



**COUNTY GOVERNMENT OF TRANS-NZOIA**

**TREASURY**

**COUNTY BUDGET REVIEW**

**AND**

**OUTLOOK PAPER**

**OCTOBER 2020**

## Foreword

This County Budget Review and Outlook Paper (CBROP) has been prepared in line with the Public Finance Management (PFM) Act, 2012 and its enabling Legislation and Regulations. It presents a review of the fiscal performance for 2019/20 financial year and how this affects the financial objectives set out in the 2020 County Fiscal Strategy Paper (CFSP). The updated macroeconomic outlook therein also provides us with a basis to revise the 2020/21 budget.

The fiscal outcome for FY 2019/20 and the first two months of financial year 2020/21 call for a review of the 2020/21 budget estimates and forms the basis of the sector ceiling provided in this policy document for the financial year 2021/22 for the County. In addition, these ceilings have been underpinned by the county's desire in providing an enabling business environment, quality health care services, reducing poverty and enhancing incomes as outlined in the Medium term development road map: County Integrated Development Plan (CIDP) 2018-2022.

This CBROP outlines the medium term policies and strategies that the county government seeks to implement in order for it to live up to its mandate given the prevailing socio- economic circumstances and in conformity with the fiscal responsibility principles outlined in the PFM Act 2012 and the County's development Strategic objectives as contained in the county development plans.

The sector strategies include; -

- Putting in place strategies to protect lives and livelihoods in the face of COVID-19 pandemic;
- prudent management of the county's financial resources in line with the PFM Act 2012;
- establishing a county public service that can deliver effectively and efficiently,
- developing appropriate social economic policies that can spur growth and development,
- creating a conducive investment environment,
- providing accessible and affordable social services (Health care, Housing and Education)
- Providing efficient and affordable transport and communication services.
- promoting empowerment of youth, women and the marginalized members of our community,
- increasing land productivity to ensure increased farm incomes and food security,
- promoting sustainable exploitation of the county's natural resource base and
- Ensuring security of land tenure as well as providing adequate land for infrastructure and development of public institutions.

The fiscal framework presented in this 2020 CBROP provides a strong basis for a sustained county development process that is aligned to the national development agenda including the 'The Big Four Agenda'. This CBROP is anchored on great fiscal discipline, transparency and public participation as a prerequisite to achievement of the aspirations of the people of Trans

Nzoia County. These policy strategies will be firmed in the next County Fiscal Strategy Paper (CFSP) to be released in February 2021.

**HON. BONFACE WANYONYI,  
COUNTY EXECUTIVE COMMITTEE MEMBER,  
FINANCE AND ECONOMIC PLANNING**

## **Acknowledgement**

The 2020 CBROP is a collaborative effort of the executive, the county assembly and the various stakeholders and members of the public whose views and sentiments have formed a key input in the preparation of the document. I would wish to first and foremost thank His Excellency P.S. Khaemba the Governor of Trans Nzoia County, His Excellency Dr. Stanley Tarus, the Deputy Governor and all the Members of the Executive committee of the Government of Trans Nzoia for the invaluable contributions and support towards the preparation of this important budget document.

My sincere gratitude goes to the County Departments and in particular the respective County chief officers, county directors and their technical staff for their dedicated effort in provision of input towards the development of the document.

I acknowledge the immense contribution of the members of the budget secretariat in their tireless effort when collecting the necessary information towards the development of this CBROP.

**EMMANUEL SIKUKU WANJALA**

**CHIEF OFFICER FINANCE**

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## **Abbreviations and Acronyms**

ADC	Agricultural Development Corporation
AI	Artificial Insemination
ASDSP	Agricultural Sector Development support Programme
BoQs	Bills of Quantity
C-APR	County Annual Progress Report
CARA	County Allocation of Revenue Act
CARB	County Allocation of Revenue Bill
CASSCOM	County Agricultural Sector Steering Committee
CBD	Central Business District
CBD	Central Business District
CCTV	Closed Circuit Television
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development plan
CBROP	County Budget Review and Outlook
COVID	Corona Virus Disease
CPSB	County Public Service Board
CRA	Commission for Revenue Allocation
DANIDA	Danish International Development Agency
DORB	Division of Revenue Bill
ECDC	Early Child Development Centre
ECDE	Early Childhood Development Education
ESP	Economic Stimulus Program
EU	European Union
FY	Financial year
GDP	Gross Domestic Product
ICT	Information Communication technology
IFMIS	Integrated Financial Management System
KDSP	Kenya Devolution Support Programme
KIE	Kenya Industrial Estate
KUSP UDG	Kenya Urban Support programme- Urban Development Grant
KUSP UIG	Kenya Urban Support Programme- Urban Institutional Grant
MTEF	Medium term Expenditure Framework
NARIGP	National Agricultural and Rural Inclusive Growth Project
PFMA 2012	Public Financial management Act 2012

PO	Producer Organization
PSM	Public service management
PWD	Persons Living with Disability
SGR	Standard Gauge Railway
SPs	Service Providers
SRC	Salaries and Remuneration Commission
TCB	Tissue Culture Banana
THS USP	Transforming Health systems for Universal care project
VCO	Value Chain Organization
VMGs	Vulnerable and Marginalized Groups
VTC	Vocational Training Centre



## Executive Summary

The 2020 Budget Review and Outlook Paper (CBROP) has been prepared in accordance with Section 118 of the Public Finance Management Act, 2012. It's the first step in the preparation of the County Budget. The CBROP provides a review of the fiscal performance for the financial year 2019/20, updated national macroeconomic and fiscal forecast which informs the county fiscal framework, deviations from the CFSP 2020 and indicative sector ceilings for the 2021/22 budget and the medium term. The indicative Ceilings and fiscal outlook provided herein will be firmed in the CFSP 2021.

The fiscal performance in the 2019/20 financial year was fairly satisfactory considering the environment -protracted share of revenue stalemate between national assembly and senate and the impacts of Covid-19 pandemic and the containment measure introduced in the last quarter of the financial year.

The total cumulative revenue realized was Ksh. **6,901,371,943 (87% of approved budget)** against a projected target of Ksh **7,974,386,342**. This represents a revenue shortfall of Ksh **1,073,014,399** where ordinary local revenues were under collected by Ksh **143,922,932** while transfers from the National government and other sources underperformed by **Ksh. 974,002,843**.

The actual total expenditure for both development and recurrent in 2019/20 financial year was Ksh. **6,319,990,962** against an approved budget of Ksh. **7,974,386,342** resulting in underperformance by Ksh. **1,654,395,380**.

The County approved budget for the financial year 2019/20 complied with the fiscal responsibility principles. The Development Budget of Ksh. **3,255,788,162** which is 41 % of the total budget of Ksh. **7,974,386,342** in the FY 2019/20 is over and above the minimum requirement of 30%. The personnel emoluments expenditure of Ksh. **2,714,642,469** is 34 % of the budget and is within the maximum required of 35% of the county revenue.

The CBROP has been prepared in the backdrop of an outbreak of Covid-19 and the subsequent ensuing of containment measures and the uncertainty about the disease that have devastated Global economies. The Kenyan economy has not be spared either with a slowdown of economic activities in key sectors of the economy in the first quarter of 2020, resulting to a lower growth of 4.9 percent compared to a growth of 5.5 percent in a similar period in 2019. Overall, taking into account the available indicators for second quarter for 2020, the economy is projected to grow by 2.6 percent in the calendar year 2020 compared to the initial projection of 6.1 percent in the 2020 Budget Policy Statement.

Leading economic indicators for the second quarter point to continued strong performance in agriculture, mainly due to favorable weather conditions and lifting of restrictions in the key export markets. However, the negative effects of covid-19 on the economy are projected to more

than offset the gains in the agricultural sector leading to an overall projected growth of 2.6 percent, in 2020. On a positive note, economic growth is projected to recover to 5.3 percent in 2021 and 5.9 percent in the medium term.

The County, like the rest of the Country has not been spared from the impacts of Covid-19 pandemic and national lockdown. The informal sectors of the economy; - mainly Jua kali sector, retail and wholesale trade, businesses in the fresh produce and open air markets, transport sector especially the Boda Boda sector and logistic services linking Kenya and southern Sudan has been adversely affected by the various containment measures laid down by the government. The hotel industry and other services sector have equally been affected.

Agriculture is the backbone of the County's economy. Favorable weather conditions coupled with county investment initiatives such as; - fertilizer subsidy, crop diversification, conservation agriculture, subsidized AI services, livestock disease management and promotion of cash crops have resulted in increased production and subsequently incomes. In addition, the sector has continually provided employment albeit seasonal to many especially during the planting, weeding and the maize harvesting season in October- December.

Revenue collection in the first two months for FY 2020/21 from the local sources has greatly underperformed, from the targeted Ksh. 40,260,800 to be raised locally; the actual collection is Ksh. 16,288,809 which is 40 % of the projected local revenue. On the other hand, expenditure has been dismal. The actual expenditure for both recurrent and development was Ksh. 378,987,587 against a projected expenditure of Ksh. 1,338,790,041 which is only 28% of the projected expenditure for the period.

The risks to the outlook include:

- i. Stalemate over the approval of 3<sup>rd</sup> basis revenue sharing formula among the counties;
- ii. Public expenditures pressures particularly on wages;
- iii. Reduced revenue by national and county government;
- iv. Uncertainty over the lifting up of measures to contain covid-19 pandemic; and
- v. Uncertainty arising from erratic weather partners.
- vi. High post harvest losses due to much rain

The FY 2021/2022 budget will target revenue collection of Ksh.500 Million from Local Sources and projected national grants of Ksh. 7,141,159,999 totaling to Ksh 7, 641,159,999. These projections however, are anchored on the on-going enhancement of the capacity of Revenue department, favorable weather conditions, resilience of the Kenyan economy and easing of Covid-19 containment measures. The proposed expenditure over the same period is Ksh. 5,278,601,641 in the recurrent expenditure and Ksh. 2,362,558,395 in the development vote.

### **Legal Basis 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 Finance Management Act, 2012. The law states that: -

- 1) The County Treasury Shall Prepare and Submit to the County Executive Committee for approval by 30<sup>th</sup> September in each year, a County Budget Review and Outlook Paper, which shall include:
  - (a) An analysis of 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 Plan;
  - (c) Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or financial objectives in the latest CFSP; and
  - (d) The reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- 2) The County Executive Committee shall consider the CBROP with a view to approving it with or without amendments, within fourteen days (14) after its submission.
- 3) Not later than Seven days (7) after the CBROP has been approved by the County Executive Committee (CEC), the County Treasury shall: -
  - (a) Submit the Paper to the County Assembly; and
  - (b) Publish and publicize the Paper not later than fifteen days after laying the paper before the county assembly.

### **Fiscal Responsibility Principles in the Public Financial Management Law.**

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the Management of Public resources.

Section 107 of the Act states that: -

- (a) The county government's recurrent expenditure shall not exceed the county government's total revenue.
- (b) Over the medium-term a minimum of thirty per cent of the County government's budget shall be allocated to the development expenditure.
- (c) The county government's expenditure on personnel emoluments shall not exceed a percentage of the county government's total revenue as prescribed by the County Committee Executive Member for Finance in regulations 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 recurrent expenditure.
- (e) The county debt shall be maintained at a sustainable level.
- (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.
- (h) For the purpose of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.

# SECTION ONE

## 1. Introduction

The CBROP is a key legal document linking County policies, County plans and budget. The CBROP provides the County Government with the basis upon which to reprioritize project portfolio as contained in the County Integrated Development Plan (CIDP) and other Development plans as guided by the indicative sector budget ceiling provided by the CBROP while taking into account the macro-economic environment and emerging county specific development needs.

In line with the PFM Act, the CBROP contains a review of the fiscal performance for the financial year 2019/20, updated national macroeconomic and fiscal forecast which informs the county fiscal framework, deviations from the CFSP 2020 and indicative sector ceilings for the 2021/22 budget and the medium term. The indicative Ceilings thus provided will set in motion the budget preparation process for the Fiscal Year 2021/22. These indicative sector ceilings and fiscal outlook will be firmed in the CFSP 2021.

### 1.1. Objectives of the CBROP

CBROP has three important functions:

- It's an end year report, providing an assessment of budget performance from the previous financial year in this case the 2019/20 FY;
- It also provides an update on the government's fiscal position for the first quarter of the current financial year 2020/21 which provides the basis for revising the current budget and fiscal framework as contained in the current CFSP; and
- The CBROP sets the share of the indicative budget that will be distributed to different sectors for the next financial year 2021/22.

### 1.2. Organization of Report

This report has been organized into three Sections, namely;

- Section one provides Background information on CBROP, introduction and objectives of the CBROP;
- Section two provides a review of the fiscal performance in FY 2019/20 and its implications on the financial objectives set out in the CFSP 2020;
- Section three provides brief highlights of the recent economic developments and updated macroeconomic outlook; and
- Section four provides the 2020/21-2021/22 MTEF Resource allocation framework and the conclusion.

## SECTION TWO

### 2. REVIEW OF FISCAL PERFORMANCE IN FY 2019/20

#### 2.0 Overview

The fiscal performance in the 2019/20 financial year was fairly satisfactory considering the environment -protracted share of revenue stalemate between national assembly and senate and the impacts of Covid-19 pandemic and the containment measure introduced in the last quarter of the financial year.

The total cumulative revenue realized was Ksh. **6,901,371,943 (87% of approved budget)** against a projected target of Ksh **7,974,386,342**. This represents a revenue shortfall of Ksh **1,073,014,399** where ordinary local revenues were under collected by Ksh **143,922,932** while transfers from the National government and other sources underperformed by **Ksh. 974,002,843**.

The actual total expenditure for both development and recurrent in 2019/20 financial year was Ksh. **6,319,990,962** against an approved budget of Ksh. **7,974,386,342** resulting in underperformance by Ksh. **1,654,395,380**.

#### 2.1. 2019/20 Fiscal Performance

##### 2.1.1. Revenue Performance;

The approved total revenue for the financial year 2019/2020 was Ksh. **7,974,386,342** comprising local revenues, exchequer allocations and all grants from the national Treasury and other international donors. However, the actual revenue realized was Ksh **6,901,371,943 (or 87% of the budgeted revenue)** thus recording a shortfall of Ksh. **1,073,014,399 (23%)**. Table 1 below provides an analysis of revenue performance by source during the year under review.

**Table 1: Approved and Actual Revenue Realized by Source for FY 2019/20 in Ksh.**

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Actual Revenue (Kshs.)	Variance (Kshs.)	% Actual Revenue against Target
		A	B	C=A-B	D=B/A *100
1	Equitable Share	5,760,300,000	5,264,914,200	(495,385,800)	91%
2	Local Sources	500,000,000	356,077,068	(143,922,932)	71%
3	KUSP UDG	299,106,900	213,932,859	(85,174,041)	72%
4	KUSP UIG	50,000,000	50,000,000	0	100%
5	KDSP	171,723,421	125,266,760	(46,456,661)	73%
6	NARIGP	350,000,000	222,439,095	(127,560,905)	64%

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Actual Revenue (Kshs.)	Variance (Kshs.)	% Actual Revenue against Target
		A	B	C=A-B	D=B/A*100
7	DANIDA	16,781,250	23,046,250	6,265,000	137%
8	ASDSP	23,903,220	16,390,678	(7,512,542)	69%
9	THUSP	36,686,728	36,686,728	0	100%
10	EU (WATER)	80,000,000	0	(80,000,000)	0%
11	User Fee	21,304,915	21,304,915	0	100%
12	Leasing of medical equipment	131,914,894	0	(131,914,894)	0%
13	Road Maintenance fuel levy	163,509,938	202,158,314	38,648,376	124%
14	Rehabilitation of Village Polytechnics	61,188,298	61,188,298	0	100%
15	Unspent Balances	307,966,778	307,966,778	0	100%
<b>Total</b>		<b>7,974,386,342</b>	<b>6,901,371,943</b>	<b>1,073,014,399</b>	<b>87%</b>

Source: County Budget Reports 2020

As can be deduced from table 1 above, Local sources underperformed by Ksh. **143,922,932**. The disbursement of equitable share from the National Government was Ksh. 5,264,914,200 against approved revenue of Ksh. **5,760,300,000** resulting in a shortfall of Ksh. **495,385,800**. Other revenues and grants underperformed by Ksh. **478,619,043**. As can be noted, approved revenue under EU (water) and Leasing of medical equipment was never received. On the other hand, grants under DANIDA and Road Maintenance Fuel Levy surpassed the approved Revenue by Ksh. **6,265,000** and Ksh. **38,648,376** respectively. The under performance in the targeted revenue from National government sources are attributed to the impact of Covid-19 which result to under collection. On the other NARIGP sources underperformed due to the requirement that disbursement is based on approved project proposals only.

Table 2 below provides a detailed analysis of own source revenue (OSR) by sector and source realized during the Financial Year 2019/20 against the target (approved budget).

**Table 2: Revenue Report for FY 2019/2020**

Sector/Revenue Source	Approved Budget (Ksh)	Actual Collection (Ksh.)	Variance (Ksh.)	% Actual Revenue against Target
	A	B	C = B-A	D=B/A*100
<b>AGRICULTURE, LIVESTOCK AND FISHERIES</b>				
Agricultural mechanization services	4,000,000	508,595	(3,491,405)	13%
Hire/lease of county agricultural land	300,000	-	(300,000)	0%

Sector/Revenue Source	Approved Budget (Ksh)	Actual Collection (Ksh.)	Variance ( Ksh.)	% Actual Revenue against Target
	A	B	C = B-A	D=B/A*100
Audit of co-operative societies	250,000	196,555	(53,445)	79%
Coffee movement permits	300,000	224,000	(76,000)	75%
Livestock auction fees	2,500,000	86,490	(2,413,510)	3%
Sale of tree seedlings	-	80,900	80,900	
Slaughter house operation fees	2,500,000	351,000	(2,149,000)	14%
Meat inspection	1,500,000	838,810	(661,190)	56%
Hides and skins license	500,000	18,000	(482,000)	4%
A.I. services	300,000	48,000	(252,000)	16%
Livestock movement permits	1,000,000	67,500	(932,500)	7%
Certificate of transport(COT)	250,000	-	(250,000)	0%
Licensing of Meat containers	500,000	12,000	(488,000)	2%
Lab services	300,000	2,500	(297,500)	1%
<b>Sector Total</b>	<b>14,200,000</b>	<b>2,434,350</b>	<b>(11,765,650)</b>	<b>17%</b>
<b>TRADE, COMMERCE AND INDUSTRY</b>				
Open air markets	15,000,000	11,972,360	(3,027,640)	80%
Market stalls, Bandas and Enclosed Markets	3,000,000	67,900	(2,932,100)	2%
Weight and measures fees	1,000,000	570,880	(429,120)	57%
Liquor fees	20,000,000	239,810	(19,760,190)	1%
<b>Sector Total</b>	<b>39,000,000</b>	<b>12,850,950</b>	<b>(26,149,050)</b>	<b>33%</b>
<b>WATER, ENVIRONMENT AND NATURAL RESOURCES</b>				
Refuse collection and conservancy	3,500,000	2,807,080	(692,920)	80%
Hydrological investigation and drilling of boreholes	4,000,000	0	(4,000,000)	0%
Lease fee of water facility	1,500,000	0	(1,500,000)	0%
Licensing of water service providers	2,000,000	0	(2,000,000)	0%
Use of county dumpsite	1,500,000	0	(1,500,000)	0%
Tree harvesting permit(farm trees)	250,000	0	(250,000)	0%
Licensing of extractive resources	2,500,000	0	(2,500,000)	0%
Noise control permit	2,500,000	316,000	(2,184,000)	13%
Nuisance abatement fees	500,000	0	(500,000)	0%
<b>Sector Total</b>	<b>18,250,000</b>	<b>3,164,180</b>	<b>(15,085,820)</b>	<b>17%</b>
<b>WORKS, TRANSPORT AND INFRASTRUCTURE</b>				
Hire of construction machinery	5,000,000	0	(5,000,000)	0%
Fire inspection/ compliance certificates	4,000,000	1,542,000	(2,458,000)	39%



Sector/Revenue Source	Approved Budget (Ksh)	Actual Collection (Ksh.)	Variance ( Ksh.)	% Actual Revenue against Target
	A	B	C = B-A	D=B/A*100
Way leave charges i.e. cutting, trenching and installation of fiber cables/water pipes	2,500,000	18,822	(2,481,178)	1%
Pole rates i.e. kplc and telecom poles	2,500,000	0	(2,500,000)	0%
<b>Sector Total</b>	<b>14,000,000</b>	<b>1,560,822</b>	<b>(12,439,178)</b>	<b>11%</b>
<b>HEALTH</b>				
Income from health (medical and public health)	150,000,000	171,260,536	21,260,536	114%
Cemetery charges	250,000	68,500	(181,500)	27%
<b>Sector Total</b>	<b>150,250,000</b>	<b>171,329,036</b>	<b>21,079,036</b>	<b>114%</b>
<b>PHYSICAL PLANNING, LANDS AND HOUSING</b>				
Approval of development applications	7,000,000	3,693,532	(3,306,468)	53%
House Rent	1,500,000		(1,500,000)	0%
Plot subdivision and transfer of plots	1,500,000	713,000	(787,000)	48%
Survey fees	500,000	198,000	(302,000)	40%
Temporary occupation license (TOL)	750,000	39,522	(710,478)	5%
Outdoor advertisement charges	15,000,000	8,678,255	(6,321,745)	58%
<b>Sector Total</b>	<b>26,250,000</b>	<b>13,322,309</b>	<b>(12,927,691)</b>	<b>51%</b>
<b>GENDER, YOUTH, SPORTS, CULTURE AND TOURISM</b>				
Hire of county stadium	150,000	53,000	(97,000)	35%
Hire of social hall	150,000	0	(150,000)	0%
Hire of county sports bus	250,000	0	(250,000)	0%
Registration/renewal of welfare groups/sports clubs and performing artists	250,000	0	(250,000)	0%
Dividend income i.e. Mt. Elgon Lodge	500,000	0	(500,000)	0%
Licensing of private parks	100,000		(100,000)	0%
Hire of county seats /tents	150,000	0	(150,000)	0%
<b>Sector Total</b>	<b>1,550,000</b>	<b>53,000</b>	<b>(1,497,000)</b>	<b>3%</b>
<b>EDUCATION</b>				
Registration of ECD schools	500,000	0	(500,000)	0%
Hire of county brick-making machines	500,000	0	(500,000)	0%
<b>Sector Total</b>	<b>1,000,000</b>		<b>(1,000,000)</b>	<b>0%</b>
<b>FINANCE AND ECONOMIC PLANNING</b>				
Cess	40,000,000	20,277,861	(19,722,139)	51%
Land rates (current, arrears and penalties)	50,000,000	22,251,110	(27,748,890)	45%
Single business permit (current, arrears and penalties)	60,000,000	47,682,660	(12,317,340)	79%



Sector/Revenue Source	Approved Budget (Ksh)	Actual Collection (Ksh.)	Variance (Ksh.)	% Actual Revenue against Target
	A	B	C = B-A	D=B/A*100
Street parking (daily, seasonal Parking and clamping)	15,000,000	16,266,550	1,266,550	108%
Enclosed bus park fees(daily and seasonal)	50,000,000	36,638,700	(13,361,300)	73%
Motor bike fees (daily and seasonal)	20,000,000	8,052,975	(11,947,025)	40%
Liquor fees	20,000,000	239,810	(19,760,190)	1%
Amusement permits	500,000	192,565	(307,435)	39%
<b>Sector Total</b>	<b>235,500,000</b>	<b>151,362,421</b>	<b>(84,137,579)</b>	<b>64%</b>
<b>Grand Total 2019/2020</b>	<b>500,000,000</b>	<b>356,077,068</b>	<b>(143,922,932)</b>	<b>71%</b>

Source: Draft Revenue Report 2019/2020

From table 2 above its clear that the revenue realized from most of the sectors was below the approved revenue target except for Health department, whose overall performance was Ksh. **171,329,036**, against approved revenue target of Ksh. **150,250,000** thus, realizing Ksh. **21,079,036** above the targeted revenue during the year under review. The underperformance in revenue collection was largely attributed to: -

- i. Decreased revenue collection from the local sources on account of Covid-19 containment measures on the local business and the informal sector;
- ii. General tax evasion by the public.

Going forward, the county has proposed a raft of strategies to correct the situation including;

- i. Completion and operationalization of Kitale Business Centre will help increase the revenue base;
- ii. Expansion of automation to cover other sources;
- iii. Expansion of revenue streams to cover untapped sources
- iv. Up scaling public sensitization campaigns on payment of taxes;
- v. Improvement in enforcement and transport for the Revenue section.

### 2.1.2. Expenditure Performance

The total approved Expenditure in both recurrent and development budget for the financial year 2019/20 was Ksh. **7,974,386,342** comprising Ksh. **4,718,598,180** under the recurrent vote and Ksh **3,255,788,162** under the development vote. The actual total expenditure for both recurrent and development was **Ksh. 6,319,990,962** resulting to an under expenditure of Ksh. **1,654,395,380**.

The actual recurrent expenditure was **Ksh. 4,228,264,667** against an approved expenditure of **Ksh. 4,718,598,180** resulting in an under expenditure of **Ksh. 490,333,513**. On the other hand,

the actual development expenditure was Ksh. **2,091,726,295** against an approved expenditure of Ksh. **3,255,788,162** thus underperforming by Ksh. **1,164,061,867** in the period under review.

Table 3 provides a summary of the expenditure performance by vote during the year under review.

**Table 3: Expenditure Performance by Vote for FY 2019/20**

Vote	APPROVED BUDGET	ACTUAL EXPENDITURE	Actual Expenditure as % of Approved
Recurrent	4,718,598,180	4,228,264,667	90
Development	3,255,788,162	2,091,726,295	64
<b>Total Expenditure</b>	<b>7,974,386,342</b>	<b>6,319,990,962</b>	<b>79</b>

Source –County Treasury;

As shown, the recurrent vote recorded a high absorption of the budget at 90 percent as a percentage of the approved while development recorded absorption of 64 percent.

Tables 4 and 5 provide an analysis of expenditure by sector for both the recurrent and development expenditure in the financial year 2019/20.

**Table 4: Analysis of recurrent Expenditure by sector for FY 2019/20**

SECTOR	APPROVED BUDGET	ACTUAL EXPENDITURE	Actual Expenditure as % of Approved Budget
Agricultural, Livestock & Co operative	253,504,628	247,217,348	98
Trade, Commerce & Industry	55,724,644	42,014,360	76
Water Environment & Natural Resources	93,359,375	87,720,124	94
Public Works Transport & Infrastructure	179,228,484	169,608,205	94
Health Services	1,713,891,483	1,526,093,819	89
Lands, Housing & Urban Development	69,675,167	47,238,386	68
Gender, Youth Culture	53,055,145	51,951,669	98
Governance, PSM,CPSB	539,834,499	502,749,214	93
Education & ICT	391,616,371	311,139,612	79
Finance & Economic Planning	740,569,274	676,025,689	91
County Assembly	628,139,110	566,506,241	90
<b>Total Expenditure for County</b>	<b>4,718,598,180</b>	<b>4,228,264,667</b>	<b>90</b>

Source- Draft Financial Statements FY 2019/20

The absorption of the recurrent expenditure varied across the sector. Lands, Housing and Urban Development recorded the lowest absorption rate at 68 percent.

**Table 5: Analysis of Development Expenditure by sector for FY 2019/20**

SECTOR	APPROVED	ACTUAL	Actual Exp. as %
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	<b>BUDGET</b>	<b>EXPENDITURE</b>	<b>of Approved</b>
Agricultural, Livestock & Co operative	621,969,627	433,755,892	70
Trade, Commerce & Industry	269,448,317	21,617,093	8
Water Environment & Natural Resources	328,456,871	213,645,351	65
Public Works Transport & Infrastructure	492,317,625	395,221,920	80
Health Services	578,712,632	424,417,854	73
Lands, Housing & Urban Development	430,549,554	311,594,845	72
Gender, Youth Culture	107,940,735	75,775,753	70
Governance, PSM,CPSB	19,106,861	9,304,151	49
Education & ICT	195,247,072	106,233,403	54
Finance & Economic Planning	123,038,868	78,688,366	64
County Assembly	89,000,000	21,471,667	24
<b>Total</b>	<b>3,255,788,162</b>	<b>2,091,726,295</b>	<b>64</b>

The expenditure performance in the development vote varied across the departments, with department of Trade Commerce and Industry spending only 8 percent of the allocated budget during the period under review. The low performance is attributable to Ksh. 209 million allocated to the department for the Construction of Kitale Business Centre which was not utilized due the slow pace of project implementation caused by Covid-19 and the unusually heavy rains experienced most of the year. This limited the ability of the contractor to meet the set milestone and to generate enough works for payment.

Among other departments only Public Works Transport and Infrastructure averaged 80 percent expenditure in the Fy under review. Overall performance averaged 64% and the low performance is attributable to the effects of COVID-19 which limited the execution of development budget across the sectors thus leading to the under absorption.

### **2.1.3. Compliance with the Fiscal Responsibility Principles**

The County approved budget for FY 2019/20 complied with the fiscal responsibility principles as outlined in the PFM Act 2012. The Development Budget of Ksh. 3,255,788,162 which is 41 % of the total budget of Ksh. **7,974,386,342** in the FY 2019/20 is over and above the minimum requirement of 30%. The personnel emoluments expenditure of Ksh. 2,714,642,469 is 34 % of the budget and is within the maximum required of 35% of the county revenue.

## **2.2 Sector Performance during the FY 2018/2019**

### **2.2.1 Agriculture, Livestock, Fisheries and Cooperative Development Sector**

During the year under review the key sector outputs included, procurement and distribution of 14,675 bags of non-acidic fertilizer and acquisition of assorted specialized agricultural machinery for use in promoting conservation agriculture. In addition, 114,000 coffee seedlings,

100,000 tea seedlings and 37,500 Tissue Culture banana seedlings were procured and distributed under crop diversification programme. To enhance post-harvest management, grain dryers and hermetic bags were also procured and distributed to farmers.

In the Livestock sub sector notable interventions included rehabilitation of 9 cattle dips, provision and distribution of 170 litres of acaricide to 9 communal dips and procurement and distribution of 3 milk coolers in collaboration with the National Government. Under the Small Holder Dairy commercialization program, 1 pasteurizer and 1 milk dispenser were distributed besides funding of 54 CIGS. 10,000 improved day-old Kienyeji chicks were also procured and distributed to farmers.

In the Cooperative development, sub sector, a total of 29 new co-operative societies were registered while 12 dormant co-operative societies were revived. In order to enhance compliance and strengthen cooperative movement, 15 co-operative societies were audited and 32 held general meetings through the supervision and support of the cooperative department.

In promoting fish farming, 8 new fish ponds were constructed with another additional 14 existing fish ponds being stocked with 29, 400 tilapias and cut fish fingerlings. During the year, 5965.6 kilograms of fish with an estimated market value of Ksh. 1,789, 680 145 was harvested.

During the period under consideration, implementation of NARIGP and ASDSP Programs were on progress and the achievements attained included;

### **NARIGP**

- Implementation of 600 micro projects worth Kshs. 212,043,861 under component one.
- Procurement and distribution of assorted office equipment to ten producer organizations (9 Dairy POs and one Chicken PO) that had received inclusion grants.
- Disbursement of two tranches of the matching grant worth Kshs. 13,000,000 for value chain upgrading and one PO (Cherangany Dairy Group PLC) carried out procurement of machinery.
- Employment of youths by VMGs to undertake excavation of soil conservation structures.

Under the **ASDSP** program the interventions undertaken in the year under review included;

- Development of strategic value chain action plan (SIVCAP) for three value chains of Dairy Cow milk, Maize and indigenous chicken.
- Formation and launch of CASSCOM (the organ to oversee agricultural sector activities during implementation of ASDSP II).
- Conducting of Capacity needs assessments for VCAs, SPs, and VCOs.
- Review of structures for Value chain platforms (VCP) and Technical working groups.
- Development of ASDSP II strategic plan with Gender and Social Inclusion Action plan being aligned to SIVCAP.

### **2.2.2 Health**

During the period under review the key milestone for the sector included; the continuation of completion works for Trans Nzoia Teaching and Referral Hospital (TTRH), (a major county flagship project) with overall completion rate standing at 89 percent at the end of the fiscal year. Further achievements for the sector included construction of a modern County health warehouse facility at Kiminini sub county, Construction of new dispensaries in Matumbei, Makutano, Kwanza, Tuwan and Nabiswa wards, and Procurement of two utility vehicles. Other initiatives undertaken included the routine public health and disease surveillance activities, family planning community outreach services, as well as undertaking blood collection camps to enhance blood transfusion.

### **2.2.3 Trade, Commerce and Industry**

For the period under review, construction of the Kitale Business center, a major county flagship project, was commenced. Other major achievements for the sector were renovation of Saboti and Kapsara markets constructed under the ESP. Other infrastructural developments were completion of Lukhome, Bikeke, Sitatunga and Big Tree fresh produce markets. Other projects undertaken were the construction of model kiosks at Kachibora and Kapkoi markets, construction of tomatoe processing plant at Mwangaza. Further, contract for the renovation and expansion of Emoru ESP market was awarded. In addition, identification of the site and development of designs and BoQs for the construction of modern wholesale and retail market within Kitale town was also undertaken.

### **2.2.4 Land, Housing and Urban Development.**

The major sector achievements for the period included; development of Trans Nzoia Spatial Plan, and completion of the development of Kitale Integrated Development Plan. In addition, the sector commenced the implementation of KUSP project funded by the World bank in conjunction with the department of Trade in addition to providing routine services such as development control and enforcement, surveys, boundary re-establishments, physical development plans among other initiatives.

### **2.2.5 Gender, Youth, Sports, Culture and Tourism**

In the fiscal year under review, the construction works for Kwanza Rehabilitation Centre hostel was continued. Additionally, procurement and distribution of kitchen ware and assorted items such as fire wood and foodstuff to Bahati Children Rescue centre was undertaken. The department also provided financial grants to 30,038 PWDs affected by floods as a result of the heavy rains.

Under the sports sub sector, renovation of staff houses at Cherangany estate (Kitale) for the establishment of the Elgon Hub was undertaken. In order to promote sports events and competitions, financial grants were provided to 25 sports teams in addition to procurement and distribution of assorted sports equipment to 14 sport teams. For the Culture and Tourism sub sector, 4 cultural groups were supported with financial grants. Identification and protection of 10 cultural sites and mapping of 19 tourist attraction sites were also undertaken.

### **2.2.6 Public Works, Transport and Infrastructure**

The key achievements realized by the sector included upgrading of 0.47km of roads to bitumen standards within the kitale municipality, routine maintenance of 900Km of County road network, installation and maintenance of 443m of Culverts and 4 box culvert bridges. Further, the routine maintenance of 1000 Street lighting fittings was undertaken. The department also erected 36 bodaboda sheds. In addition, the fire hanger and duty offices were completed to enhance the work environment and improve fire disaster preparedness.

### **2.2.7 Environment, Water, and Natural Resources**

The sector made notable strides in the period under review. In advancing environmental conservation, 30,000 tree seedlings were distributed and planted. In a bid to promote waste management and ensure clean environment, 10 bulk bins were procured and installed at strategic places. In addition, 3 improved exhaustible toilets and 2 ablution blocks were constructed to improve sanitation. In order to enhance access to safe water, 50Km of water pipelines were laid, 13 boreholes drilled and equipped as well as protection of 40 springs and development of 2 shallow wells.

### **2.2.8 Governance and Public Service Management**

In the financial year 2019/2020 achievements for the sector included the review of the County organizational structure to aid in streamlining the county civil service and enhance service delivery. Further achievements included provision of medical cover to county top management, development of county competency framework, rolling out of performance contracts and appraisal system for all staff in addition to validation of job descriptions for all staffs. During the year, the department facilitated for the routine placement and attachment of student interns across the departments. Other milestones achieved by the sector included; undertaking of civic education and public participation in the entire county, development of disaster management bill and establishment of the Governors delivery unit to strengthen performance and service delivery.

### **2.2.9 Education**

The key achievements for the sector in the financial year 2019/2020 included; Construction of 9 VIP toilets which improved hygiene and sanitation in ECDE centres, construction of 10 ECDE classrooms and disbursement of Elimu Bursary fund to 13,050 needy students. Other significant

achievements for the sector included provision of vocational training grants to 28 VTCs through the support of National Government and issuance of startup kits to 100 VTC graduates.

### **2.2.10 County Public Service Board**

In the year under review, the key highlights of CPSB included; recruitment of one hundred and Eighty-four (184) Health workers under the Universal Health Care programme (UHC) in collaboration with the National Government, renewal of contracts of sixteen staff including thirteen (13) Chief Officers, appointment of ninety-nine (99) and approval of confirmation in appointment of one hundred and twenty (120) officers on permanent and pensionable terms. Further, training request for 32 staff in the various county departments was approved. In enhancing staff upward mobility and progression, 43 officers were promoted to various cadres within the County establishment. Additionally, 5 officers were re-designated to various positions within the service. In the period under review, the CPSB also prepared and submitted its Annual Report to County Assembly and to H.E. the Governor.

In promoting the principles and values of public service, the sub sector also facilitated for the sensitization and administration of declaration of Income, Assets and liabilities (DIALs) for three thousand and forty-one (3041) county staff in 2019. Further, the members of the County Public Service Board were trained on strategic planning process in preparation of development of the Board's 2020 - 2024 Strategic Plan. Other achievements included the construction of additional office block with the percentage completion being 80%.

### **2.2.11 Finance and Economic Planning**

In the year under review, the key achievements in the sector included; preparation of C-APR for financial year 2018-2019, formulation of County Monitoring and evaluation policy, production of 10 draft sector plans, production of the 2020-2021 Annual Development Plan (ADP), and formulation of departmental strategic plan among other interventions.

Under the finance sub sector, notable achievements included preparation and submission of Annual Budget Estimates and related budget documents for Financial year 2020-2021, preparation of Financial statements (Monthly, Quarterly and Annual Reports) for Fy.2019-2020, development of consolidated County Annual procurement plan and cash flow projection for Fy.2019-2020. During the year, the Manual Asset Register was also developed. Additionally, initiatives to support revenue enhancements were also undertaken. These included the continued automation of revenue streams, increasing and marking of designated parking areas within the CBD and other related activities besides enhancing revenue enforcement.

### **2.2.12 County Assembly**

For the year under review notable achievements included; undertaking of completion works for the perimeter wall, completion of CCTV installation, and completion of works for the parking

shade. The sector also performed its routine activities such as enactment of legislations and citizen engagement through public fora.



## SECTION THREE

### 3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

#### 3.0 Recent Economic Developments

The outbreak of Covid-19 and the subsequent ensuing of containment measures and the uncertainty about the disease have devastated Global economies. Globally, growth is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent recorded in 2019. The Kenyan economy has not be spared either with a slowdown of economic activities in key sectors of the economy in the first quarter of 2020, resulting to a lower growth of 4.9 percent compared to a growth of 5.5 percent in a similar period in 2019. Overall, taking into account the available indicators for second quarter for 2020, the economy is projected to grow by 2.6 percent in the calendar year 2020 compared to the initial projection of 6.1 percent in the 2020 Budget Policy Statement.

Supported by good weather, agriculture recorded a positive growth of 4.9 percent in the first quarter of 2020 compared to a growth of 4.7 percent recorded over the same period in 2019. Tea production and cane deliveries grew by 49.2 percent and 10.2 percent, respectively in the first quarter of 2020 relative to 2019. However, the production of coffee and formal milk intake declined by 11.8 percent and 1.2 percent respectively over the same period. The first quarter of 2020 recorded strong growth in earnings from agricultural exports. Earning from the exports of fruits, cut flowers, coffee, tea and vegetables grew by 128.8 percent, 112.4 percent, 94.8 percent, 56.6 percent and 29.6 percent in the quarter under review relative to the same quarter of 2019

The non-agricultural sector (service, industry and mining and quarrying) remained resilient and grew by 5.2 percent in the first quarter of 2020, down from 5.9 percent in the same quarter of 2019. The services and industry sector contributed 3.3 percentage points to real GDP growth in the first quarter of 2020 mainly supported by strong performance in the services sector. Activities in the services sector slowed down but remained a key source of growth and expanded by 6.5 percent in 2018 compared to a growth of 6.9 percent recorded in 2017.

Year-on-year overall inflation has remained within the government target range since end of 2017 demonstrating prudent monetary policies. The inflation rate was at 4.4 percent in August 2020, declining from 5.0 percent in August 2019. This decline reflected favourable weather conditions which resulted to declines in the prices of key food items such as cabbages, tomatoes, Irish potatoes, spinach and loose maize grain. Paraffin, petrol, diesel and 200KWh electricity prices also declined during the same period due to lower international oil prices.

The foreign exchange market has experienced some volatility in 2020, largely due to uncertainties with regard to the impact of Covid-19 Pandemic and a significant strengthening of

the US Dollar in the global markets. However, the Kenya Shilling remained competitive supported by a stable current account deficit. The Shilling depreciated against the US Dollar, Sterling pound and the Euro exchanging at an average of Ksh 107.3, Ksh 135.3 and Ksh 122.5 in July 2020 from Ksh 103.2, Ksh 128.7 and Ksh 115.8 in July 2019, respectively

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent on July 29, 2020 same as in April 2020 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by Covid-19 pandemic. The interbank rate remained low and fairly stable at 2.5 percent in August 2020 from 3.6 percent in August 2019 in line with the easing of the monetary policy and adequate liquidity in the money market. The 91-day Treasury Bills rate declined to 6.2 percent in August 2020 compared to 6.4 percent in August 2019. Over the same period, the 182-day Treasury Bills rate declined to 6.6 percent from 7.1 percent while the 364-day Treasury Bills decreased to 7.5 percent from 9.2 percent.

The current account deficit worsened by 1.2 percent to US\$ 4,795.3 million (4.7 percent of GDP) in the June 2020 compared to a deficit of US\$ 4,737.4 million (5.0 percent of GDP) in the year to June 2019 mainly due to a decline in net secondary income and net services. The balance in the merchandise account improved by US\$ 705.8 million to a deficit of US\$ (9,458.9) million in the year to June 2020 on account of a decline in imports that more than offset the decline in exports.

The banking system's foreign exchange holdings remained strong at US\$ 13,680.9 million in June 2020 up from US\$ 13,187.3 million in June 2019. The official foreign exchange reserves held by the Central Bank improved to US\$ 9,739.9 million (5.9 months of import cover) in June 2020 compared with US\$ 9,655.9 million (6.0 months of import cover) in June 2019. This is within the foreign exchange policy range of maintaining reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to US\$ 3,940.9 million in June 2020 from US\$ 3,531.4 million in June 2019.

### **3.1 Medium Term Growth Prospects**

#### **3.1.1 Global Growth Outlook**

The global economy is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent in 2019. However, world economic growth is projected to rebound to 5.4 percent in 2021 mainly supported by a gradual strengthening in consumption and investment resulting from economic stimulus programmes from major economies to boost recovery after the Covid-19 pandemic.

Growth in the advanced economies is projected at negative 8.0 percent in 2020 recovering to 4.8 percent in 2021. This reflects deeper than anticipated effects of the pandemic on economic activity in the first half of 2020 and more gradual recovery in the second half of the year.

The emerging markets and developing economies are also projected to contract by 3.0 percent in 2020. Better prospects are however expected in 2021 with growth forecasted at 5.9 percent; this recovery is well echoed in the forecasted growths of Emerging and Developing Asia and Europe, Latin America and the Caribbean, and Sub-Saharan Africa.

The Sub-Saharan African region has not been spared the negative impact of the pandemic with the region projected to contract by 3.2 percent in 2020. Consistent with forecast in the other regions, economic growth in the region is expected to recover to 3.4 percent in 2021 as most of the economies in the region recover from the adverse effects of the Covid-19 pandemic

### **3.1.2 Domestic Growth Outlook -National**

#### **3.1.2.1 Productive Sector Outlook**

Prior to the outbreak of Covid-19 pandemic, Kenya's economy was strong and resilient despite the challenging global environment. The economy expanded by 4.9 percent in the first quarter of 2020 supported by the agricultural sector on account of favorable weather conditions.

Leading economic indicators for the second quarter point to continued strong performance in agriculture, mainly due to favorable weather conditions and lifting of restrictions in the key export markets. However, the negative effects of covid-19 on the economy are projected to more than offset the gains in the agricultural sector leading to an overall projected growth of 2.6 percent, in 2020. In terms of fiscal year, the FY2020/21, growth is projected at 4.0 percent. On a positive note, economic growth is projected to recover to 5.3 percent in 2021 and 5.9 percent in the medium term.

#### **3.1.2.2 Monetary Policy Outlook**

The main objective of monetary policy, over the medium term, is to maintain stable prices. Overall inflation is expected to remain within the target range in the short run, despite the disruptions occasioned by the COVID-19 pandemic. This will be supported by favorable weather conditions, lower international oil prices, muted demand pressures and the reduction of Value Added Tax (VAT) from 16 percent to 14 percent. The Central Bank of Kenya will continue to monitor developments in the money and foreign exchange market and take appropriate measures in the event of adverse shocks.

The Kenya Shilling is expected to remain stable in 2020 on account of a stable current account deficit. The current account deficit is expected to narrow to 5.1 percent of GDP in 2020 from 5.8 percent in 2019 supported by a lower oil import bill and lower imports of SGR-related equipment.

### **3.1.2.3 Fiscal Policy Outlook.**

The revenue projections over the medium term takes into account the consistent decline in the share of revenue to GDP in the last five years, the negative impact of the Covid-19 pandemic on revenue collection and the impact of personal and corporate income tax relief extended to individuals and businesses to mitigate the impact of the pandemic. As such, the Government will take a cautious and realistic revenue projections for FY 2021/22 and the medium term to manage expectations and improve budget credibility. Fiscal policy over the medium-term aims at enhancing revenue mobilisation and strengthen management of public debt to minimize cost and risks of the portfolio, while accessing external concessional funding to finance development projects.

The envisaged Economic growth for the calendar year 2020 and the FY 2020/21 and the medium term, will be anchored on a stable macroeconomic environment, investments in the strategic areas under the “Big Four” agenda, the ongoing public investments in infrastructure projects, the Economic Stimulus Program being implemented and the planned 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. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) of the Vision 2030

### **3.1.3 County Outlook**

#### **3.1.3.1 Economic Outlook;**

The County, like the rest of the Country has not been spared from the impacts of Covid-19 pandemic and national lockdown. The informal sectors of the economy; - mainly Jua kali sector, retail and wholesale trade, businesses in the fresh produce and open air markets, transport sector especially the Boda Boda sector and logistic services linking Kenya and southern Sudan have been adversely affected by the various containment measures laid down by the government. The hotel industry and other services sector have equally been affected.

Agriculture is the backbone of the County’s economy. Favorable weather conditions coupled with county investment initiatives such as; - fertilizer subsidy, crop diversification, conservation agriculture, subsidized AI services, livestock disease management and promotion of cash crops have resulted in increased production and subsequently incomes. In addition, the sector has continually provided employment albeit seasonal to many especially during the planting, weeding and the maize harvesting season in October- December.

#### **3.1.3.2 Fiscal Performance**

In view of the impacts of lockdown and other measures to contain the spread of covid-19 pandemic, and the stalemate over approval revenue sharing formula fiscal performance has been suppressed.

### Revenue Performance;

For the first two months of July and August the County received a total of Ksh. 784,332,578 which included Ksh. 495,385,800 being the June 2020 allocation of equitable share that was not received by the end of FY 2019/2020 and accounted for under unspent balance. Other revenues included the Covid -19 national Government grants of Ksh. 160,903,000, the Road Maintenance Fuel Levy for fourth quarter of FY 2019/2020 amounting to Ksh 81,754,969 and Kenya Devolution Support Grant (KDSP) for the same period of Ksh. 30,000,000. The own source revenue (Local sources) performance was dismal and amounted to Ksh. 16,288,809.

Overall the revenue performance for the period was dismal in the first two months of FY 2020/21 both for the national government disbursements and the own resource raised locally. Due to the stalemate in resolving the third basis revenue sharing formula between the Counties the equitable shares for July and August 2020 was not received thus contributing to the dismal performance.

Table 6 provides an analysis of revenue realized for July and August by source.

**Table 6: July and August Approved and Actual Revenue Realized by Source for Financial Year 2020/2021**

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Actual; July to Aug 2020 (Ksh)	Variance (Kshs.)	% Actual against Target
		A	B	C=B-A	D=B/A*100
1	Equitable Share	5,791,950,000	0	(5,791,950,000)	0%
2	Local Sources	500,000,000	16,306,559	(483,693,441)	3%
3	KUSP UDG	299,106,900	0	(299,106,900)	0%
4	KDSP	75,000,000	30,000,000	(45,000,000)	40%
5	NARIGP	199,332,120	0	(199,332,120)	0%
6	DANIDA	22,645,000	0	(22,645,000)	0%
7	ASDSP	29,158,844	0	(29,158,844)	0%
8	THS USP	44,386,749	0	(44,386,749)	0%
9	EU (WATER)	45,162,927	0	(45,162,927)	0%
10	User Fee	21,304,915	0	(21,304,915)	0%
11	Leasing of medical equipment	132,021,277	0	(132,021,277)	0%
12	Road Maintenance fuel levy	254,383,730	81,754,969	(172,628,761)	32%
13	Rehabilitation of Village Polytechnics	74,768,711	0	(74,768,711)	0%
14	Unspent Balances	495,385,800	495,385,800	0	100%
15	Covid – 19 Grant	160,903,000	160,903,000	0	100%
<b>Total</b>		<b>8,145,509,973</b>	<b>784,332,578</b>	<b>(7,361,177,395)</b>	<b>10%</b>

Source: County Budget Reports 2020

Table 7 provides an analysis of local revenue for July and August by sector.

**Table 7: July and August Revenue report by sector for financial year 2020/2021**

Sector/Revenue Source	Approved revenues for FY 2020-21	Target; July to August 2020	Actual; July to Aug 2020	Percent age of target;
<b>AGRICULTURE, LIVESTOCK AND FISHERIES</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>
Agricultural mechanization services	4,500,000	100,000	34,200	34
Hire/lease of county agricultural land	200,000	200	-	0
Audit of co-operative societies	300,000	5,000	-	0
Coffee movement permits	1,000,000	10,000	-	0
Livestock auction fees	2,500,000	50,000	-	0
Slaughter house operation fees	2,500,000	50,000	-	0
Meat inspection	2,000,000	50,000	-	0
Hides and skins license	250,000	20,000	-	0
A.I. services	250,000	20,000	-	0
Livestock movement permits	2,000,000	150,000	-	0
Certificate of transport(COT)	300,000	30,000	-	0
Lab services	200,000	10,000	-	0
<b>Sector Total</b>	<b>16,000,000</b>	<b>495,200</b>	<b>34,200</b>	<b>7</b>
<b>TRADE, COMMERCE AND INDUSTRY</b>				
Open air markets	17,000,000	2,000,000	1,772,130	89
Market stalls, Bandas and Enclosed Markets	2,500,000	15,000	8,100	54
Weight and measures fees	1,500,000	250,000	199,910	80
<b>Sector Total</b>	<b>21,000,000</b>	<b>2,265,000</b>	<b>1,980,140</b>	<b>87</b>
<b>WATER, ENVIRONMENT AND NATURAL RESOURCES</b>				
Refuse collection and conservancy	4,000,000	200,000	123,605	62
Hydrological investigation and drilling of boreholes	10,000,000	5,000	-	0
Lease fee of water facility	-	200	-	0
Licensing of water service providers	-	200	-	0
Use of county dumpsite	-	200	-	0
Tree harvesting permit(farm trees)	5,000,000	50,000	9,200	18
Licensing of extractive resources	2,000,000	5,000	-	0
Noise control permit	2,000,000	50,000	12,000	24
Nuisance abatement fees	300,000	5,000	-	0
<b>Sector Total</b>	<b>23,300,000</b>	<b>315,600</b>	<b>144,805</b>	<b>46</b>
<b>WORKS, TRANSPORT AND INFRASTRUCTURE</b>				

Sector/Revenue Source	Approved revenues for FY 2020-21	Target; July to August 2020	Actual; July to Aug 2020	Percent age of target;
Hire of construction machinery	3,000,000	100,000	-	0
Fire inspection/ compliance certificates	4,500,000	250,000	94,500	38
Way leave charges i.e. cutting, trenching and installation of fiber cables/water pipes	2,000,000	5,000	-	0
Pole rates i.e. kplc and telecom poles	-	5,000	-	0
<b>Sector Total</b>	<b>9,500,000</b>	<b>360,000</b>	<b>94,500</b>	<b>26</b>
<b>HEALTH</b>				
Income from health (medical and public health)	160,000,000	15,000,000	470,835	3
Cemetery charges	200,000	30,000	19,000	63
<b>Sector Total</b>	<b>160,200,000</b>	<b>15,030,000</b>	<b>489,835</b>	<b>3</b>
<b>PHYSICAL PLANNING, LANDS AND HOUSING</b>				
Approval of development applications	6,000,000	1,000,000	572,460	57
Plot subdivision and transfer of plots	2,000,000	50,000	20,000	40
House rents	1,000,000	30,000	-	0
Survey fees	250,000	50,000	37,000	74
Temporary occupation license (TOL)	550,000	20,000	-	0
Outdoor advertisement charges	15,000,000	1,000,000	570,930	57
<b>Sector Total</b>	<b>24,800,000</b>	<b>2,150,000</b>	<b>1,200,390</b>	<b>56</b>
<b>GENDER, YOUTH, SPORTS, CULTURE AND TOURISM</b>				
Hire of county stadium	100,000	20,000	-	0
Hire of social hall	100,000	5,000	-	0
Hire of county sports bus	200,000	50,000	-	0
Registration/renewal of welfare groups/sports clubs and performing artists	200,000	5,000	-	0
Dividend income i.e. Mt. Elgon Lodge	-	-	-	-
Licensing of private parks	-	-	-	-
Hire of county seats /tents	100,000	10,000	-	0
<b>Sector Total</b>	<b>700,000</b>	<b>90,000</b>	<b>-</b>	<b>0</b>
<b>Education</b>				
Registration of ECD schools	100,000	-	-	0
Hire of county brick-making machines	100,000	-	-	0
	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>FINANCE AND ECONOMIC PLANNING</b>				
Cess	40,000,000	2,000,000	1,446,404	72
Land rates (current, arrears and penalties)	40,000,000	2,000,000	1,374,471	69



Sector/Revenue Source	Approved revenues for FY 2020-21	Target; July to August 2020	Actual; July to Aug 2020	Percent age of target;
Single business permit ( current, arrears and penalties)	60,000,000	3,000,000	2,894,119	96
Street parking (daily, seasonal Parking and clamping)	19,000,000	4,000,000	3,395,100	85
Enclosed bus park fees(daily and seasonal)	50,000,000	3,500,000	3,099,950	89
motor bike fees (daily and seasonal)	15,000,000	5,000	-	-
Liquor fees	20,000,000	5,000,000	133,400	3
Amusement permits	300,000	50,000	19,245	38
<b>Sector Total</b>	<b>244,300,000</b>	<b>19,555,000</b>	<b>12,362,689</b>	<b>63</b>
<b>Grand Total</b>	<b>500,000,000</b>	<b>40,260,800</b>	<b>16,306,559</b>	<b>41</b>

Source: County Treasury

Revenue collection from the local sources has greatly underperformed, from the targeted Ksh. 40,260,800 to be raised locally; the actual collection was Ksh. 16,288,809 which is 40 % of the projected local revenue. The underperformance in revenue for the months of July and August is as a result of reduced economic activity on account of the Covid-19 pandemic outbreak and the ensuing containment measures as well the stalemate over the Division of Revenue formula.

### Expenditure Performance

Budget performance in the months of July and August has been dismal. Table 8 provides a summary of expenditure for the county in the months of July and August.

**Table 8; July and August 2020 Expenditure Analysis by Economic Classification**

Description	Budgeted (2 Months)	Actual (2 Months)	% performance
Personnel	464,296,243	245,603,090	53
Operations and Maintenance	327,116,250	133,384,497	41
Development	547,377,548	0	0
<b>TOTAL</b>	<b>1,338,790,041</b>	<b>378,987,587</b>	<b>28</b>

Source: County Treasury

The expenditure by the county has been dismal. The actual expenditure for both recurrent and development was Ksh. 378,987,587 against a projected expenditure of Ksh. 1,338,790,041 which is only 28% of the projected expenditure for the period. The county recorded zero expenditure in the development vote. No funds have been disbursed by the national government under the development vote. The expenditure underperformance is on account of stalemate over the division of revenue bill before the senate.



### **3.1.4 Risks to the outlook**

The risks to the outlook include:

- vii. Stalemate over the division of revenue formula;
- viii. Public expenditures pressures particularly on wages;
- ix. Reduced revenue by national and county government;
- x. Uncertainty over the lifting up of measures to contain covid-19 pandemic; and
- xi. Uncertainty arising from erratic weather partners.

The County Government is continually monitoring these risks and taking appropriate policy measures to caution the fiscal framework set out in the current CFSP. In addition, the additional revenue anticipated from the national government following the end of the division of revenue stalemate will enable the county government to invest in areas that will generate employment, cushion the people against the downsides of the risks emanating from the Covid19 pandemic, and provide enhanced medical services.

## SECTION FOUR

### RESOURCE ALLOCATION FRAMEWORK

#### 4.0 Adjustment to 2020/2021 Budget

Given the fiscal under-performance in FY. 2019/20 and in the months of July-August, of financial year 2020/21, the fiscal objectives as outlined in the CFSP 2020 must be updated to reflect the budget reality as determined by;

- Covid-19 pandemic and effects of the subsequent containment measures;
- Stalemate on the revenue sharing formula among the counties;
- weaker revenue performance in the first quarter of financial year 2020/2021 and in the medium term;
- Expenditure pressures with respect to corrective bargaining agreements

Adjustments to the 2020/21 budget therefore underpins the base that determines the fiscal framework for FY. 2021/22 and the medium term. In view of resource constraints, the County Government will rationalize expenditures by shifting expenditures towards projects that will protect lives and livelihoods in the face of Covid-19 pandemic and towards projects that will return the county economy to the path of recovery.

On local Revenue collection, the County Government will undertake regular sensitization of citizens on various tax revenues and enhance enforcement to raise compliance levels. Sealing of revenue leakages is ongoing and will be strengthen once the automation of the whole revenue collection into one system is in place. The Automation process began with street parking and is anticipated to continue until all Revenue sources are covered. Revenue collectors will be closely monitored in addition, to placing them on performance contracts to ensure that targeted levels are met. Further, the county will enhance revenue collection from high potential revenue streams such as Cess and Liquor lincensing.

#### 4.1 Medium-Term Expenditure Framework

In view of the recent macroeconomic circumstance, growth prospects and limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority expenditures across the sectors. The current 2<sup>nd</sup> generation CIDP 2018-2022 whose implementation is underway will guide resource allocation in the medium term. The 2021/2022 annual development plan is being finalized and the sectors have outlined key strategies for implementation in the financial year 2021/2022 which will guide the resource allocation.

## 4.2FY 2020/2021 Budget Framework

The FY 2020/21 budget framework is set against the background of the updated medium-term county fiscal framework set out above. As a policy tool, the framework targets to enhance growth and productivity across all sectors of the County. The projected growth assumes normal weather pattern during the year, a downward surge of Covid-19 and eventual flattening of the infections leading to lifting of the containment measures, local investors responding to the development initiatives outlined in the CIDP and ADP, continued favorable weather conditions and low international oil prices.

### 4.2.1 Revenue Projections

The FY 2021/2022 budget will target revenue collection of Ksh.500Million from Local Sources and projected national grants of Ksh. 7.186 billion totaling to Ksh. 7.686 billion. These projections however, are anchored on the on-going enhancing the capacity of Revenue department, favorable weather conditions, resilient of the Kenyan economy and easing of Covid-19 containment measures.

### 4.2.2 Expenditure Forecasts

In FY 2021/2022 this CBROP has proposed an expenditure of Ksh. 6.3 billion where recurrent expenditure will be Ksh. 5.1 billion and a development expenditure of Ksh. 1.2 billion. Table 9 provides a summary of proposed expenditure for both recurrent and development for financial year 2021/2022.

**Table 9: Summary of proposed Expenditure by Economic Classification for FY 2020/21-2023/24 in Ksh. Shillings**

Vote	Approved Budget	Projected		
	2020/21	2021/22	2022/23	2023/24
Recurrent	4,748,474,956	5,318,601,604	5,570,938,640	6,498,207,913
Development	1,690,311,136	2,367,558,395	2,365,558,395	2,574,714,691
<b>Total</b>	<b>6,438,786,092</b>	<b>7,686,159,999</b>	<b>7,983,497,035</b>	<b>9,072,922,603</b>

## 4.3 Resource Allocation Criteria

The Resource allocation by Sector will be based on the following: -

- Linkages with the CIDP and ADP and other County Plans;
- Degree to which the programme addresses the key mandate of the department
- Provision of services as contained in schedule 14 of the constitution;
- Degree to which the programme address constitutional obligations;

Consequently, the focus in resource allocation will be geared towards;

- Improving public services delivery;
- Enhancing Human resource capacity;
- Creating enabling environment for trade and investment;
- Fast tracking the implementation of the CIDP;
- Promoting agricultural diversification; and
- Ensuring easy access to basic social services including water, education and health care.

Table 107 gives the tentative expenditure ceilings for the various sectors. The ceiling will be firmed up in County Fiscal Strategy Paper in February 2021.

## **5.0 Conclusion**

The FY 2021/22 budget is being prepared against the backdrop of prolonged debate on the division of revenue bill, outbreak of Covid-19 pandemic, a near lockdown of the economy as part of the containment measures, loss of income for many of the residents, high cost of service delivery in line with Covid-19 containment guidelines as well as high cost of county preparedness measures to protect lives and livelihoods.

Nationally, the economy is projected to slow down to 2.6 percent in 2020 from the 5.4 percent registered in 2019. This implies significant revenue shortfalls from own resource as well as national and donor grants to the county. This in turn calls for proper prioritization of public expenditures to the most impactful programmes with highest welfare to people of Trans Nzoia.

**TABLE 10:****DEPARTMENTAL REVENUE AGAINST TOTAL (RECURRENT AND DEVELOPMENT) EXPENDITURE CEILINGS**

Sector		Approved Estimates	Projected Expenditure Ksh.		% Share of Total Expenditure		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Agriculture, Livestock, Fisheries and Cooperative Development	<b>Subtotal</b>	<b>514,497,480</b>	<b>577,651,373</b>	<b>591,462,960</b>	<b>8%</b>	<b>8%</b>	<b>7%</b>
	Recurrent	263,077,853	276,231,746	290,043,333	6%	5%	5%
	Development	251,419,627	301,419,627	301,419,627	15%	13%	13%
Trade, Commerce & Industry	<b>Subtotal</b>	<b>306,692,961</b>	<b>229,466,876</b>	<b>232,640,220</b>	<b>5%</b>	<b>3%</b>	<b>3%</b>
	Recurrent	60,444,644	63,466,876	66,640,220	1%	1%	1%
	Development	246,248,317	166,000,000	166,000,000	15%	7%	7%
Water Environment and Natural Resources	<b>Subtotal</b>	<b>320,576,246</b>	<b>351,551,440</b>	<b>356,476,168</b>	<b>5%</b>	<b>5%</b>	<b>4%</b>
	Recurrent	97,519,375	98,494,569	103,419,297	2%	2%	2%
	Development	223,056,871	253,056,871	253,056,871	13%	11%	11%
Works, Transport & Infrastructure	<b>Subtotal</b>	<b>425,947,109</b>	<b>577,946,494</b>	<b>588,043,387</b>	<b>7%</b>	<b>8%</b>	<b>7%</b>
	Recurrent	199,938,484	201,937,869	212,034,762	4%	4%	4%
	Development	226,008,625	376,008,625	376,008,625	13%	16%	16%
Education, ICT and Vocational Training	<b>Subtotal</b>	<b>498,485,145</b>	<b>547,136,464</b>	<b>566,720,348</b>	<b>8%</b>	<b>7%</b>	<b>7%</b>
	Recurrent	373,026,371	391,677,690	411,261,574	8%	7%	7%
	Development	125,458,774	155,458,774	155,458,774	7%	7%	7%
Health Services	<b>Subtotal</b>	<b>1,889,742,246</b>	<b>2,222,923,050</b>	<b>2,310,262,894</b>	<b>29%</b>	<b>29%</b>	<b>29%</b>
	Recurrent	1,663,616,081	1,746,796,885	1,834,136,729	35%	33%	33%
	Development	226,126,165	476,126,165	476,126,165	13%	20%	20%
Lands, Housing and Urban Development	<b>Subtotal</b>	<b>107,032,026</b>	<b>127,802,546</b>	<b>131,179,737</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>
	Recurrent	66,773,296	67,543,816	70,921,007	1%	1%	1%

	Development	40,258,730	60,258,730	60,258,730	2%	3%	3%
Kitale Municipality	<b>Subtotal</b>	<b>20,000,000</b>	<b>130,500,000</b>	<b>133,525,000</b>	<b>0%</b>	<b>2%</b>	<b>2%</b>
	Recurrent	10,000,000	60,500,000	63,525,000	0%	1%	1%
	Development	10,000,000	70,000,000	70,000,000	1%	3%	3%
Gender, Youth, Culture, Sports, Women & Tourism	<b>Subtotal</b>	<b>176,545,880</b>	<b>209,198,637</b>	<b>211,984,032</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
	Recurrent	53,055,145	55,707,902	58,493,297	1%	1%	1%
	Development	123,490,735	153,490,735	153,490,735	7%	6%	6%
Governance /Executive	<b>Subtotal</b>	<b>148,190,371</b>	<b>653,757,614</b>	<b>681,445,495</b>	<b>2%</b>	<b>9%</b>	<b>9%</b>
	Recurrent	119,953,381	553,757,614	581,445,495	3%	10%	10%
	Development	28,236,990	100,000,000	100,000,000	2%	4%	4%
Public Service Management	<b>Subtotal</b>	<b>405,079,429</b>	<b>438,479,230</b>	<b>457,903,192</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>
	Recurrent	384,632,901	388,479,230	407,903,192	8%	7%	7%
	Development	20,446,528	50,000,000	50,000,000	1%	2%	2%
CPSB	<b>Subtotal</b>	<b>66,673,461</b>	<b>85,992,500</b>	<b>89,292,125</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>
	Recurrent	62,850,000	65,992,500	69,292,125	1%	1%	1%
	Development	3,823,461	20,000,000	20,000,000	0%	1%	1%
Finance and Economic Planning	<b>Subtotal</b>	<b>778,487,183</b>	<b>805,614,666</b>	<b>841,608,456</b>	<b>12%</b>	<b>10%</b>	<b>11%</b>
	Recurrent	712,748,315	719,875,798	755,869,588	15%	14%	13%
	Development	65,738,868	85,738,868	85,738,868	4%	4%	4%
County assembly	<b>Subtotal</b>	<b>780,836,555</b>	<b>728,139,110</b>	<b>790,953,021</b>	<b>12%</b>	<b>9%</b>	<b>10%</b>
	Recurrent	680,839,110	628,139,110	690,953,021	14%	12%	12%
	Development	99,997,445	100,000,000	100,000,000	6%	4%	4%
<b>Total</b>	<b>Total</b>	<b>6,438,786,092</b>	<b>7,686,159,999</b>	<b>7,983,497,035</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
	Recurrent	4,748,474,956	5,318,601,604	5,615,938,640	100%	100%	100%
	Development	1,690,311,136	2,367,558,395	2,367,558,395	100%	100%	100%

### Source of Budget: County Treasury

