review of the fiscal performance in FY 2021/2022 and its implications on the financial forecasts set out in the County Fiscal Strategy Paper and lastly, chapter provides the resource allocation framework.

1.2 Significance of the Paper

The CBROP is a policy document that links planning and budgeting. It plays a significant role in the budget making process within the Medium-Term Expenditure Framework (MTEF) given that it provides a review of the fiscal performance of the previous year and identifies any deviations from the budget. This is aimed at providing realistic forecasts for the following year .It further demonstrates how fiscal responsibility principles were adhered to as provided for in Section 107

of the Public Finance Management (PFM) Act, 2012. In addition, the CBROP provides an updated macroeconomic and financial outlook which is significant for the revision of any budget. In addition, it sets out broad fiscal parameters for the next budget. Further, the Paper is significant given that it provides indicative sector ceilings for the following year's budget and over the medium term. These ceilings serve as a guide to the Sector Working Groups (SWGs) before the figures are affirmed in the County Fiscal Strategy Paper.

CHAPTER TWO

RECENT ECONOMIC DEVELOPMENT AND OUTLOOK

2.1 Introduction

This chapter highlights recent economic performance and the potential economic risks over the medium term.

2.2 Recent Economic Performance

According to the World Bank Economic report, Kenya's economy recovered from the crippling effects of the COVID-19 pandemic and the real GDP increased by 7.5 per cent in 2021 compared to a contraction of 0.3 per cent in 2020. The recovery was mainly driven by resumption of most economic activities after the lifting of the COVID-19 containment measures instituted in 2020 to curb the spread of the virus (world Economic outlook, 2021). Economic growth was driven by the recovery of the service sector and expansion in industrial output. Most economic activities registered positive growths except agriculture, forestry and fisheries which contracted by 0.2% compared to 4.6% growth in 2020. The low performance in the agricultural sector was mainly due to the adverse weather conditions that characterized the better part of 2021 which affected agricultural production, especially growing of cash and food crops as well animal feeds. Despite the challenges, agriculture remained the backbone of the economy by contributing 22.4% of the total GDP in 2021 while the service sectors accounted for 52.4% of the total economy in over the same period. (Economic Survey Report 2022 –KNBS). Agricultural activities in Kisii county contributes 3%. Accommodation, food, and education services that had been severely affected by the pandemic grew significantly faster than those that were less affected in 2020. The accommodation and food sector's real Gross Value Added (GVA) grew by 52.5 per cent in 2021 compared to a contraction of 47.7 per cent in 2020. Economic growth in 2021 was supported by improved performances in key sectors of the economy including, manufacturing (6.9%), wholesale and retail trade (7.9%), real estate (6.7%), transportation and storage (7.2%), financial and insurance activities (12.5%) (Economic Survey Report 2022 –KNBS).

The report further, explains that activities in the manufacturing sector were more vibrant in 2021 compared to 2020. This was mainly on account of the relaxation of COVID-19 containment measures which saw reopening of the economy and increased demand. The sector recorded an

accelerated growth of 6.9% in 2021 compared to 0.4% contraction in 2020. The food sub- sector expanded by 5.5% while the non-food sector grew by 8.8%.

Performance of the construction sector was relatively slower in 2021 compared to 2020. The sector expanded by 6.6% in 2021 compared to a growth of 10.1% in 2020. The growth was mainly supported by continuous public investment in road infrastructure. The electricity energy sector’s real Gross Value Added (GVA) is estimated to have grown by 4.4% in 2021 compared to a contraction of 0.4% in 2020. This growth was mostly attributed to increase in total electricity generated from 11,556.8-Gigawatt Hour (GWh) in 2020 to 12,347.0 GWh in 2021.

Transport and storage sectors expanded by 7.2% in 2021 compared to a contraction of 7.8% in 2020. The growth was largely supported by the relaxation of COVID-19 containment measures which constrained activities in the sector for the better part of 2020. Activities of financial and insurance were more vibrant in 2021 than in 2020. The real GVA of the sector expanded by 12.5% in 2021 compared to 5.9% growth in 2020. Most monetary and insurance indicators pointed to better performance of the sector in 2021. The financial sub sector grew by 8.2% in 2021 compared to 4.4% growth in 2020. The information and communication sector recorded real GVA growth of 8.8% in 2021 compared to a growth of 6.3% in 2020. The growth was mainly supported by increase in mobile money and commerce. Figure 2.1 illustrates the GDP growth rate over the years.

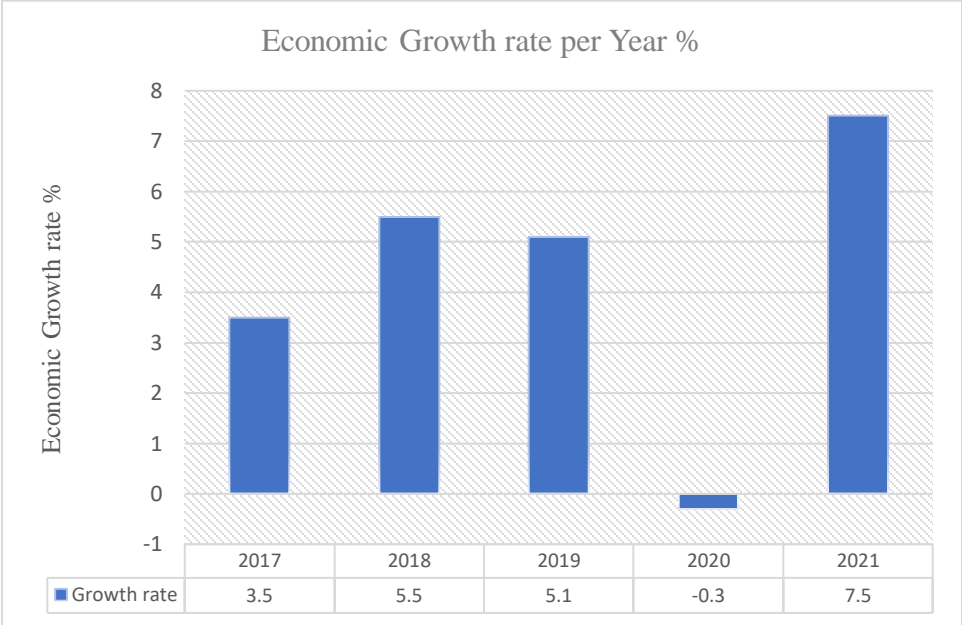


Table 1: Quarterly growth rate of the GDP by Activity

| Year | Quarter | Agriculture (%) | Manufacturing (%) | Construction (%) | Wholesale& Retail Trade (%) | Transport and Storage (%) |
|------|---------|-----------------|-------------------|------------------|-----------------------------|---------------------------|
| 2020 | 1 | 4.5 | 1.4 | 2.1 | 5.5 | 2.1 |
| | 2 | 8 | -5.4 | -16.8 | -3.8 | -16.8 |
| | 3 | -4.3 | -2.2 | -10.2 | -5.1 | -10.2 |
| | 4 | 9.8 | 4.3 | -6.2 | 1.4 | -6.2 |
| 2021 | 1 | 0.4 | 2.1 | -7.9 | 7.5 | -7.9 |
| | 2 | -0.5 | 11.3 | 18.6 | 9.2 | 18.6 |
| | 3 | 0.6 | 10.2 | 14.2 | 6.4 | 14.2 |
| | 4 | -1.2 | 4.9 | 6.5 | 8.4 | 6.5 |

Source: 2022 Economic Survey Report (KNBS)

2.3 Bank rates

In 2021, the Central Bank of Kenya (CBK) lifted some measures that had been put in place in 2020 to mitigate on effects of the Coronavirus Disease 2019 (COVID-19) pandemic including the guidelines on loan restructuring. The monetary policy stance was conservative as Central Bank Rate (CBR) remained at 7% throughout 2021. Broad money supply (M3) and overall liquidity recorded growth of 6.1% and 10.4% respectively in 2021. The 91-day Treasury Bill rate rose to 7.26% in December 2021 from 6.9% in December 2020. (CBK)

2.4 Foreign Exchange-BOP

Expenditure on imports rose by 30.9% to KSh 2,151.2 billion in 2021 largely on account of increased expenditure on petroleum products, iron and steel, animal fats and oils, and vehicles. The faster growth of imports compared to exports, resulted to a widening of the balance of trade deficit from KSh 999.9 billion in 2020 to KSh 1,407.6 billion in 2021. Earnings from total exports could only cater for 34.6% of the country's imports. Consequently, the export to import cover ratio declined from 39.2% in 2020 to 34.6% in 2021. The annual inflation as measured by the Consumer Price Index (CPI) increased from 5.4% in 2020 to 6.1% in 2021. (Economic Survey Report 2022 –KNBS.)

2.5 National Economic outlook and risks

The economy expanded by 6.8% in the first quarter of 2022. Growth is projected to decelerate further to 5.9% in 2022 and 5.7% in 2023. The decreased growth of the economy will be first driven on by the decline in domestic and external demand caused by lower income that will be experienced by households and also by an increase in food and fuel import costs. Second economic growth will as be affected by tepid economic

activity across sectors due to cost-push factors. Inflation is projected to edge up to 7%, close to the upper end of the target band (7.5%), caused by greater energy and food inflation. The fiscal deficit will narrow to 6.5% of GDP in 2022 and to 5.5% in 2023 with the resumption of the IMF supported fiscal consolidation and debt management program. The current account deficit is projected to widen further to 6.1% and 5.2% of GDP over the medium term, this is attributable to higher fuel and food import bills. There exists risks due to limited access to external resources and natural factors. (African Economic Outlook 2022). A key risk to the outlook is worsening of the current drought having a devastating effect on food security which has led increased social spending on food assistance more especially to millions of Kenyans living in the arid and semi-arid areas. Kenya has faced the downside effects of the ongoing Ukraine-Russia war has led to increased commodity prices and oil prices. The economy is vulnerable to the commodity prices shock particularly through fuel, fertilizer, wheat, and other food inputs. Kenya recorded a government debt to GDP of 68.4%, this figure is higher than the recommended ceiling of 55%. The high debt usage has driven the cost of annual debt servicing to almost 54% of domestic revenues leaving only 46% for government expenditure which is not sufficient to finance subsequent budget which leads to more borrowing. This is an increment of 14% compared to 2020 when the ratio was about 40 % (CBK).

2.4 County Economic Outlook and risks

Kisii County contributes 2.0 per cent of the national GDP annually according to the Gross County Product (GCP) 2021 report. The GCP provides a benchmark for evaluating the growth of county economies over time. To uplift livelihoods within the County, over the medium-term resources will be channeled to environmental conservation, provision of clean water, primary health care, roads development, food security and urban development.

Resource allocation from the National Government will not be sufficient to finance programs and projects proposed in the ADP 2022, to address this, the County Government will seek development partners to fill the financing gaps. Furthermore, the County will also work with other counties in the Lake Region Economic Block in addressing development challenges facing residents of the region.

Local revenue targets over time have not been met however, to enhance collection; the County Government will make structural adjustments that will see a growth trajectory.

Over the medium term, the County Government will strengthen its fiscal policies to achieve set targets by focusing on expenditure on the five priority areas identified in the ADP 2022, namely: wealth creation, social development, sustainable environmental conservation, enablers and ICT and devolution and governance

The county economy expanded in 2020 producing 199.333billion from 185.041billion shillings in 2019, at current prices (Graph 1). Implementation of the post Covid-19 Economic Recovery Strategy, availability of favorable weather conditions and full reopening of the economy will grow the county economy at a projected annualized rate of 4% in 2022 and 2023.

Graph 1: Gross County Product in Current Prices from 2013-2020

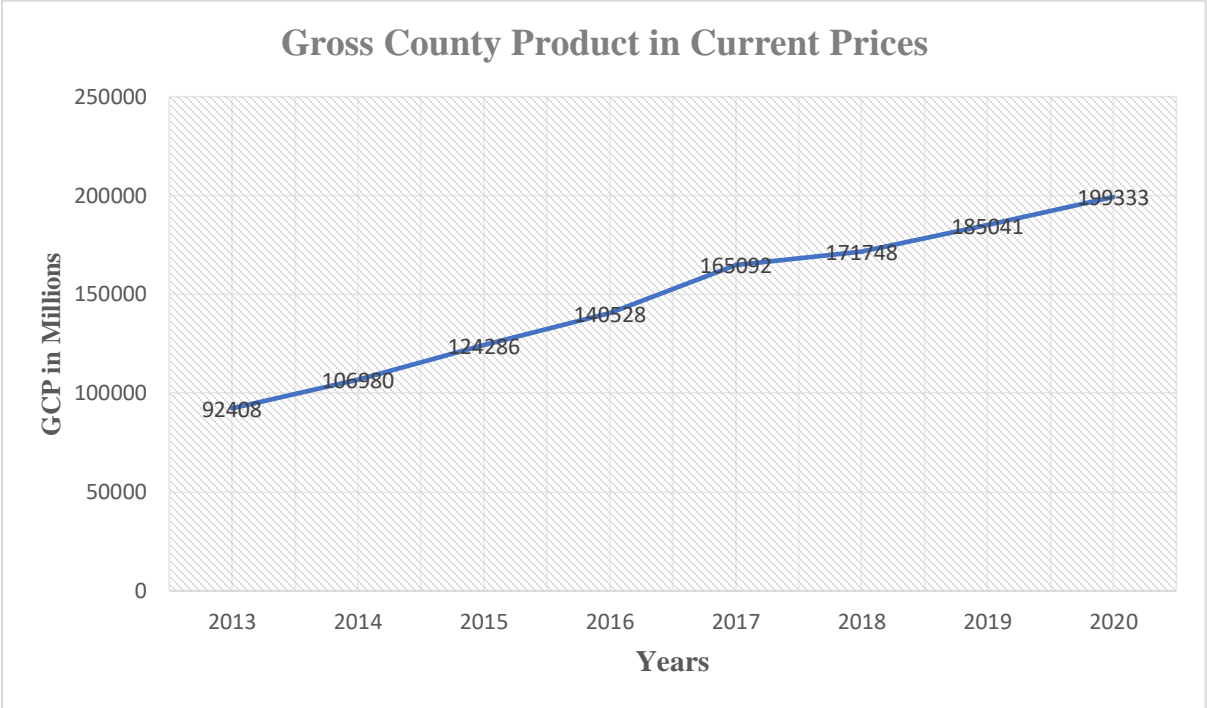
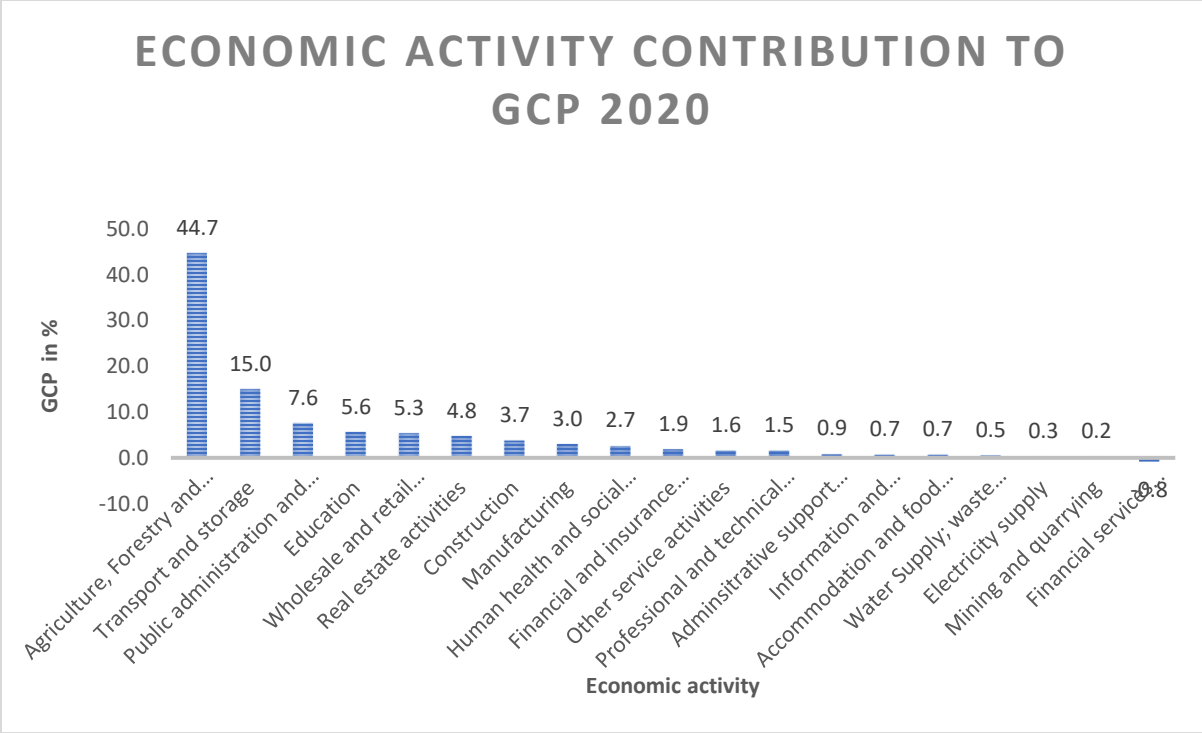


Figure 2: Percentage contribution of the economic activities to Kisii County GCP 2020



Agriculture is the backbone of the economy of Kisii County. In the year 2020 agriculture contribution was 44.7% of the Gross County Product (Figure 2). Due to unfavorable weather conditions in the year 2021, there was decline in production of food crops. The production of cash crops remains the drivers of the Kisii County economy. Seasonal rainfall is predicted to be above normal rainfall thus creating a favorable condition for various agricultural activities such as dairy and crop farming in the County over the medium term. Allocation of funds towards field extension services will impart farmers with valuable knowledge and skills on good agricultural practices and conservation agriculture which will likely lead to increased production. The financing in the agriculture sector has increased over the period from 1B in 2021/2022 to 1.2B in 2022/2023 which has enabled the sector to construct avocado and banana plants, constructed 36 milk collection centers and value addition to fish which has improved the contribution of agriculture to economy from 44.7% 2021 to 60% in 2022

Public transportation and warehouse sector in Kisii County accounts for 15% of the total county gross product in the year 2020. The performance of the transportation and storage sector was adversely affected by the COVID-19 pandemic in the year 2020. This was due to restriction measures put in place to curb the spread of the virus. In 2022, the sector is expected to record accelerated growth due to resumption of the normal carrying capacity in passenger transport. Interventions geared towards continuous

public investment in road infrastructure is expected to ease the movement of goods and services within the county.

At the county level, education and training contributed 5.5% to the county GCP in the year 2020. The school calendar was hugely disrupted by the containment measures forcing learners to stay at home for more than 6 months of the 2020 education calendar year hence leading to a reduction in activities within the sector. Despite the containment measures, the sector recorded lean growth mainly attributable to increase in funding for the implementation of COVID-19 prevention measures in educational institutions. The sector has resumed to normality in the year 2022 to cater for the lost time in 2020. Government spending on this sector through capitation and issuance of bursaries will support further to growth in the sector.

Economic risks

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

Unpredictable weather conditions and dynamic climatic change affects at the implementation of most development projects at National and County levels.

Late Exchequer releases affects implementation of projects

The discretionary expenditures of wages and debt servicing leaving the county and national government with insufficient resources for development

The unmet revenue targets effects project implementation.

CHAPTER THREE

REVIEW OF FISCAL PERFORMANCE IN FY 2021/2022

3.1 Overview

This Chapter reviews the fiscal performance for the FY2021/22022 budget. It entails the analysis of County revenues, expenditure, and Exchequer releases.

3.2 Fiscal Performance

The fiscal performance and absorption of the FY 2021/2022 budget was slightly lower as compared to FY 2020/2021. This was mainly as a result of delayed disbursement of funds especially and the late approval of the of the County Governments Additional Allocations Bill, 2022 by the National Assembly.

3.2.1 Analysis of Revenue Sources

During the period, the County's FY 2021/22 projected revenue was **KShs. 12.59 billion** comprising of transfers from National Government, Loans and Grants, Unspent Balances from previous financial year and Own Source Revenue. However, the actual receipts were **KShs.9.86 billion** representing **78 percent** of the total projected revenue. This is presented in Table 3.1.

Table 3. 1: Analysis of Revenue sources

| ITEM | BUDGET 2021/2022 | ACTUAL RECEIPTS | REVENUE PERFOR MANCE |
|---|---------------------|--------------------|----------------------------|
| Equitable Share | 8,894,274,509 | 8,182,732,547 | 92 |
| Leasing of Medical Equipment | 153,297,872 | 0 | 0 |
| Kenya Devolution Support Program 'Starter Pack' - (Level 11) | 128,507,146 | 128,507,146 | 100 |
| National Agricultural and Rural Inclusive Project | 324,295,427 | 178,828,372 | 55 |
| Agriculture Sector Development Support Program – SIDA | 26,370,204 | 15,683,290 | 59 |
| Conditional Allocation-Health Systems for Universal Care | 63,079,905 | 63,079,905 | 100 |
| DANIDA | 17,250,750 | 8,625,375 | 50 |

| ITEM | BUDGET 2021/2022 | ACTUAL RECEIPTS | REVENUE PERFOR MANCE |
|--|-----------------------|----------------------|----------------------------|
| European Union Instruments for Devolution Advice and Support | 16,140,145 | 0 | 0 |
| Urban Development Grant | 164,053,800 | 65,751,721 | 40 |
| Unspent balances FY 2019/2020 | 2,103,425,220 | 816,102,126 | 39 |
| Local Revenues | 700,000,000 | 404,554,620 | 58 |
| TOTAL REVENUE | 12,590,694,978 | 9,863,865,101 | 78 |

Source: Kisii County Treasury, 2022

- I. The County anticipated to receive **KShs.8.89 billion** equitable share but only received **KShs. 8.18 billion** by closure of FY2021/2022 which represent 92 percent. This is because the funds for the month of June were not disbursed from the National Treasury.
- II. World Bank Funded, Kenya Devolution Support Program (KDSP) Level II Funds were received as budgeted. In addition, health systems for universal care which is a conditional allocation form the Exchequer was received as budgeted.
- III. World Bank Funded Projects, i.e., National Agricultural and Rural Inclusive Growth Project & Urban Development Grant, Swedish International Development Authority Funded ASDSP, and DANIDA were Budgeted at **Kshs. 324.30 million, Kshs. 164.05 million Kshs. 26.37 million and Kshs. 17.25 million** respectively. However, **Kshs. 178.83 million, Kshs. 65.75 million Kshs. 15.68 million and Kshs. 8.63 million** respectively, were disbursed to the County by the closure of the financial year. These being Conditional Grants from various development partners, were affected by the delay in the enactment of the County Governments Additional Allocations Bill, 2022 by the National Assembly.
- IV. Furthermore, European Union Funded Instruments for Devolution Support and advise which was budgeted at **Kshs. 16.14 million** wasn't disbursed by the closure of the Financial Year.
- V. Allocations for Leasing of Medical equipment of **KShs.131.9 million** is deducted at source and therefore not disbursed to counties.
- VI. The County projected to collect **KShs.700 million** during FY2021/22 and managed to collect **KShs. 404.55 million** representing **58 percent**.

3.2.2. Exchequer Releases and Requisitions to Operations Account for FY 2021/2022

The Exchequer releases into the CRF account for FY2021/22 amounted to **KShs.9.86 billion** comprising of Own Source Revenue, Equitable Share, refunds from operations account, unreleased balances carried forward from **FY2019/2020** and Loan and Grants from development partners. In addition, **Kshs. 9.80 billion** was requisitioned to the operations account comprising of **Kshs.2.08 billion** and **Kshs.7.72 billion** for Development and Recurrent expenditures respectively. This represents 21 percent and **78 percent** for Recurrent and Development expenditure respectively as shown in Table 3.2.

Table 3. 2: Exchequer Releases and Requisitions to Operations Account for the FY 2021/22

| KISII COUNTY GOVERNMENT | | | | |
|-------------------------|--------------------------------|---------------|------------------------------------|-------------|
| FY 2021-2022 | | | | |
| | Revenue And Exchequer Releases | | Requisitions to Operations Account | |
| DATE | Source | Revenue | Development | Recurrent |
| 14-Jul-21 | BAL/FWD | 1,025,537,461 | | |
| 21-Jul-21 | | 5,020,000 | | |
| 28-Jul-21 | | 1,451 | | |
| 28-Jul-21 | | 2,173,801 | | |
| 28-Jul-21 | | 4,260,000 | | |
| 03-Aug-21 | | 3,080,000 | | |
| 04-Aug-21 | | 6,051 | | |
| 10-Aug-21 | | 8,345,000 | | |
| 18-Aug-21 | | 5,517,000 | | |
| 19-Aug-21 | | | | 53,614,614 |
| 19-Aug-21 | | | | 430,175,397 |
| 20-Aug-21 | | | 24,227,795 | |
| 20-Aug-21 | | | | 33,464,154 |
| 20-Aug-21 | | | | 45,000,000 |
| 20-Aug-21 | | | | 89,723,811 |
| 24-Aug-21 | | 2,820,000 | | |
| 25-Aug-21 | | 711,541,961 | | |

| KISII COUNTY GOVERNMENT | | | | |
|--------------------------------|---------------------------------------|----------------|---|------------------|
| FY 2021-2022 | | | | |
| | Revenue And Exchequer Releases | | Requisitions to Operations Account | |
| DATE | Source | Revenue | Development | Recurrent |
| 26-Aug-21 | | | | 17,021,952 |
| 31-Aug-21 | | | | 49,568,438 |
| 31-Aug-21 | | | | 110,236,713 |
| 31-Aug-21 | | | | 425,594,037 |
| 31-Aug-21 | | 3,640,000 | | |
| 07-Sep-21 | | 5,070,000 | | |
| 10-Sep-21 | | | 10,734,813 | |
| 14-Sep-21 | | | 125,696,621 | |
| 21-Sep-21 | | | | 21,545,778 |
| 21-Sep-21 | | | | 26,988,052 |
| 21-Sep-21 | | | 40,727,033 | |
| 21-Sep-21 | | | 51,868,019 | |
| 21-Sep-21 | | | | 91,524,587 |
| 21-Sep-21 | | 11,814,000 | | |
| 23-Sep-21 | | 756,013,333 | | |
| 05-Oct-21 | | 8,850,000 | | |
| 06-Oct-21 | | | 9,938,413 | |
| 06-Oct-21 | | | | 15,038,985 |
| 06-Oct-21 | | | | 52,468,666 |
| 06-Oct-21 | | | | 426,507,318 |
| 07-Oct-21 | | | | 16,915,827 |
| 13-Oct-21 | | 7,999,000 | | |
| 15-Oct-21 | | 756,013,333 | | |
| 19-Oct-21 | | 2,892,000 | | |
| 21-Oct-21 | | | | 15,880,220 |
| 21-Oct-21 | | | | 16,563,594 |
| 21-Oct-21 | | | 23,476,895 | |
| 21-Oct-21 | | | | 55,696,377 |
| 21-Oct-21 | | | 84,435,880 | |

| KISII COUNTY GOVERNMENT | | | | |
|--------------------------------|---------------------------------------|----------------|---|------------------|
| FY 2021-2022 | | | | |
| | Revenue And Exchequer Releases | | Requisitions to Operations Account | |
| DATE | Source | Revenue | Development | Recurrent |
| 26-Oct-21 | | 3,981,000 | | |
| 28-Oct-21 | | | | 3,638,559 |
| 28-Oct-21 | | | | 26,161,300 |
| 02-Nov-21 | | 3,940,000 | | |
| 03-Nov-21 | | | 15,000,000 | |
| 03-Nov-21 | | | | 51,534,696 |
| 03-Nov-21 | | | | 432,699,257 |
| 03-Nov-21 | | 2,500,000 | | |
| 09-Nov-21 | | 4,988,000 | | |
| 10-Nov-21 | | | 17,024,440 | |
| 10-Nov-21 | | | | 21,135,020 |
| 10-Nov-21 | | | | 35,768,541 |
| 10-Nov-21 | | | 100,615,387 | |
| 10-Nov-21 | | | | 151,459,389 |
| 12-Nov-21 | | 711,541,961 | | |
| 16-Nov-21 | | 6,609,000 | | |
| 18-Nov-21 | | | | 17,727,601 |
| 18-Nov-21 | | | | 28,464,700 |
| 23-Nov-21 | | 3,563,000 | | |
| 24-Nov-21 | | | | 430,348,442 |
| 30-Nov-21 | | 4,046,000 | | |
| 03-Dec-21 | | 20,620 | | |
| 07-Dec-21 | | 4,433,000 | | |
| 08-Dec-21 | | | | 6,527,000 |
| 08-Dec-21 | | | 9,160,651 | |
| 08-Dec-21 | | | | 10,967,250 |
| 08-Dec-21 | | | 12,234,864 | |
| 08-Dec-21 | | | | 49,360,241 |
| 08-Dec-21 | | | | 64,911,500 |

| KISII COUNTY GOVERNMENT | | | | |
|--------------------------------|---------------------------------------|----------------|---|------------------|
| FY 2021-2022 | | | | |
| | Revenue And Exchequer Releases | | Requisitions to Operations Account | |
| DATE | Source | Revenue | Development | Recurrent |
| 08-Dec-21 | | | 162,535,038 | |
| 16-Dec-21 | | 8,450,000 | | |
| 16-Dec-21 | | 756,013,333 | | |
| 21-Dec-21 | | 2,538,000 | | |
| 24-Dec-21 | | | | 52,945,934 |
| 24-Dec-21 | | | | 437,394,508 |
| 28-Dec-21 | | 3,143,000 | | |
| 29-Dec-21 | | | 8,688,440 | |
| 29-Dec-21 | | | | 10,707,004 |
| 29-Dec-21 | | | 15,844,000 | |
| 29-Dec-21 | | | 16,140,145 | |
| 29-Dec-21 | | | | 17,581,060 |
| 29-Dec-21 | | | | 27,092,600 |
| 29-Dec-21 | | | 108,863,974 | |
| 30-Dec-21 | | | 2,500,000 | |
| 31-Dec-21 | | | | 115,953,789 |
| 05-Jan-22 | | 3,928,000 | | |
| 11-Jan-22 | | 13,063,000 | | |
| 12-Jan-22 | | | 15,904,693 | |
| 18-Jan-22 | | 9,673,000 | | |
| 24-Jan-22 | | 711,541,961 | | |
| 25-Jan-22 | | 14,177,000 | | |
| 01-Feb-22 | | 12,345,000 | | |
| 02-Feb-22 | | | | 47,336,656 |
| 02-Feb-22 | | | 109,377,805 | |
| 02-Feb-22 | | | | 444,227,832 |
| 08-Feb-22 | | 11,262,000 | | |
| 09-Feb-22 | | | | 20,417,142 |
| 09-Feb-22 | | | | 100,805,838 |

| KISII COUNTY GOVERNMENT | | | | |
|--------------------------------|---------------------------------------|----------------|---|------------------|
| FY 2021-2022 | | | | |
| | Revenue And Exchequer Releases | | Requisitions to Operations Account | |
| DATE | Source | Revenue | Development | Recurrent |
| 15-Feb-22 | | 17,914,000 | | |
| 16-Feb-22 | | | | 22,705,746 |
| 22-Feb-22 | | 14,211,000 | | |
| 28-Feb-22 | | | | 15,000,000 |
| 01-Mar-22 | | 32,283,000 | | |
| 02-Mar-22 | | 756,013,333 | | |
| 08-Mar-22 | | 15,822,000 | | |
| 10-Mar-22 | | | | 47,363,876 |
| 10-Mar-22 | | | | 420,462,403 |
| 15-Mar-22 | | | 8,600,000 | |
| 15-Mar-22 | | | | 9,034,652 |
| 15-Mar-22 | | | | 11,076,362 |
| 15-Mar-22 | | | | 13,921,854 |
| 16-Mar-22 | | | 12,525,052 | |
| 16-Mar-22 | | | 17,779,064 | |
| 16-Mar-22 | | | | 18,166,227 |
| 16-Mar-22 | | | | 132,867,659 |
| 16-Mar-22 | | | 134,644,837 | |
| 17-Mar-22 | | 25,519,000 | | |
| 21-Mar-22 | | | 7,000,000 | |
| 24-Mar-22 | | 10,051,000 | | |
| 24-Mar-22 | | 756,013,333 | | |
| 28-Mar-22 | | | | 2,655,700 |
| 28-Mar-22 | | | | 13,658,102 |
| 28-Mar-22 | | | | 17,503,890 |
| 30-Mar-22 | | 10,600,000 | | |
| 05-Apr-22 | | - | | 21,000,000 |
| 05-Apr-22 | | 7,980,000 | | |
| 06-Apr-22 | | | | 53,585,161 |

| KISII COUNTY GOVERNMENT | | | | |
|--------------------------------|---------------------------------------|----------------|---|------------------|
| FY 2021-2022 | | | | |
| | Revenue And Exchequer Releases | | Requisitions to Operations Account | |
| DATE | Source | Revenue | Development | Recurrent |
| 06-Apr-22 | | | | 420,924,220 |
| 12-Apr-22 | | | | 6,448,845 |
| 12-Apr-22 | | | 16,473,010 | |
| 12-Apr-22 | | | | 16,723,950 |
| 12-Apr-22 | | | 18,461,871 | |
| 12-Apr-22 | | | | 60,669,115 |
| 12-Apr-22 | | | 65,751,721 | |
| 12-Apr-22 | | | 81,024,003 | |
| 12-Apr-22 | | 10,399,000 | | |
| 19-Apr-22 | | 6,854,000 | | |
| 21-Apr-22 | | | | 12,613,604 |
| 21-Apr-22 | | | | 13,910,700 |
| 26-Apr-22 | | 711,541,961 | | - |
| 27-Apr-22 | | | | 20,000,000 |
| 27-Apr-22 | | 7,162,000 | | |
| 10-May-22 | | 9,559,000 | | |
| 16-May-22 | | | 18,825,224 | |
| 16-May-22 | | | 32,073,174 | |
| 17-May-22 | | 9,667,000 | | |
| 18-May-22 | | | | 4,889,250 |
| 18-May-22 | | | | 7,174,288 |
| 18-May-22 | | | 7,404,351 | |
| 18-May-22 | | | 9,506,972 | |
| 18-May-22 | | | | 22,033,948 |
| 18-May-22 | | | | 50,157,146 |
| 18-May-22 | | | | 75,415,768 |
| 18-May-22 | | | | 425,204,632 |
| 20-May-22 | | | | 7,362,000 |
| 20-May-22 | | | | 10,709,504 |

KISII COUNTY GOVERNMENT

FY 2021-2022

| | Revenue And Exchequer Releases | | Requisitions to Operations Account | |
|-------------|---------------------------------------|----------------|---|------------------|
| DATE | Source | Revenue | Development | Recurrent |
| 20-May-22 | | | 18,497,999 | |
| 23-May-22 | | | | 16,410,029 |
| 23-May-22 | | | 31,687,079 | |
| 24-May-22 | | 5,185,000 | | |
| 26-May-22 | | 800,484,706 | | |
| 31-May-22 | | 4,900,000 | | |
| 08-Jun-22 | | | | 4,987,120 |
| 08-Jun-22 | | | | 6,229,408 |
| 08-Jun-22 | | | 6,579,360 | |
| 08-Jun-22 | | | | 12,217,915 |
| 08-Jun-22 | | | 41,082,630 | |
| 08-Jun-22 | | | | 49,762,855 |
| 08-Jun-22 | | | | 101,499,912 |
| 08-Jun-22 | | 4,192,000 | | |
| 09-Jun-22 | | | 145,940,233 | |
| 10-Jun-22 | | 178,410,506 | | |
| 14-Jun-22 | | 5,500,000 | | |
| 14-Jun-22 | | 13,183,290 | | |
| 17-Jun-22 | | 756,013,333 | | |
| 21-Jun-22 | | | | 24,094,810 |
| 21-Jun-22 | | | | 422,745,363 |
| 22-Jun-22 | | 4,795,000 | | |
| 23-Jun-22 | | | | 7,000,000 |
| 23-Jun-22 | | | 178,410,506 | |
| 23-Jun-22 | | | | 363,484,584 |
| 23-Jun-22 | | 62,692,134 | | |
| 27-Jun-22 | | 8,625,375 | | |
| 28-Jun-22 | | | 1,712,276 | |
| 28-Jun-22 | | | 2,750,000 | |

| KISII COUNTY GOVERNMENT | | | | |
|--------------------------------|---------------------------------------|----------------------|---|----------------------|
| FY 2021-2022 | | | | |
| | Revenue And Exchequer Releases | | Requisitions to Operations Account | |
| DATE | Source | Revenue | Development | Recurrent |
| 28-Jun-22 | | | | 11,830,675 |
| 28-Jun-22 | | | | 27,513,166 |
| 28-Jun-22 | | | | 50,803,424 |
| 28-Jun-22 | | | 128,507,146 | |
| 28-Jun-22 | | 3,213,000 | | |
| 29-Jun-22 | | | | 54,019,414 |
| 29-Jun-22 | | | 89,541,310 | |
| 30-Jun-22 | | | | 2,467,480 |
| 30-Jun-22 | | | 3,090,271 | |
| 30-Jun-22 | | | | 8,625,375 |
| 30-Jun-22 | | | 13,183,290 | |
| 30-Jun-22 | | 2,312,000 | | |
| 04-Jul-22 | | | 23,357,499 | |
| TOTAL | | 9,863,447,235 | 2,079,403,784 | 7,715,624,511 |

Source: Kisii County Treasury, 2022

3.3 OWN SOURCE REVENUE

The County Government had projected to collect **KShs. 700 million** from its revenue streams for the financial year ending 30th June 2022. It collected **KShs. 404.6 million** as shown in Table 3.4.

Table 3.3: Own Source Revenue Outturns for FY 2021/22

| LOCAL LEVIES: 1-2000 | Approved Budget (KShs.) | Actual (KShs.) | Performance (%) |
|---|--------------------------------|-----------------------|------------------------|
| 1-2101 Property rates | 30,000,000 | 12,845,291 | 43 |
| 1-2201 Business Permits Current Year | 200,000,000 | 110,016,261 | 55 |
| 1-2311 Fruits & Vegetables / Agricultural Produce Cess | 15,000,000 | 6,270,797 | 42 |
| 1-3105 Miscellaneous income | 3,000,000 | 1,000 | 0 |

| LOCAL LEVIES: 1-2000 | Approved Budget (KShs.) | Actual (KShs.) | Performance (%) |
|--|--------------------------------|-----------------------|------------------------|
| 1-3501 County Premises Monthly Rent | 12,000,000 | 5,012,500 | 42 |
| 1-5101 Market Entrance / Gate Fee | 80,000,000 | 43,836,640 | 55 |
| 1-5102 Market Plots Rent | 10,000,000 | 5,682,547 | 57 |
| 1-5201 Enclosed Bus Park Fee (Matatu monthly stickers) | 65,000,000 | 56,165,700 | 86 |
| Motorcycle parking stickers | 30,000,000 | 13,737,813 | 46 |
| 1-5221 Street Parking Fee | 70,000,000 | 41,186,820 | 59 |
| 1-6301 Social Hall Hire | 500,000 | 63,000 | 13 |
| 1-6311 Stadium Hire | 1,000,000 | - | 0 |
| 1-8401 Slaughter House Fee | 1,000,000 | 505,900 | 51 |
| 1-9112 Buildings Plan Approval Fee | 85,000,000 | 35,817,250 | 42 |
| 1-9132 Sign Boards & Advertisement Fee | 60,000,000 | 40,396,515 | 67 |
| 1-9201 Fire-Compliance Fee | 15,000,000 | 21,120,700 | 141 |
| Administrative fees and charges | 14,000,000 | 3,050,800 | 22 |
| Environmental fees and charges | 5,000,000 | 5,581,300 | 112 |
| Weights and measures | 500,000 | 932,520 | 187 |
| Sale of fingerlings | 1,000,000 | 310,501 | 31 |
| Revenue from Kisii Agricultural Training Centre | 2,000,000 | 2,000,145 | 100 |
| TOTAL | 700,000,000 | 404,534,000.00 | 58 |

Source: Kisii County Treasury, 2022

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

- Census of all businesses to capture both the existing and new businesses
- Establishment of plan approval committee to handle all plans
- Stakeholder engagement of boda boda and matatu owners to sensitize on revenue matters

- Segmenting the municipality into regions with a revenue officer in-charge of a respective region.

3.4 Recurrent and Development Expenditure

The County's expenditure is classified into Recurrent and Development expenditure. Recurrent expenditure is further classified to Personnel Emoluments and Operations & Maintenance.

3.4.1 Recurrent Expenditure

During the FY 2021/22, recurrent expenditure was budgeted at **KShs.8.50 billion** representing **68 percent** of the entire budget. However, **KShs.7.72 billion** was disbursed by the exchequer and was **KShs.7.70 billion** utilized by the Executive and County Assembly as shown in Table 3.5

Table 3.4: Recurrent Expenditure Analysis for FY2021/22

| Department | Approved Budget (KShs) | Exchequer Releases (KShs) | Actual Expenditure (KShs) | Balance (KShs) | Absorption Rate % |
|---|------------------------|---------------------------|---------------------------|----------------|-------------------|
| | (a) | (b) | (c) | (b-c) | |
| County Assembly | 994,832,424 | 897,322,807 | 897,322,759 | 47 | 100 |
| County Executive and Public Service board | 461,037,952 | 402,601,053 | 382,557,348 | 20,043,705 | 95 |
| Administration and Stakeholder Management | 540,973,805 | 477,574,146 | 482,772,172 | -5,198,026 | 101 |
| Finance and Economic Planning | 1,296,863,607 | 1,146,315,856 | 1,142,842,847 | 3,473,009 | 100 |
| Agriculture, Livestock Fisheries & Co-operative Development | 506,126,604 | 476,369,567 | 473,297,983 | 3,071,584 | 99 |
| Energy, Water, Environment and Natural Resources | 193,118,131 | 152,784,942 | 145,231,635 | 7,553,307 | 95 |
| Education, Labor, and Manpower Development | 485,517,045 | 457,051,422 | 465,937,450 | -8,886,028 | 102 |
| Health Services | 3,160,002,216 | 3,054,621,145 | 3,067,238,896 | -12,617,751 | 100 |
| Lands, Physical Planning and Urban Development | 185,509,000 | 156,835,039 | 154,422,350 | 2,412,689 | 98 |
| Roads, Public Works and Housing | 281,725,500 | 212,827,149 | 208,744,314 | 4,082,835 | 98 |
| Trade Tourism and Industry Development | 131,669,979 | 96,023,709 | 96,564,326 | -540,617 | 101 |

| Department | Approved Budget (KShs) | Exchequer Releases (KShs) | Actual Expenditure (KShs) | Balance (KShs) | Absorption Rate % |
|--|------------------------|---------------------------|---------------------------|-------------------|-------------------|
| | (a) | (b) | (c) | (b-c) | |
| Culture, Sports, Youth and Social Services | 99,659,055 | 85,570,248 | 88,199,208 | -2,628,960 | 103 |
| Kisii Municipality | 161,937,287 | 99,727,428 | 98,479,842 | 1,247,586 | 99 |
| Totals | 8,498,972,605 | 7,715,624,510 | 7,703,611,131 | 12,013,380 | 100 |

Source: Kisii County Treasury, 2022

3.4.2 Development Expenditure

During the FY2021/22, the County Government estimated to spend **KShs. 4.09 billion** on development programs and projects which represented **32 percent** of the entire budget. However, **KShs.1.89 billion** was spent by the Executive and County Assembly out of a released amount of **KShs.2.08 billion** as presented in Table 3.6.

Table 3.5: Development Expenditure Analysis for FY2021/22

| Department | Approved Budget (KShs) | Exchequer Releases (KShs) | Actual Expenditure (KShs) | Balance (KShs) | Absorption Rate % |
|---|------------------------|---------------------------|---------------------------|----------------|-------------------|
| | (a) | (b) | (c) | (b-c) | |
| County Assembly | 106,753,158 | 63,640,020 | 63,640,020 | 0 | 100 |
| County Executive and Public Service board | 35,300,000 | 7,271,690 | 7,271,690 | 0 | 100 |
| Administration and Stakeholder Management | 89,341,194 | 10,195,520 | 10,195,520 | 0 | 100 |
| Finance and Economic Planning | 86,841,490 | 56,494,071 | 56,494,071 | 0 | 100 |

| Department | Approved Budget (KShs) | Exchequer Releases (KShs) | Actual Expenditure (KShs) | Balance (KShs) | Absorption Rate % |
|---|------------------------|---------------------------|---------------------------|--------------------|-------------------|
| | (a) | (b) | (c) | (b-c) | |
| Agriculture, Livestock Fisheries & Co-operative Development | 784,581,651 | 590,050,630 | 492,456,897 | 97,593,733 | 83 |
| Energy, Water, Environment and Natural Resources | 201,612,876 | 73,758,692 | 73,758,692 | 0 | 100 |
| Education, Labor, and Manpower Development | 153,887,534 | 26,541,941 | 26,699,018 | -157,077 | 101 |
| Health Services | 805,329,216 | 398,157,909 | 269,650,763 | 128,507,146 | 68 |
| Lands, Physical Planning and Urban Development | 116,596,362 | 41,778,260 | 41,778,260 | 0 | 100 |
| Roads, Public Works and Housing | 1,227,775,722 | 598,224,010 | 642,290,305 | -44,066,295 | 107 |
| Trade Tourism and Industry Development | 93,242,813 | 15,605,753 | 15,605,753 | 0 | 100 |
| Culture, Sports, Youth and Social Services | 148,924,074 | 75,206,264 | 75,206,264 | 0 | 100 |
| Kisii Municipality | 241,536,783 | 122,479,655 | 112,848,380 | 9,631,275 | 92 |
| Totals | 4,091,722,873 | 2,079,404,415 | 1,887,895,633 | 191,508,782 | 91 |

Source: Kisii County Treasury, 2022

CHAPTER FOUR

RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustments to 2022/2023 Budget and Over the Medium Term

The fiscal performance and the updated macro-economic outlook will enable the County to adjust the current budget by prioritization and alignment of projects and programs especially on wealth creation, sustainable development, sustainable environmental conservation, enablers and ICT, devolution, and governance.

- a) In the FY 2022/23, priority shall be given to ongoing programs and projects, including pending bills in line with the fiscal responsibility principles. Within the existing resource infrastructure, the County pending bills and ongoing projects shall also be accommodated.
- b) The County Government has faced challenges in the recent past in meeting own source revenue targets. This in turn affects project implementation. The government shall therefore revise their own source targets in FY2022/23 to a more realistic figure. This shall be addressed by preparing a supplementary budget.
- c) To enhance revenue collections, the County shall put in measures to enhance own source revenue collection in FY 2022/2023, including enhanced automation, enforcement, widening the revenue streams and monitoring and evaluation to ease expenditure pressures and improve budget absorption.
- d) Adjustments to the FY2022/23 budget will consider actual expenditure performance and absorption capacity in the remainder of the financial year across all departments. In the event of expenditure pressures, the County Government will rationalize expenditures by implementing only priority projects and programs.
- e) Over the medium term, the county shall strictly adhere to the fiscal responsibility principles, especially ensuring that at least 30% or more of all expenditure is allocated to development. Over the MTEF period, the fiscal risks shall be managed prudently, and the County shall also strive to conform and ensure that not more than 35% of the total budget is dedicated to personnel emoluments.

4.2 Medium-Term Expenditure Framework

In FY 2022/2023 and over the Medium-Term period, the county will address the following priorities.

- i. Wealth Creation.
- ii. Social Development.
- iii. Sustainable Environmental Conservation.
- iv. Enablers and ICT.
- v. Devolution and Governance.

4.3.1 Wealth creation

Wealth creation is important in reducing income inequalities and poverty. According to the Kenya Integrated Household Budget Survey (2016), Kisii County has a poverty level of 44.5 percent against the national average of 32 percent. Therefore, there is need to pursue programs that have the highest likelihood of improving livelihood and income earned and invested.

In the FY 2022/23 and over the medium term, the County shall support innovative value chain improvements in agriculture, with an aim of improving the farm gate value prices for farmers since the county largely depends on agriculture while also improving market infrastructure. Investment shall be made in manufacturing especially in agro-processing to not only create jobs but provide a farm market for farm produce thereby improving the livelihood of the farmers.

The County Government shall also promote enterprise by installing streetlights, improving backstreets, offering affordable, accessible credit to traders, and collaborating with the national government to improve security to operationalize the 24-hour economy in municipalities and townships, and expanding retail and hospitality services.

4.3.2 Social Development

Economic growth and social development are tightly correlated because a country needs money to improve the living conditions for citizens. In the FY2022/23 and over the medium-term period, the county shall address social development by investing in Early Childhood Development Education (ECDE), and Vocational Training Centers (VTC) to enhance access to basic quality education, and exploit talents as well as skills development to create a competitive labor force through infrastructure development, provision of playing materials, learning materials and

equipment. Skills and talent development is equally as important for the County Government and appropriate investment in sports, culture and arts development shall be made in the FY2022/23 and in the medium-term period.

Besides this, the county shall endeavor to ensure that there is adequate clean and safe water for domestic, agricultural, and industrial use as a basic element that supports both natural and industrial processes. The county government shall also embark on a social housing scheme; *the Simba Shelter Scheme*, especially in the rural areas by putting up affordable housing units, ultimately improving their living standards.

In improving health outcomes among our people, the County government shall implement Universal Health Coverage (UHC) program by strengthening community level health services, prioritizing primary healthcare, provision of NHIF for indigents and system strengthening in health. Further, the County shall strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol and fight the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.

4.3.3 Sustainable Environmental Conservation

Climate change continue to dominate most of the global conversations since our environment has been negatively affected due to pollution, erosion, and equally agricultural production. In the FY 2022/23 and over the medium term, the county shall prioritize environmental conservation to ensure adequate, clean, and safe water is available for domestic, industrial and agricultural production. Efforts shall be made to reduce pollution and eliminate dumping, enhance water reticulation, improving water quality protect and restore water-related ecosystems and increasing afforestation and re-afforestation in the County. Green energy solutions shall be mainstreamed across all departments in various programs and projects. To realize these, sufficient resources will be allocated, and partnerships with stakeholders such as Lake Victoria South Water Services Board will be fostered to speed up implementation of the on-going programs and projects.

4.3.4 Enablers and ICT

Substantial resources shall be allocated to infrastructural improvement and ICT as enablers to development. Over the medium term, the Government will focus on developing urban roads to

reduce congestion, construct pedestrian walkways, and drainage systems within urban centers. The county shall also maintain the existing road network and open feeder roads in all the 45 wards. Besides roads, the County Government shall also endeavor to automate and digitize operations of the government and expansion of infrastructure to all wards. The development of good roads, physical infrastructure; including markets, offices, health facilities shall be developed for people to enjoy better services as well as improve the ease of conducting business.

4.3.5 Devolution and Governance

To deepen devolution and governance, the county government shall decentralize service delivery and strengthen its functions up to ward and village level and ensure the provision of its services to the extent that it is efficient and practicable. Decentralization of power will provide an environment in which good governance thrives by fostering local public participation, accountability, transparency, efficiency, and responsiveness to the needs of Kisii County people.

In the FY 2022/23 and in the medium-term period FY2023/24-2024/25, the county shall promote inclusive and resilient societies where citizens have a voice, and the government responds. This will be achieved through participatory and effective citizen engagements during project identification and implementation. Feedback mechanisms at all levels from County to village level shall be enhanced. The County Government shall also ensure there is an elaborate legal and institutional framework such as county decentralized units in addition to the County Assembly to offer oversight over the County Executive. All devolved functions shall be strengthened, and adequate resources provided to ensure high quality outcomes within a sustainable and affordable framework.

4.3 Indicative Ceilings

The County priorities will be implemented through the Programme Based Budgeting approach. Table 4.1 presents indicative ceilings over the medium Term. The projections are comprised of transfers from National Government and grants and loans from development partners.

Table 4. 1: Total Sector Estimates for MTEF FY 2022/2023 – 2024/2025

| | Approved Budget | | Projections | | Projections | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2022/2023 | | 2023/2024 | | 2024/2025 | |
| Department | Recurrent | Development | Recurrent | Development | Recurrent | Development |
| County Assembly | 1,344,649,046 | 339,350,465 | 990,000,000 | 243,724,484 | 990,000,000 | 253,473,463 |
| Public Service, County Administration and participatory Development, office of the Governor | 916,889,073 | 112,283,140 | 911,414,189 | 106,924,913 | 947,870,756 | 111,201,909 |
| Finance, Economic planning and ICT (E-government) Services | 1,032,499,436 | 47,482,391 | 1,307,492,793 | 46,438,485 | 1,359,792,505 | 48,296,024 |
| Agriculture Fisheries, Livestock Development and Irrigation | 414,252,401 | 727,499,372 | 429,564,356 | 140,284,111 | 446,746,930 | 145,895,475 |
| Water Environment Natural Resources and Climate Change | 134,136,800 | 286,325,425 | 136,766,891 | 169,633,823 | 142,237,567 | 175,539,176 |
| Education, Technical Training Innovation and social sciences | 554,846,157 | 143,004,133 | 353,827,265 | 281,556,229 | 399,180,356 | 292,818,478 |
| Medical Services, Public Health and sanitation | 3,200,143,517 | 702,039,060 | 3,078,241,855 | 628,283,497 | 3,109,371,529 | 653,414,837 |
| Lands Physical Planning, Housing and urban development | 145,620,000 | 96,550,049 | 129,343,172 | 118,412,730 | 134,516,899 | 123,149,239 |
| Infrastructure, Energy and public works | 200,422,555 | 818,609,426 | 215,653,053 | 634,762,169 | 224,279,175 | 677,809,815 |
| Trade tourism, Industry and marketing | 97,419,998 | 84,518,374 | 112,403,177 | 118,412,730 | 116,899,304 | 151,452,079 |
| Sports Culture and Arts | 94,777,596 | 73,663,329 | 89,084,743 | 105,290,229 | 92,648,133 | 109,501,838 |
| Kisii Municipality | 112,996,000 | 186,190,948 | 205,023,068 | 174,771,358 | 213,223,990 | 181,762,213 |
| Ogembo Municipality | 5,200,000 | 43,300,000 | 2,600,000 | 18,200,000 | 2,704,000 | 18,928,000 |
| Total | 8,253,852,579 | 3,660,816,112 | 7,961,414,563 | 2,786,694,756 | 8,179,471,146 | 2,943,242,546 |

4.4 Revenue Projections

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

Table 4. 2: Revenue projections

| Source of Revenue | Approved Budget KShs | 2023/2024 | 2024/2025 |
|---|-------------------------|-----------------------|-----------------------|
| Equitable share | 8,894,274,509 | 9,250,045,489 | 9,620,047,309 |
| Lease of Medical Equipment | 110,638,298 | 115,063,830 | 119,666,383 |
| National Agricultural and Rural Inclusive Project (NAGRIP) | 324,295,427 | - | - |
| Agriculture Sector Development Support Program (ASDSP)-SIDA | 9,525,128 | - | - |
| DANIDA | 16,408,200 | - | - |
| Own Source Revenue (OSR) | 650,000,000 | 650,000,000 | 650,000,000 |
| Balances brought forward | 1,784,527,129 | 711,000,000 | 711,000,000 |
| Financing Locality Led Climate Action (FLLoCA) Program | 125,000,000 | 22,000,000 | 22,000,000 |
| Total | 11,914,668,691 | 10,748,109,319 | 11,122,713,692 |

Source: Kisii County Planning Department, 2022

The County Government's revenue is expected to reduce from **KShs. 11.91 billion** in 2022/2023 FY to **KShs 10.74 billion** and then rise to **KShs 11.12 billion** in FY 2023/2024 and FY 2024/2025 respectively.

4.5 Challenges experienced in the Implementation of FY 2022/2023

The implementation of FY 2022/2023 budget has experienced many challenges among them:

- i. Pending bills that affect implementation of new projects.
- ii. Delayed project implementation occasioned by contract administration and delayed financing.
- iii. Shortfalls in domestic revenue collection.
- iv. Delay in the enactment of the required legislations by the National Assembly.
- v. Delayed release of funds by the National Treasury.