



REPUBLIC OF KENYA



COUNTY GOVERNMENT OF HOMA BAY

**DEPARTMENT OF FINANCE, ECONOMIC PLANNING AND
SERVICE DELIVERY**

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

September 2022

FOREWORD

The 2022 County Budget Review and Outlook Paper (CBROP) has been prepared pursuant to Section 118 of the Public Finance Management Act 2012. The document presents the fiscal performance for the FY 2021/22 and how the performance affects fiscal objectives of the County Government of Homa Bay as set out in the 2022 County Fiscal Strategy Paper (CFSP) in addition to setting the preliminary budget ceilings for the FY 2023/24 budget process. The document also provides a review of economic and fiscal developments as well as updated medium-term economic and financial forecasts since approval of the 2022 County Fiscal Strategy Paper.

Ultimately, the document sets the tone for the review of the review of the FY 2022/23 budget estimates as well as the preparation of the FY 2023/2024 budget estimates. This means the document assesses the rate of revenue collection and sector program spending for the county government with a view to recommending measures to correct any major deviations and that may affect the fiscal performance of the county government for the upcoming year and over the medium term.

By the end of the FY 2021/2021, the County Government of Homa Bay had received funds amounting to KSh. 10,220,265,794. Against the final revised estimates of KSh. 9,684,356,474, this represented an average revenue performance of 105.5%. Out of those total receipts, KSh. 9,108,130,477 was spent, representing 94.0% of the county's total actual revenue in that financial year. This only represented a marginal improvement when compared to the FY 2020/21 when 93.0% of the total revised budget was used up.

In terms of votes, absorption of recurrent budget stood at 96.3% while that of development budget stood at 89.7%. The overall absorption fell short of the 100% target largely because of the delays in receipts of funds from the national treasury with 33% of equitable shareable revenue made available only in the last quarter of the year, while 76.9% of the expected loans and conditional grants were received only at the close of the financial year. An analysis of the budget outturn for the FY 2021/22 however indicates that the county's total receipts ultimately increased by KSh. 535,909,320 over and above the total final revised budget while on the expenditure side, a total of KSh. 576,225,997 could not be absorbed because it became available too late in the fiscal year.

The biggest test for County Government of Homa Bay will remain escalating the fiscal effort while ensuring prudent management of existing resources. Specifically, the County Treasury will have to continue on the trajectory of aggressively mobilizing resources for the full implementation of the county's development programmes as captured in the CIDP and other planning instruments. This would not only accelerate the rate of development but also give the county a good name which is essential to attracting further investments in the county. Hopefully, this paper has highlighted areas that need more effort especially if we are to uphold financial discipline and principles of fiscal responsibilities outlined in section 107 of the PFM Act 2012.

Hon. Nicholas K'Oriko
CEC Member Finance & Economic Planning
County Government of Homa Bay

ACKNOWLEDGEMENT

The 2022 Budget Review and Outlook Paper (BROP) has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides an analysis of county's fiscal performance including how the actual financial performance for the financial year 2021/22 may have affected compliance with the fiscal responsibility principles and the county financial objectives for the FY 2022/23. The document also provides a reflection of the previous fiscal effort and highlights the need for charting a new path towards fiscal discipline and enhanced fiscal effort under the new administration. In this CBROP, the County is therefore re-emphasizing the County Government's fiscal policy objectives, which are mostly ensuring a strong revenue effort and shifting focus to reigning in on the ballooning wage bill, improving factor productivity and creating a conducive environment for investment in the county.

The preparation of this CBROP was a collaborative and consultative effort among various departments. Many officers worked tirelessly and over time to put together this document. Therefore, I wish to applaud their efforts under the able leadership of members of the County Executive Committee and Chief Officers. In particular, I wish to recognize the leadership of Her Excellency the Governor Hon. Gladys Wanga, H.E. the Deputy Governor Hon. Joseph Magwanga and the Governor's Executive Leads such as Mr. Solomon Obiero and Alphonse Werah for shepherding this development to ensure a credible document has been produced.

I particularly appreciate the contribution of the technical wing especially those from the County Directorate of Budget and Economic Affairs led by Mr. Willys Bolo for their tireless efforts towards ensuring that this document was completed in good time. Special thanks goes to Mr. Emmanuel Kamboga, Mr. Mohamed Maftah, Mr. Handel Manasseh, Mr. Steve Owino, Mr. Steve Owino and Ms. Harriet Atieno for the hours they sacrificed to have this document produced within the shortest possible time. I also wish to express my gratitude to the other technical officers from accounts, reporting and revenue directorates who worked hard to provide relevant information in the required formats.

Mr. Seth Giriago

Ag. Chief Officer – Finance, Economic Planning & Service Delivery
County Government of Homa Bay

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ABBREVIATIONS AND ACRONYMS

A-I-A	Appropriation in Aid
APR	Annual Percentage Rate
ARUD	Agriculture Rural and Urban Development
CBROP	County Budget Review and Outlook Paper
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPI	Consumer Price Index
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish Development Agency
DUAs	Departments, Units and Agencies
EAC	East African Community
ECD	Early Childhood Development
FY	Financial Year
GDP	Gross Domestic Product
HIV	Human Immuno-Deficiency Virus
ICT	Information and Communications Technology
IFMIS	Integrated Financial Management Information Systems
IPSAS	International Public Sector Accounting Standards
KBRR	Kenya Bank's Reference Rates
KNBS	Kenya National Bureau of Statistics
MDAs	Ministries, Departments and Agencies
MDG	Millennium Development Goals

MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NDA	Net Domestic Asset
NFA	Net Foreign Asset
NSE	Nairobi Stock Exchange
PFM	Public Financial Management
PPP	Public Private Partnership
WASH	Water and Sanitation Hygiene
SACCO	Savings and Credit Cooperatives
SDGs	Sustainable Development Goals
SNA	System of National Accounts
SSA	Sub- Saharan Africa
TSA	Treasury Single Account
USA	United States of America
USD	United States Dollar

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Legal Basis for the Publication of the Homa Bay CBROP 2020

The Homa Bay County Budget Review and Outlook Paper is prepared in accordance with Section 118 (1) of the Public Financial Management Act, 2012. The law states that: A County Treasury shall:

- (a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
- (b) Submit the paper to the County Executive Committee by the 30th September of that year.
- (2) In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify:
 - (a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
 - (b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
 - (c) Information on:
 - (i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or
 - (ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and
 - (d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- (3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
- (4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall:
 - (a) Arrange for the Paper to be laid before the County Assembly; and

Fiscal Responsibility Principles in the Public Financial Management Act, 2012

The Principles and Framework of Public Finance established by chapter twelve of the Constitution of Kenya, 2010 requires a County Government to uphold openness, accountability, equity, prudence, responsibility and clear reporting in management of public finance.

Section 103 of the PFMA establishes the County Treasury to monitor, evaluate and oversee the management of public finances and economic affairs on behalf of a County Government. The PFM Act bestows the responsibility of enforcing fiscal responsibilities envisaged in the constitution on the County Treasuries

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

- (1) A 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.
- (2) 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 30% 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

(3) For the purposes 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.

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

(5) The regulations may add to the list of fiscal responsibility principles set out in subsection (2). Specifically, the PFM Regulations provides further that:

(a) The County Executive Committee member with the approval of the County Assembly shall set a limit on the County Government's expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the PFM Act;

(b) The limit set under paragraph (a) above, shall not exceed thirty-five (35) percent of the County Government's total revenue at any one time;

(c) For the avoidance of doubt, the revenue referred to in paragraph (b) shall not include revenue that accrue from extractive natural resources including as oil and coal;

(d) The county public debt shall never exceed twenty (20%) percent of the county government total revenue at any one time;

(e) The county annual fiscal primary balance shall be consistent with the debt target in paragraph (d);

(f) The approved expenditures of a county assembly shall not exceed seven per cent of the total revenue of the county government or twice the personnel emoluments of that county assembly, whichever is lower;

(g) pursuant to section 107(5) of the PFM Act, if the county government actual expenditure on development shall be at least 30% in conformity with the requirement under section 107(2)(a) of the Act;

(h) if the county government does not achieve, the requirement of regulations 25(1)(f) above at the end of the financial year, the County Executive Committee member for finance shall submit a responsibility statement to the County Assembly explaining the reasons for the deviation and provide a plan on how to ensure annual actual expenditure outturns as wells as the medium term allocation comply with the provisions of section 107(2)(a) of the Act and these regulations in the subsequent year; and

(i)The compliance plan above shall be binding and the County Executive Committee member for finance shall ensure implementation.

1.0 INTRODUCTION

1.1 Background

The County Budget Review and Outlook Paper (CBROP) is usually prepared pursuant to Section 118 of the Public Finance Management Act 2012 submitted to the County Assembly by October 21st even as it made available to the public. The CBROP functions as a year-end report, providing an assessment of budget performance over the last financial year. Coming almost three months after the end of the financial year, it provides a good sense of the successes and challenges in implementing the previous year's budget. Usually, it also provides an update on the government's fiscal position for the first quarter of the running financial year.

In February every year, the County Government is expected to provide a financial projection for the coming year in its County Fiscal Strategy Paper. Six months later, the CBROP is prepared to indicate whether the government's projections have turned out to be correct or not. Consequently, the CROP summarizes the rate of revenue collection and sector program spending for the county government. That way, the County government is able to recommend corrections for any major deviations and present financial forecasts to come up with the fiscal framework for the upcoming year and the medium term.

Ultimately, CBROP also plays a key role in setting the share of the budget that will be distributed to different sectors for the next financial year. Within the CBROP are "provisional ceilings" (maximum shares) for each sector and those ceilings are expected to guide sector hearings between November and January. The ceilings are usually firmed up and published in February in County Fiscal Strategy Paper.

This 2022 CBROP contains a review of the fiscal performance for the FY 2021/2022, updated national macroeconomic and fiscal forecast which informs the county fiscal framework, deviations from the CFSP 2022 and indicative sector ceilings for the FY 2023/2024 budget and the medium term. Those indicative ceilings are expected to set in motion the budget preparation process for the FY 2023/2024 even as they will be revised and firmed in the CFSP 2023.

1.2 Objectives of the 2022 CBROP

This CBROP will serve the following purposes;

- i. Providing an assessment of actual budget performance for the FY 2021/22 compared to the budgetary appropriation for that financial year and how this has affected the economic performance of the county;
- ii. Providing an updated economic and financial forecast with sufficient information to show changes from the forecasts in the 2022 County Fiscal Strategy Paper and giving reasons for any deviation from the county's financial objectives as set out in that CFSP together with the proposals to address the deviation and the time estimated for doing so;
- iii. Providing an update on the government's fiscal position for the first quarter of the current financial year 2022/2023 which provides the basis for revising the current budget and fiscal framework as contained in the 2022 CFSP; and
- iv. Setting indicative budget ceilings that will be distributed to different sectors for the next financial year 2023/24.

The county's updated outlook will be firmed up in the 2023 County Fiscal Strategy Paper (CFSP), to reflect any foreseeable changes in economic and financial conditions. In accordance with section 117 of the Public Finance Management Act 2012, that CFSP will be submitted to the County Assembly not later than 28th February 2023.

Through this CBROP, the County Government has been able to review its performance in the FY 2021 and make forecasts for the FY 2023/2024 and the medium term based on both the county's and national economic outlook and the likely impact of that outlook on the level of future revenues and expenditures which have prompted the County Government to set preliminary sector ceilings for the FY 2023/2024.

1.3 Structure of the 2022 CBROP

This 2022 CBROP has been organized into five sections, namely;

- Section one that provides the background information on CBROP, explains the objectives of the CBROP and expounds on the structure of the document;
- Section two that provides a review of the county's fiscal performance during the FY 2021/22 and the effect of that performance on the financial objectives of the county set out in the CFSP 2022;
- Section three that provide a brief highlight of the recent economic developments and the county's updated macroeconomic outlook;
- Section four that provides the medium-term fiscal framework including the resource allocation framework, the need to revise the current budget; and
- Section five that provides the conclusion and recommends the next steps towards achieving the financial objectives of the FY 2023/2024.

2.0 REVIEW OF THE FY 2021/2022 FISCAL PERFORMANCE

2.1 Overview of the budget FY 2021/22

For the financial year under review, the County Government had an overall revised budget of KSh. 9,684,356,474 which, compared to KSh. 8,984,932,611 for the FY 2020/21, represented a 7.8% increase. In order to finance the budget for FY 2021/2022, the County expected to receive KSh. 7,805,353,300 (80.6%) as equitable share of revenue raised nationally, generate KSh. 319,493,592 (3.3%) from its own sources of revenue, and use a cash balance of KSh. 886,748,289 (9.2%) from FY 2020/21. The County also expected to receive KSh. 672,761,293 (6.9%) in loans and conditional grants from various development partners.

2.2 County Revenue Performance Review

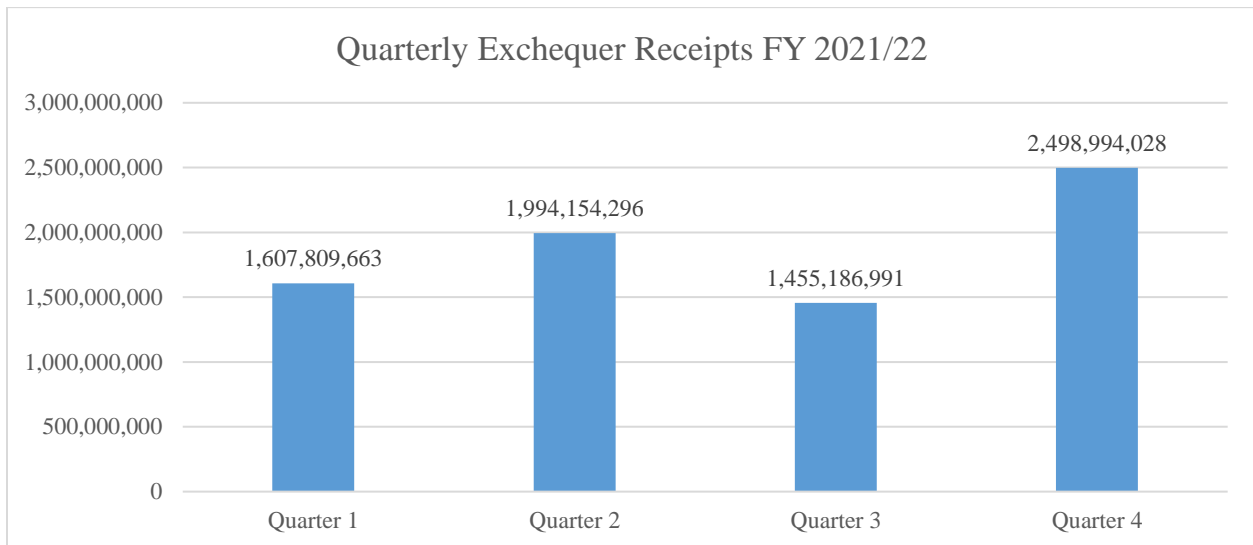
2.2.1 Equitable Share of Revenue

The County Government of Homa Bay received an allocation of KSh. 7,805,353,300 in the County Allocation of Revenue Act (CARA, 2021) as equitable share of revenue from the National Government, representing 80.6% of the total resource envelop. This allocation was an improvement of 15.8% up from the KSh. 6,741,450,000 allocated to the County Government of Homa Bay in the previous financial year, 2020/2021, following the review of allocations to county governments by the National Treasury.

As at the close of the financial year 2021/22, KSh. 7,400,864,646 had been received as highlighted in Figure 2.1 below, representing a 94.8% performance. This was an improvement from the previous financial year where exchequer receipts by the County totaled to KSh. 7,321,214,700, including a balance brought forward from FY 2019/20 of KSh. 579,764,700.

It is noteworthy that the County Government continues to record an overreliance on exchequer releases, a trend that needs to be averted. As shown in Figure 2.1 below, the bulk of the receipts (33%) came in the final quarter of the year (Q4) while KSh. 249,208,322 was not received in time. Such delays and late disbursement of exchequer continue to hinder county government operations including payment of staff salaries as well as execution of county development agenda.

Figure 1: Quarterly Exchequer Receipts from the National Government



2.2.2 Own Source Revenue (OSR)

The County generated a total of KSh. 311,995,474 from its internal revenue sources against a revised budget of KSh. 319,493,592. This actual collection included Appropriation-In-Aid of KSh. 163,162,574 generated by the Health Services department. Against the revised target for FY 2021/22, OSR collection registered an impressive performance of 97.7%, while compared to actual collections for the previous financial year, there was a growth in collections by 33.4%. Table 2.1 below provides a summary of Own Source Revenue performance against the revised targets, by stream.

Table 1: Own Source Revenue Performance by Stream

Revenue Stream/Income Source	Revised Target	Actual Collection
Land Rates	2,148,777	1,837,658
Land transfers	103,961	79,390
Lease Charges (Consent/Transfers)	219,336	499,489
Land/Ground rents	3,875,464	3,556,769
Single Business Permits	45,600,000	35,170,824
Market Dues	25,966,380	21,939,428
Approval of plans /transfers/ certificates	1,910,382	1,505,643
Housing Fees (Rents)	165,200	2,938,798
Fish Cess	7,245,569	6,830,580
Other Cess Income	10,543,125	18,606,063
Taxi/Motorbike Fees	3,11,600	498,341
Site Value Rate	100,000	39,500
House/Kiosk Rents	8,120,650	3,326,362
Slaughter House Fees	2,368,144	729,259
Stock Auction Fees (Cattle/Goat/Sheep)	4,295,405	3,417,981
Stock Movement Fees	251,800	357,609
Veterinary Charges	273,845	109,910
Advertising/Bill boards	985,750	2,233,450
Landing Fees (Boats, Planes, etc.)	30,250	43,210
Bus Park Fees/Parking Fees	22,480,260	20,911,643
Liquor Licensing	2,845,035	-
Search and clearance certificates	50,000	-
Noise pollution permit fees	340,500	147,080
Fire Inspection Fees	585,600	191,370
Tractor hire services	3,845,210	-
Hire of Machinery & Equipment	6,061,230	-
Conservancy Fees/ Wildlife Grants	400,902	147,080
Water Charges	42,530	-
Fines and Penalties	1,036,182	1,311,450
Survey/Sub-Division Fees	54,620	-
Weights and Measures Fee	316,690	-
Bricks/Sand/Murram/Stones	10,071,027	17,361,362
Miscellaneous Collections	2,648,204	5,042,651
Health Sector Charges (A-I-A)	154,511,564	163,162,574
Total Local Revenue	319,493,592	311,995,474

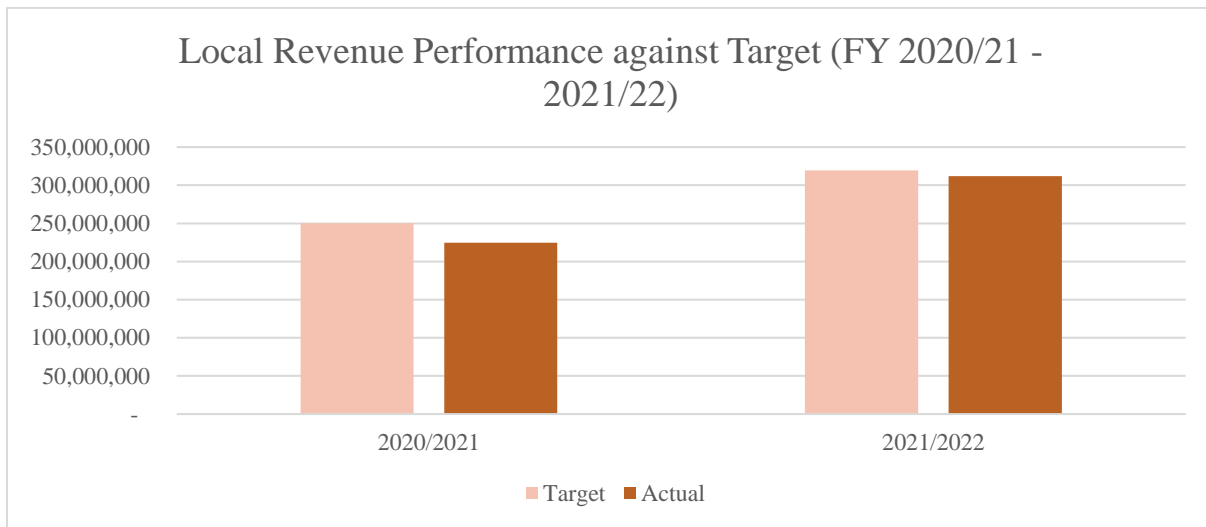
Source: County Treasury

Local revenue collection has improved year-on-year compared to collections for the same period in the last financial year, in which the County managed to collect KSh. 224,733,178 against a target

of KSh. 250,329,938. As the County continues to make a recovery from the adverse effects of the Covid-19 pandemic, the new administration has earmarked Own Source Revenue generation and collection as a key priority area and a taskforce has already been formed to review systems and processes in this area to ensure optimal collections and to reduce and mitigate pilferages and low revenue banking.

In a bid to strengthen local revenue collection, the County Government of Homa Bay will continue to embrace cashless collection through the use of technologically enhanced methods of revenue collection while also ensuring minimal downtimes in the collection machines (POS), which has also been a challenge. Similarly, the recruitment of more than 300 enforcement officers across the entire County is expected to enhance compliance and boost collections. Additionally, ensuring that revenue collectors bank directly all revenues collected to avoid revenue leakages will be judiciously affected. Figure 2.2 below gives a summary of own source revenue growth between FY 2020/21 and 2021/22.

Figure 2: Own Source Revenue Performance against Target (FY 2020/21 – 2021/22)



2.2.3 Conditional Grants

The County Government continues to receive the support of the national government, donors and other development partners through the receipt of loans and conditional grants. For the financial

year under review, the County had budgeted for KSh. 672,761,293 as loans and conditional grants. This was a decline in this revenue stream compared to KSh. 716,466,889 budgeted for in the financial year 2020/2021. Against this budget, the County received a total of KSh. 155,280,332 as at the close of the financial year, representing a dismal performance of 23.1%.

Conditional grants received during the period included; KSh. 3,000,000 for the Agricultural Sector Development Support Programme (ASDSP II), KSh. 81,736,525 for National Agricultural and Rural Inclusive Growth Project (NARIGP), KSh. 7,468,313 for DANIDA and KSh. 63,075,494 for Kenya Urban Support Programme (KUSP – UDG).

The County Government will seek to diversify its revenue sources by enhancing its external resource mobilization efforts and bringing on board additional donor funds and grants. Similarly, the County Government will strive to comply with donor funding requirements such as enhancing allocations towards the health department and making budgetary provisions for county contributions that will ultimately trigger disbursements by donors and development partners. More importantly, the new administration will work to ensure that donor confidence is regained through the prudent utilization of conditional grants and loans and proper implementation of donor funded projects.

2.2.4 Other Receipts

For the financial year under review, the County had budgeted with a cash balance of KSh. 886,748,289 from the previous financial year 2020/2021, being late exchequer receipts. However, in actual terms, KSh. 2,352,125,342 was received as total cash balances from FY 2020/2021. This cash balance brought forward was appropriated in the supplementary budget and approved for expenditure by the County Assembly.

Table 2.2 below summarizes revenue performance against the revised target for the financial year 2021/2022.

Table 2: Revenue Performance Analysis FY 2021/22

Revenue Stream	Revised Budget II	Actual Receipt	Variance
Equitable Share	7,805,353,300	7,400,864,646	404,488,654
Conditional Grants	672,761,293	155,280,332	517,480,961
Own Source Revenue	319,493,592	311,995,474	7,498,118
Other Receipts	886,748,289	2,352,125,342	(1,465,377,053)
Total	9,684,356,474	10,220,265,794	(535,909,320)

2.3 County Expenditure Performance Review

The actual expenditure during the FY 2021/22 amounted to KSh. 9,108,130,477 which represented 94.0% of the total revised expenditure target of KSh. 9,684,356,474 for the year under review. This total expenditure included KSh. 1,177,145,243 transferred to the County Assembly Service Board. Out of this total, the County spent KSh. 6,185,616,951 (67.9%) on its recurrent activities and a further KSh. 2,922,513,526 (32.1%) on development related activities. On comparable terms, there was an increase in the overall expenditure with KSh. 8,342,139,183 having been spent in the previous financial year.

This under absorption of the budget was attributable to delays in receipts of funds from the national treasury with 33% of equitable shareable revenue availed in the last quarter of the year, while 76.9% of expected loans and conditional grants having not been received by the close of the financial year. Such delays continue to put fiscal pressures on county expenditure. Table 2.3 below provides a summary of total expenditure against target for the year under review.

Table 3: County Government Total Expenditure

	2020/21	2021/22			
	Actual Expenditure	Actual Expenditure	Revised Budget II	Deviation	Percentage Absorption

Recurrent Expenditure	5,588,744,462	6,185,616,951	6,350,270,338	(164,653,387)	103.7%
Development Expenditure	2,753,394,721	2,922,513,526	3,334,086,136	(411,572,610)	75.7%
Total	8,342,139,183	9,108,130,477	9,684,356,474	(576,225,997)	94.0%

Source: Homa Bay County Treasury

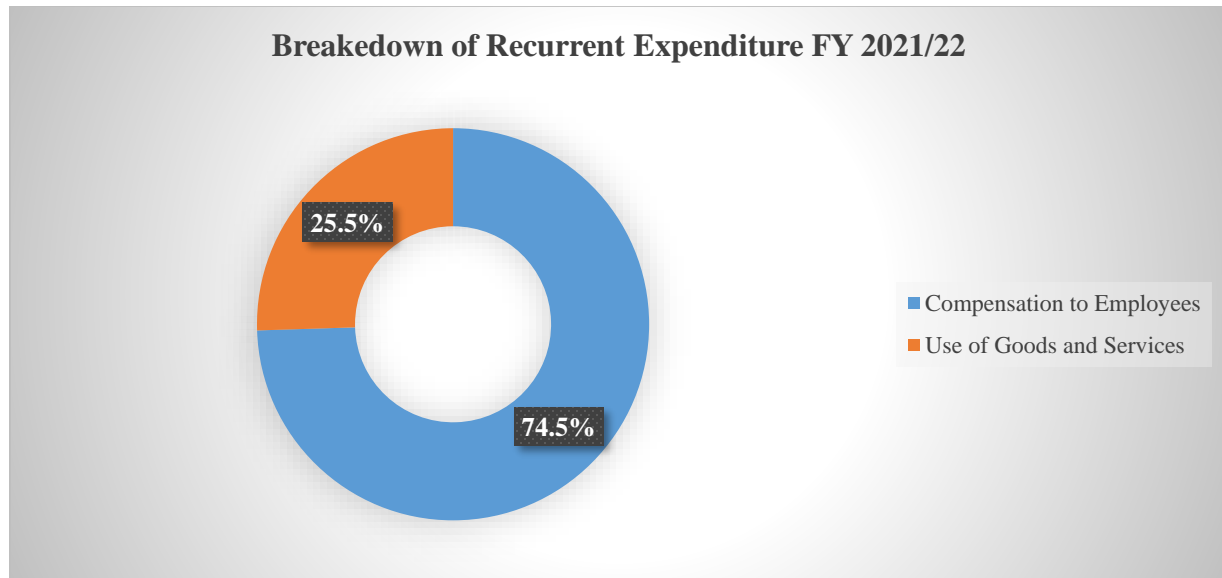
2.3.1 Recurrent Expenditure

The County Government continued to observe fiscal discipline by keeping its recurrent expenditure for the financial year under review under 70% of all revenues available for operations. Out of the recurrent expenditure of KSh. 6,185,616,951 compensations to employees took the biggest share with KSh. 4,606,530,678 (74.5%) used to pay salaries and other benefits while KSh. 1,579,086,273 (25.5%) was utilized for the procurement of goods and services.

In comparison to the previous financial year, recurrent expenditure grew by 10.7% up from KSh. 5,588,744,462 spent in 2020/2021, while compensation to employees increased significantly by 25.8% up from KSh. 3,660,381,061 paid to county employees in the financial year 2020/2021. This increase was attributable to the salary expense for the month of June 2021 which was incurred in the FY 2021/22. Additionally, the recruitment of county enforcement officers in the year also pushed up the wage bill so was the payment of gratuities to County staff employed on contractual basis i.e. County Executive Committee Members and Chief Officers.

Consequently, managing the county staff wage bill remains a key priority in compliance with the provisions of the PFM Act, 2012 that requires this expenditure item to be below 35% of all total county expenditure. The new County administration has already instituted a human resource and payroll audit in order to rein in on the ballooning wage bill. Figure 2.3 below gives a summary of the breakdown of the recurrent expenditure for the financial year under review.

Figure 3: Breakdown of Recurrent Expenditure for the FY 2021/2022



2.3.2 Development Expenditure

The County Government in the financial year 2021/22 spent a total of KSh. 2,922,513,526 on its development activities, against a revised budget of KSh. 3,334,086,136, representing an absorption rate of 87.7%. This was a significant increase in development expenditure compared to the previous financial year where 78% of planned development expenditure was absorbed.

Of this development expenditure, acquisition of assets took the biggest bulk with KSh. 2,214,615,113 spent on various capital projects for the period under review while capital grants and transfers to departments accounted for KSh. 209,089,018, compared to KSh. 392,326,271 in the last financial year.

Overall, the County Government complied with the PFM Act, 2012 requirement of allocating at least 30% of its total resources toward development expenditure, as 32.1% of the total receipts were channeled and utilized for this purpose.

2.3.3 Summary of Expenditure by Broad Economic Classification

During the FY 2021/22, the County Government of Homa Bay had a total budget absorption rate of 94.0% against the second revised budget estimates. This represented a marginal improvement from the FY 2020/21 when 93.0% of the revised budget was absorbed. The improvement in the absorption rate was largely attributable to the ongoing projects under the Ward Based Development, and the investment of resources in the healthcare sector to mitigate the effects of the Covid-19 pandemic.

Absorption of the recurrent budget stood at 95.0% as highlighted in Table 2.4 below, with the County Assembly receiving KSh. 1,109,367,122 for its recurrent operations. Compensation to employees was absorbed fully as budgeted for in the second supplementary budget estimates.

Table 4: Breakdown of Current Expenditure by Economic Classification

	Actual Expenditure 2020/2021	Original Estimates 2021/2022	Revised Estimates II 2021/2022	Cumulative Expenditure 2021/2022	Exp. % of the Revised Recurrent Budget
Compensation to Employees	3,046,590,411	3,844,356,444	4,054,006,655	4,053,831,546	100%
Recurrent operations & Maintenance Services	723,640,750	1,729,455,978	1,819,646,157	1,420,666,750	78%
Transfers to Other Government Units (HBCA)	1,046,900,000	1,151,678,005	1,100,678,005	1,109,367,122	101%
Other Grants and Transfers	103,000,000	209,089,018	209,089,018	209,089,018	100%
Social Security Benefits	29,889,226	32,782,808	32,782,808	32,782,808	100%
Total Recurrent	5,588,744,462	6,967,362,253	7,216,202,643	6,825,737,244	95%

Source: Homa Bay County Treasury

2.4 Budget Outturn for the FY 2021/2022

During the financial year under review, an analysis of the budget outturn indicates that operating income made available for spending by the various county entities increased by KSh. 535,909,320 over and above the total second revised budget. This positive variance was as a result of late exchequer receipts for the month of June 2021. As table 8 below further indicates, the total actual expenditure is below total revised budgetary allocation for the FY 2020/2021 by KSh. 642,793,428 representing an overall budget outturn of 93%.

Table 5: Budget Outturn for the FY 2021/22

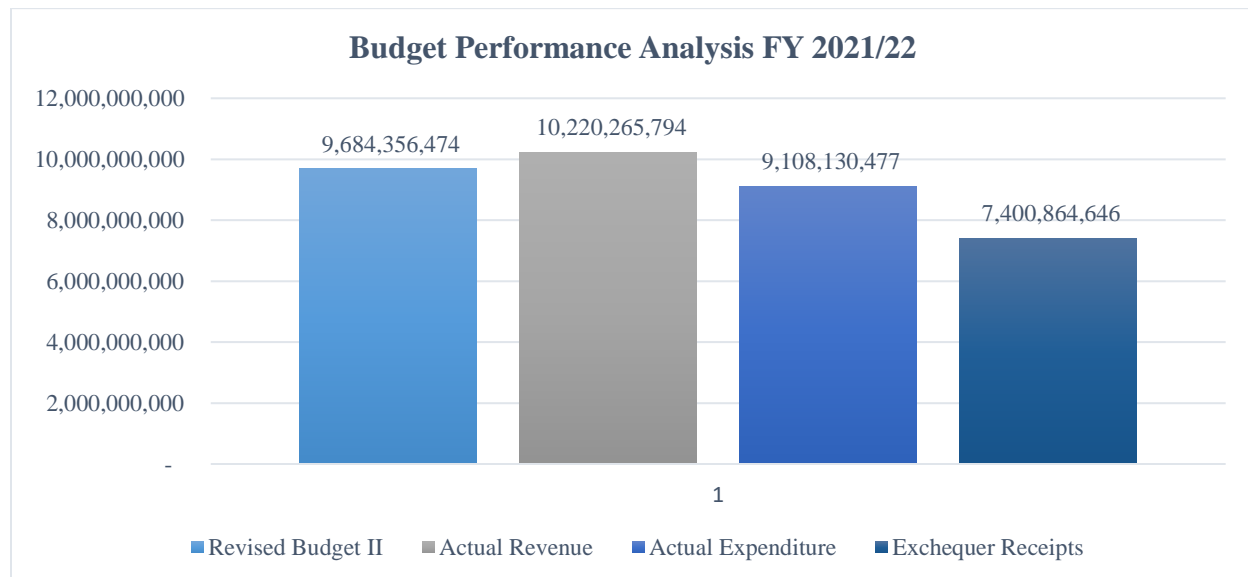
Receipt/ Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	B	C= A+B	D	E= C-D	F= D/C %
RECEIPTS						
Exchequer Releases	7,805,353,300	0	7,805,353,300	7,400,864,646	404,488,654	94.8%
Internal Revenue	270,493,592	49,000,000	319,493,592	311,995,474	7,498,118	97.7%
Loans and Grants	607,761,293	65,000,000	672,761,293	155,280,332	517,480,961	23.1%
Other Receipts	0	886,748,289	886,748,289	2,352,125,342	(1,465,377,053)	265.3%
Returned CRF Issues	0	0	0	0	0	0%
Total Receipts	8,683,608,185	1,000,748,289	9,684,356,474	10,220,265,794	(535,909,320)	105.5%
PAYMENTS						
Compensation of Employees	3,844,356,444	762,349,343	4,606,705,787	4,606,530,678	175,109	99.9%
Other Operations	1,729,455,978	90,190,179	1,819,646,157	1,579,086,273	240,559,884	86.8%
Recurrent Payments	5,573,812,422	852,539,522	6,426,351,944	6,185,616,951	240,734,993	96.3%

Receipt/ Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	B	C= A+B	D	E= C-D	F= D/C %
Development Payments	3,109,795,763	148,208,767	3,258,004,530	2,922,513,526	335,491,004	89.7%
Total Payments	8,683,608,185	1,000,748,289	9,684,356,474	9,108,130,477	576,225,997	94.0%

Source: County Treasury of Homa Bay

Figure 2.4 below gives a summary of the budget performance for the financial year 2021/2022 and shows that actual receipts for the period stood at KSh. 10,220,265,794 against an expected revenue of KSh. 9,684,356,474 due to late exchequer receipt for the financial year 2020/21. Actual exchequer receipts however fell short of the target by KSh. 404,488,654 while actual expenditure also fell short of the targeted amount by KSh. 576,225,997.

Figure 4: Budget Performance Analysis FY 2021/2022



Resource consumption by spending entities indicates that for the actual expenditure returns for the FY 2021/22 indicate that the Departments of Health and the County Assembly were the biggest spenders accounting for 33.6% and 12.9% of the actual total spending respectively. This was consistent with spending patterns for FY 2020/21. The department of Roads, Transport and Public

Works followed closely at 11.6%. The Department of Finance, Economic Planning and Service Delivery rounded off the high spenders at 7.4%. On the other hand, the lowest spending entities included the Department of Energy and Mining (1.0%) and the Homa Bay Municipal Board (1.0%). Other lowest spenders included the County Public Service Board (0.5%) and the Department of Water, Environment and Natural Resources at 3.1%

In terms of absorption, the County Assembly (107%) and the department of Education and ICT (98%) had the highest absorption rates of their recurrent allocations for the FY 2021/22. This however, was a decline from the absorption levels registered in FY 2020/21 in which the Office of the Governor and the department of Finance, Economic Planning and Service Delivery over absorbed the recurrent allocations (absorption rates of above 100%).

The department of Roads, Transport and Public Works (97%) and the department of Energy and Mining (97%) and the department of Health Services (97%) had the other highest absorption rates of their revised budgetary allocations. The Homa Bay Municipal Board (51%) recorded the lowest absorption rate of their revised allocation. The departments of Lands, Housing, Urban Development and Physical Planning (80%), and the department of Trade, Cooperatives and Enterprise Development (80%) were the other lowest spenders.

Overall, spending entities absorbed 97% of their recurrent budgets while 88% of the development budget was absorbed representing a remarkable improvement as compared to absorption levels for the previous financial year (94.7%) and (59.7%) respectively. Table 2.5 below gives a summary of the absorption rates by the county spending entities.

Table 6: Absorption of Recurrent and Development Expenditure by Spending Entities

VOTE HEAD	Analysis of the FY 2021/2022 Recurrent Expenditure			Analysis of the FY 2021/2022 Development Expenditure		
	Actual Expenditure	Revised Budget Estimates II	Rate of Absorp.	Actual Expenditure	Revised Budget Estimates II	Rate of Absorp.
Agriculture, Livestock and Fisheries	179,356,753	179,356,753	100%	408,913,211	527,534,457	78%
Tourism, Culture and Sports	47,900,000	61,733,107	78%	329,178,148	369,608,266	89%

Transport and Infrastructure	57,963,105	64,181,018	90%	998,652,300	1,019,870,764	98%
Energy and Natural Resources	25,000,000	56,910,124	44%	64,725,825	35,768,644	181%
Education and ICT	514,397,811	514,397,886	100%	93,953,077	104,189,985	90%
Health	2,745,253,329	2,800,699,012	98%	316,034,649	370,624,182	85%
Lands, Housing and Physical Planning	46,508,140	52,325,103	89%	67,226,007	89,662,945	75%
Trade, Industry, Investments and Cooperatives	117,226,628	170,403,453	69%	204,476,274	230,449,576	89%
Water and Environment	103,158,872	115,365,645	89%	183,645,776	182,742,776	100%
Finance and Economic Planning	599,137,398	634,890,324	94%	77,300,000	99,181,773	78%
Office of the Governor	583,810,408	604,298,418	97%	31,780,138	74,131,250	43%
Public Service Board	47,020,285	52,385,686	90%	1,250,000	1,250,000	100%
County Assembly Service Board	1,109,367,122	1,029,394,205	108%	67,778,121	71,283,800	95%
Homa Bay Municipal Board	9,517,100	13,929,604	68%	77,600,000	157,787,718	49%
County Total	6,185,616,951	6,350,270,338		2,922,513,526	3,334,086,136	

Source: County Treasury of Homa Bay

2.5 Fiscal Pressures, Debts and Deficits/Surplus

The County Government continues to operate within the confines of the provisions of the law, and adhering to the fiscal responsibility principles. Whereas, allocations for recurrent expenditure have remained below 70% for the financial year under review (67.9%), the county wage bill continues to put pressure on resource allocation and utilization. The compensation to employees for the period under review grew to 50.6% against the PFM prescribed limit of 35%. While this wage bill included salary payments for the month of June 2021 and gratuity payments for CECMs and Chief Officers, it is imperatively important for the new administration to manage and contain payments for salaries and other benefits within a sustainable level.

The County however continues to operationalize a balanced budget without any projected borrowings in the MTEF period of 2022/23 – 2025/2026. However, due to irregular release of funds by the National Treasury, the County Treasury through the CECM – Finance, Economic Planning and Service Delivery, may engage local commercial banks for short-term lending in the form of overdraft facilities to bridge delays in payment of salaries. As and when such need arises, this short-term lending will be approved and ratified by the County Assembly.

Finally, the new administration has inherited a stock of pending bills worth KSh. 882,328,436 from the previous government which will need to be honored upon verification and audit. This is expected to put pressure on new development expenditure, as part of new development allocations will be spared to clear verifiable pending bills. Table 2.6 below provides a summary of the outstanding pending bills for the financial year 2021/2022.

Table 7: Stock of Pending Bills for FY 2021/2022

Supplier of Goods or Services	Outstanding Balance 2020/2021	Additions for the Year 2021/2022	Amount Paid To- Date	Outstanding Balance 2021/2022
	A	B	C	d=a+b-c
	KSh.	KSh.	KSh.	KSh.
Construction of buildings				
1. Construction of buildings	166,546,335	67,456,000	157,954,168	76,048,167
Sub-Total	166,546,335	67,456,000	157,954,168	76,048,167
Construction of civil works				
2. Construction of civil works	354,166,995	646,890,804	342,412,373	658,645,426
Sub-Total	354,166,995	646,890,804	342,412,373	658,645,426
Supply of goods				
3. Supply of Goods	9,168,145	130,134,000	13,364,469	125,937,676
Sub-Total	9,168,145	130,134,000	13,364,469	125,937,676
Supply of services				
4. Supply of services	6,638,387	24,567,000	9,508,220	21,697,167

Supplier of Goods or Services	Outstanding Balance 2020/2021	Additions for the Year 2021/2022	Amount Paid To- Date	Outstanding Balance 2021/2022
Sub-Total	6,638,387	24,567,000	9,508,220	21,697,167
Grand Total	536,519,863	869,047,804	523,239,230	882,328,436

2.6 Analysis of sectoral performance

2.6.1. Agriculture, Rural and Urban Development Sector

The overall goal of the sector is to contribute towards economic growth of the county through initiatives that focus on food security, sustainable land management, blue economy and urban growth. It comprises of three sub sectors namely: Agriculture, Livestock, Fisheries and Cooperative Development; Lands, Housing and Physical Planning and County Municipal Board. The goal of the sector is to attain food security, sustainable land management and affordable housing.

2.6.2. Agriculture, Livestock, Fisheries, Cooperatives and Food Security

The subsector was allocated KSh.706, 891,210 and was able to absorb KSh. 290,770,485. Key outputs achieved so far under Crop, Land and Agribusiness Development Services programme include, 78.5 acres of farm ploughed using county tractors to agriculture production, established 7 Plant clinics in partnership with Self Help Africa covering Mbita, Sindo, Rodi Kopany, Nyangweso, Ndhiwa, Oyugis and Kendu Bay.

Under Livestock Development Services programme; 32 groups, 40 animal health assistants and farmers trained on poultry disease control especially vaccination, carried out vaccination of goats and sheep against PPR disease in Suba North, Suba South and Ndhiwa sub-counties covering about 7000 of these animals, 534 heads of cattle were sprayed with insecticides to control tsetse fly and subsequently trypanosomiasis, developed bill of quantities for the construction of Oyugis slaughter house, procured and distributed 8000 fingerlings to eight (8) farmers across the eight sub

counties, procured and distributed 229 bags of fish feeds to fish farmers across the eight sub counties, supplied 40 fish farmers with pond liners in partnership with ABDP, conducted 100 lake patrols in conjunction with the BMUs, plastering of warehouse in the Kigoto post harvesting handling facility constituting to 90% of works, participate in the election of the BMUs and trained the newly elected BMU officials on governance processes.

2.6.3. Lands, Housing and Physical Planning

The subsector was allocated KSh.141, 988,048 and was able to absorb KSh. 116,234,147. Significant achievement includes under; Lands and Physical Planning Programme the subsector established 1 GIS lab, procured 8 satellite imageries (base maps), surveyed and demarcated 12 markets within the County.

Under Housing and Urban Development Programme; 80% works completed on the ABTC center in Ndhiwa, 5 urban boundaries delineated awaiting approval and 13 slums areas identified for consideration under KISIP II programme.

2.6.4. Homa Bay Municipal Board

The board was allocated KSh. 171,717,322 and was able to spend KSh. 43,697,342. The board managed to accomplish the following results: under Urban Development Services Programme; completed construction of Homa Bay municipal market and already in use, maintained and improved classified roads with municipality.

2.6.5. Energy, Infrastructure and ICT

The Sector aims at providing efficient, affordable and reliable infrastructure and ICT services which are critical for socio-economic transformation and growth. It consists of 3 subsectors; Energy and Mining, Transport and Infrastructure and ICT.

2.6.6. Energy and Mining

The subsector was allocated KSh.92, 678768 and absorbed KSh. 59,261,525. Key achievements the subsector under; Energy Services Programme 80 market solar lights were installed, repaired and maintained 100 spoilt market solar lights in the county in order to enhance security and business activities, developed the renewable energy policy document, prepared architectural designs for the construction of energy information center, procured, supplied and delivered furniture for the energy center.

2.6.7. Transport and Infrastructure

For the FY under review, the subsector was allocated KSh.1,084,051,783 and managed to absorb KSh.678,639,443 under Road Development and Maintenance Services Programme, the subsector maintained 724Kms of County roads, rehabilitated 500Kms of roads, constructed 7 bridges across the County, constructed 3 footbridges, opened and graveled 250Kms of new roads within the County, installed one box culvert and 2 vented drifts and paid part of the pending bills as measure of reducing liabilities that deny them an opportunity to implement a number road projects.

2.6.8. Information, Communication and Technology

The subsector was allocated KSh. 9,050,000 out of which KSh. 9,000,000 was absorbed. Key outputs realized so far under ICT services Programme include

2.6.9. General, Economic and Commercial Affairs

The sector comprises 2 sub-sectors namely; Trade, Industrialization, Enterprise Development; and the Tourism sub-sector respectively. It plays role in the delivery of the “Big Four” Agenda in terms

of manufacturing, value addition and food and nutrition security. The sector also contributes to: employment and wealth creation among the vulnerable groups in the county, promotion of industrial investments, trade and tourism.

2.6.10. Trade, Industrialization and Enterprise Development

The subsector was allocated KSh. 400,853,029 and managed to absorb KSh. 284,490,920. Under Trade, and Entrepreneurship Development Service, the subsector was able to construct 25 toilets in various markets within the County and accomplished 70% of ongoing works in maize processing plant as well as the livestock feeds factory in Arujo.

2.6.11. Tourism subsector

The subsector was allocated KSh. 2,057,549 and managed to absorb KSh.....under Tourism and Culture development and Promotion Services, the subsector organized and held the Miss Tourism County festival

2.6.12. Health Sector

The goal of the sector is to contribute towards attainment of equitable, affordable, accessible and quality health care for all. To this end, the sector was allocated KSh. 3,171,323,194 and managed to absorb KSh. 2,919,968,167.

Under Preventive and Promotive Health Services, the sector constructed 6 modern maternity wards at Miniembo, Koliech, Nyaoga, Ringa, Nyandiwa and Nyadenda; renovated 9 wards facilities at Ndiru, Nyambare, Nyarut, Nyangajo, Adiedo, Kadienge, Kosele, Sino and Omiro, constructed 10 new facilities at Ngolo, Oyombe, Adita, Abundu, Dudu, Got Agulu, Nyadiwa, Osiepe, Mbita Kalango and Goyo, constructed 7 staff houses at Mkende, Ojunge, Randung, Nyawawa, Kichawa, Oriwo and Wiga health facilities, renovated 2 staff houses at Nyamasi and

Nyambare health facilities), completed construction of 9 health facilities at Miriu level 4, Imbo, Ngeta, Osure, Nduru, Wandiji, Kuge, Koduogo and Msare and construction of health administration block and drug store at 75 % in Homa Bay.

Under Curative and Rehabilitative Health Services the sector acquired 2 fully-equipped ambulances at County referral and Oyugis sub county hospital.

2.6.13. Education Sector

The sector is committed to the provision of quality education, training, science and technology to all learners in the County, in an effort to contribute to the building of a just and cohesive society that enjoys inclusive and equitable social development.

The sector was allocated KSh. 618,587,871 and managed to absorb KSh. 525,019,279. Under General Administration and Quality Assurance Services, a total KSh 50M disbursed to 22,110 orphans and vulnerable students; Under EYE and Vocational Training Services; 13 EYE classrooms constructed and are in use, ongoing construction of 22 classrooms are ongoing, Completed construction of 1 VTC workshop at Ojijo Teko; Constructed 4-door latrines at Sero and St Paul Mboya VTCs; equipped 10 VTCs with tools and learning equipment; renovated 6 VTCs and managed to partner with development partners in the sector in capacity building initiatives, WASH program, acquisition and distribution of learning materials and equipment's.

2.6.14. Public Administration and Government Relations

The sector provides overall county leadership, oversight and policy direction towards the realization of the county and national development agenda. It promotes prudent public finance management and accountability in the public sector; ensures effective and efficient public service; coordinates county and sectoral development planning and upholds good governance as a way of ensuring inclusivity of county stakeholder in matters devolution.

The sector comprises of 4 subsectors which includes; office of the Governor, Finance, Economic Planning and Service Delivery, County Public Services Board and County Assembly

2.6.15. County Executive Services (office of the Governor)

The office of the Governor in the FY under review was allocated KSh. 678,429,668 and was able to spend KSh. 645,274,950. Significant achievement by this subsector includes.....

2.6.16. Finance, Economic Planning and Service Delivery

The subsector was allocated KSh. 734,072,097 and managed to absorb KSh. 532,251,921. Key achievements include

2.6.17. County Public Service Board

The board was allocated KSh.53, 635, 686 and absorbed KSh. 38,005,285. The following were some of the subsector achievements

2.6.18. County Assembly Service Board

The board was allocated KSh. 1,100,678,005 and was able to absorb KSh. 1,020,474,373. Key outputs include...

2.6.19. Social Protection, Culture and Recreation sector

The sector aims at contributing realization of a competitive workforce, sports, culture and recreation industry, and a resilient, equitable and informed society through strategies and actions that promote sustainable employment, best labour practices, sports, gender equality and equity, empowerment of communities and vulnerable groups, diverse cultures, heritage and arts. It has 3 subsectors namely Gender & social services, culture and sports development.

The sector was allocated KSh. 431,341,372 and managed to spend KSh. 377,078,148. Under Social Development and Empowerment Services, the subsector was able to develop a youth policy, presented to the County Executive Committee the Gender Based Violence (GBV) Policy; Under Management and Development of Sports and Sports Facilities, 75% of work done in the ongoing construction of Homa Bay County Stadium

2.6.20. Environment Protection, Water and Natural Resources

The sector was allocated KSh. 298,108,421 and managed to spend KSh. 343,643,034. Under Water Supply and Management Services, the sector rehabilitated 12 urban water supply systems; drilled and equipped 43 boreholes across the entire County, protected 6 springs; installed 10 roof catchment tanks in public institutions and distilled installed 1 water pan.

Under Environmental Protection and Management Services; the sector managed to clean 6 market centers, purchased 1 waste truck, established 1 out of 120 tree nurseries planned within Homa-Bay Sub County and distributed seedlings to a total of 15 schools.

3.0 RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

This chapter presents recent economic developments; county fiscal policy and Risks to the outlook.

3.1 Overview

2021/2022 CBROP has been prepared against a background of global economic slowdown reflecting the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures in China; higher-than-expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial conditions. As a result, the IMF global growth is projected to slow down to 3.2 percent in 2022 from 6.1 percent in 2021 (WEO July 2022).

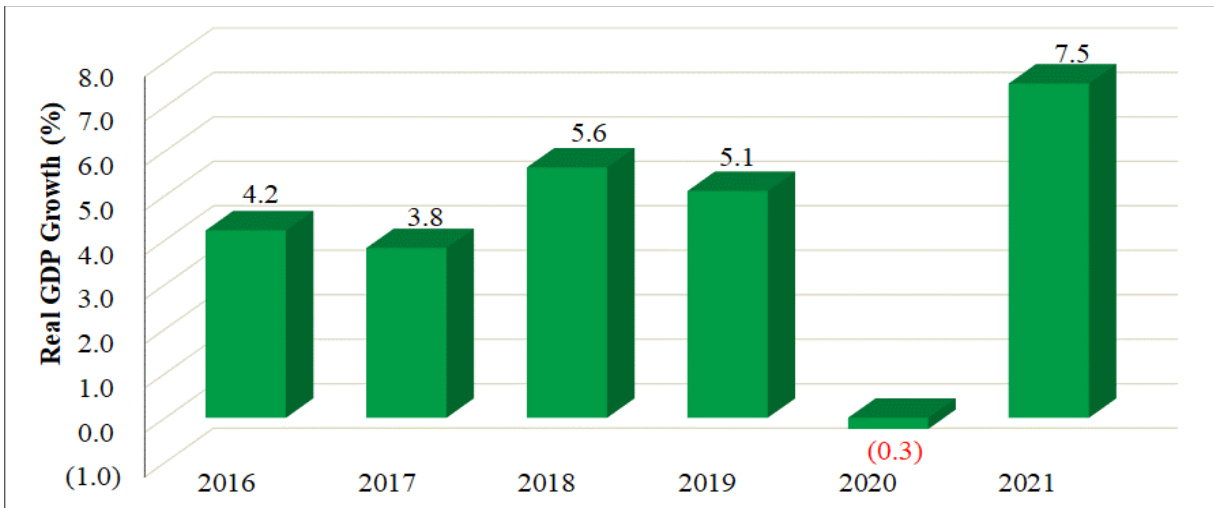
Advanced economies are projected to slow down to 2.5 percent in 2022 from 5.2 percent in 2021 reflecting weaker-than-expected growth in the United States and the Euro area. Growth in the United States slowed down due to significantly less momentum in private consumption while the slowdown in growth in the euro area reflected spillovers from the war in Ukraine as well as the assumption of tighter financial conditions. For emerging market and developing economies, growth is also projected to slow down to 3.6 percent in 2022 from 6.8 percent in 2021 reflecting mainly the sharp slowdown of China's economy and the moderation in India's economic growth.

In sub-Saharan Africa region, growth is projected to slow down by 3.8 percent in 2022 from a growth of 4.6 percent in 2021. The slowdown is as a result of domestic price pressures, partly induced by supply disruptions owing to the war in Ukraine reducing food affordability, and real incomes as well as surging fuel prices across the region.

3.2 Fundamental Economic Developments

The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020 (**Figure 1**). This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.

Figure 5: Real Annual GDP Growth Rates, percent



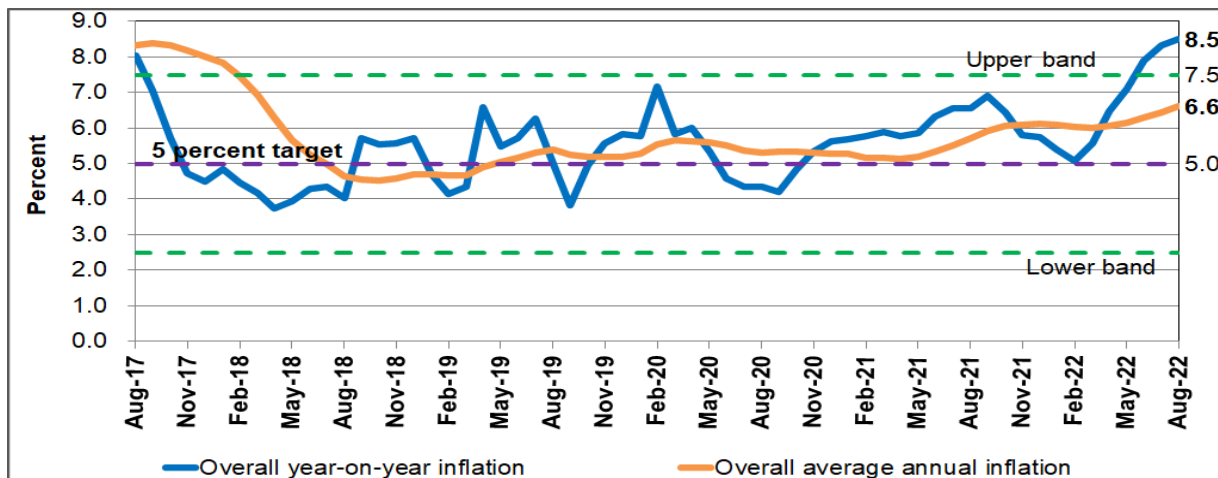
Source of Data: Kenya National Bureau of Statistics

In the first quarter of 2022, the economy expanded further by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021.

3.2.1 Inflation Rate

The year-on-year inflation rate increased to 8.5 percent in August 2022 (above the 7.5 percent upper bound) from 6.6 percent in August 2021 mainly due to higher food and fuel prices. This increase was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices. Additionally, the waiver of import duties and levies on white maize and the reduction in VAT on LPG will further moderate domestic prices. Overall annual average inflation remained within Government target range at 6.6 percent in August 2022 compared to the 5.7 percent recorded in August 2021.

Figure 6: Inflation Rate, Percent



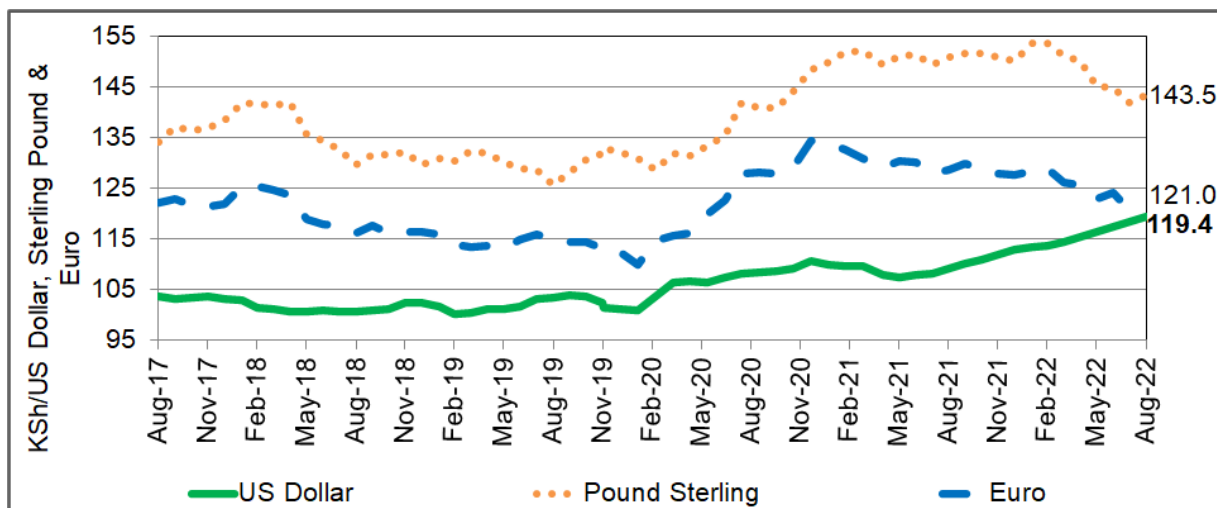
Source of Data: Kenya National Bureau of Statistics.

Food inflation remain the main driver of overall year-on-year inflation in August 2022, contributing 5.9 percentage points, an increase, compared to a contribution of 3.9 percentage points in August 2021 (**Figure 2**). The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly maize flour (loose), sugar, maize grain (loose), carrots, white rice, Irish potatoes and onions. Fuel inflation remained generally stable contributing to 1.6 percentage points to year-on year. Overall inflation in August 2022 from a contribution of 1.5 percentage points in August 2021. This was mainly due to the effect of Government measures to stabilize fuel prices and lower electricity tariffs. However, there was notable increase in the prices of kerosene/paraffin, petrol and diesel in August 2022 compared to August 2021.

3.2.2 Kenya Shilling Exchange Rate

The foreign exchange market has largely remained stable despite the tight global financial conditions and the high demand for the US Dollar in the international market. The Kenya Shilling to the US Dollar exchanged at KSh 119.4 in August 2022 compared to KSh 109.2 in August 2021. Over the same period, the Kenyan Shilling strengthened against other major international currencies. The Euro exchanged at KSh 121.0 in August 2022 compared to KSh 128.6 in August 2021 while the Sterling Pound exchanged at KSh 143.5 compared to KSh 150.9 over the same period (**Figure 3**).

Figure 7: Kenya Shillings Exchange Rate

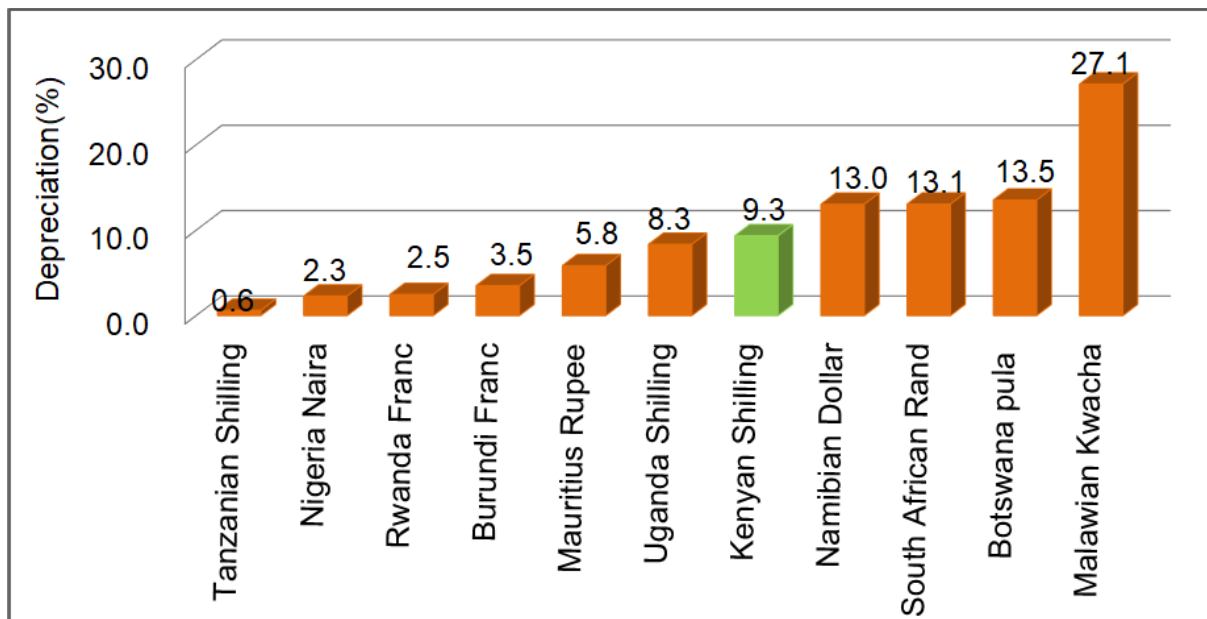


Source of Data: Central Bank of Kenya.

In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 9.3 percent against the US Dollar in the year to August 2022 (**Figure 4**). The depreciation rate of the Kenya Shilling was lower than that of Namibian Dollar, Botswana pula,

South African Rand and Malawi Kwacha. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports.

Figure 8: Performance of Selected Currencies against the US Dollar (August 2021 to August 2022)



Source of Data: Kenya National Bureau of Statistics

3.2.3 Domestic Employment

Relaxation of various containment measures, such as the night curfew, lockdowns and travel restrictions coupled with the rollout of COVID-19 vaccination had a positive impact on economic activities. This provided an environment that spurred economic recovery and growth in 2021. There was a general decline in unemployment and inactivity levels, with total employment surpassing the pre-pandemic level. Total new jobs created in the economy were 926.1 thousand of which 172.3 thousand were in the formal sector, while 753.8 thousand were in the informal sector. Wage employment in the formal sector recorded a growth of 6.0 percent to 2.9 million in 2021 and created a total of 172.3 thousand jobs. This was supported by a partial resumption of international travel, and a broad-based recovery in the manufacturing sector. The number of self-employed and unpaid family workers engaged in the formal sector increased by 4.9 percent in 2021 compared to a decline of 4.1 percent recorded in 2020.

The informal sector created 753.8 thousand jobs accounting for 81.4 percent of the total jobs created outside of small-scale agriculture and pastoralist activities. The share of private sector employment was 68.3 percent in 2021, which was slightly higher than the previous year which stood at 67.8 percent. In 2021, the private sector recorded a growth of 6.8 percent in employment levels compared to a decline of 10.0 percent registered in 2020. The top three industries providing

wage employment in the private sector were Manufacturing, Agriculture, Forestry and Fishing and Wholesale and retail trade. Employment in the public sector increased by 4.3 percent to 923.1 thousand persons in 2021. (*Source of Data: Kenya National Bureau of Statistics*). The increase was mainly attributed to recruitment in the civil service for essential services. Public administration and defence; compulsory social security registered the highest growth of 5.9 percent in 2021. Other economic activities in the public sector that realized growth in employment were Human health and social work activities, Education and Transportation and Storage.

3.3 Economic Outlook

3.3.1 National Economic Outlook

Domestically, leading indicators of economic activity show continued strong performance in the second quarter of 2022, supported by strong activity in transport and storage, wholesale and retail trade, construction, information and communication, and accommodation and food services. As such, the economy is expected to remain robust at 5.5 percent in 2022, with continued strong performance of the services sector despite the downside risks to global growth. Growth is expected to remain resilient growing by 5.8 percent in FY 2022/23 and averaging 6.2 percent over the medium term. This will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. This outlook will be reinforced by the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda and the Economic Recovery Strategy. Additionally, the Government is implementing the third phase of the Economic Stimulus Programs that target strategic interventions in agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) of the Vision 2030.

3.3.2 County Economic Outlook

Agriculture being the economic backbone of the County, investing heavily in food security related interventions at local levels where a lot of agricultural production takes place is a priority. To enhance the food security and improve livelihoods for county residents this sector was able to plough a total of 78.5 acres of land. Several plant clinics were established across the county. Going forward this sub sector has put in place significant efforts to ensure agricultural productivity through a raft of priorities including ; creating an enabling environment for county specific agricultural development; increasing agricultural productivity and; promoting market access; promoting credit and input uptake and entrepreneurial culture; promoting sustainable land use and environmental conservation; enhancing institutional efficiency and effectiveness; increasing livestock production and productivity; enhancing livestock extension delivery services; creating an enabling environment for county specific capture and farm fish development and enhance fisheries extension delivery services.

Infrastructure development plays an important role in driving economic growth of the county and its people in general and being one of the economic enablers it enhances mobility, access to public amenities, boost local income levels, safety and productivity. The county directed its efforts in

opening of 250 kilometers of new roads within the county. 7 bridges were also constructed across the county.

To reduce the number of kilometers Homa Bay residents take in order to access clean and safe water the county was able to rehabilitate 12 urban water supplies, drilled and equipped 43 boreholes across the county ,6 number of springs

To spur development in our urban centers, through the Kenya Urban Support Program, the County has started the delineation of urban boundaries of the targeted 5 urban areas namely: Homa Bay, Oyugis, Mbita, Kendu Bay and Ndhiwa urban areas. Once the delineation process is complete and necessary legal approval secured this will come with additional mandates bestowed to the urban centers above ranging from waste management, storm water drainage, road connectivity and street lights, urban markets, bus parks and slaughter houses and fire and disaster management this are effort that will spur economic growth of residents from the 5 urban centers.

Over the medium-term, the department focused on improving the quality of delivery and infrastructure facilities for EYE learning; and vocational training; Strengthening the standards in all institutions by conducting quality assurance and standards assessments in VTCs and EYE centers across the county.

In addition, the county government is committed to ensure our health care systems and structures are working and all our health facilities are able to provide basic medical care to ensure our residents are healthy

3.4 Fiscal Policy

The County in fulling its obligation under planning, is preparing County Integrated Development Plan (CIDP 2023-2027) as a 5-year planning framework which forms the basis of project identification, sequencing and allocation of budgets for effective implementation of desired County projects meant to improve quality of life and service delivery.

The fiscal policy objective of the County Government of Homa Bay is focused on enhancing rapid economic growth and development and ensuring effective delivery of public goods and services in a sustainable manner.

The fiscal policy over the medium term will focus on: Increasing County resources through enhanced resource mobilization (both internal and external resource).

3.4.1 Revenue policy

Broadening of the tax base in order to grow revenue to finance priority development, strengthening revenue administration capacity through organizational and modernization reforms and automation of revenue collection processes in order to enhance revenue collection.

More specifically, the revenue targets for the FY 2022/23 and the medium term will be achieved through: Improving revenue intake by applying readily available data mining and analytic

techniques and by billing appropriately and collecting effectively; Making County government physical and digital assets work harder for taxpayers: sell, rent or lease the assets; and offer premium, value-added services related to the asset for which customers will readily pay.

3.4.2 Expenditure policy

Rationalization of expenditures in the non-productive areas to create requisite fiscal space for productive sectors, to improve efficiency and reduce wastage. Additionally, with the on-going public service rationalization, redundancies and duplications will be eliminated in the public service;

The absorption capacity in capital projects will continue to be improved through e-procurement which will also ensure that public financial resources are used prudently and for intended purposes. The continued use of electronic procurement system through the IFMIS “Procure to Pay” module eliminates manual procurement challenges that the national government had experienced in the past.

Full implementation of the integrated financial management system (IFMIS) as an end-to-end transaction platform and Government Payment Gateway and adoption of leasing of assets in government to ensure revenue and expenditure efficiency; Expenditure tracking and value for money audits to ensure efficiency and effectiveness in use of resources at all levels of government coupled with strengthening of project planning and management as well as engagement with development partners.

3.4.3 Deficit Financing policy

The fiscal stance of the county only envisages non-concessional external borrowing that will be limited to capital projects and within the ceiling stated in the County Debt Management Strategy Paper. The debt management strategy aims at ensuring public debt sustainability. The strategy envisages diversification of financing sources beyond commercial sources of financing

3.5 Risks to Economic outlook

3.5.1 Risks to the National Economic Outlook

There are down side risks to this macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, the emergence of new Omicron COVID-19 variants may occasion restrictive measures. Other risks relate to lower agricultural output due to potential adverse weather conditions. Additionally, increased public expenditure pressures, particularly wage and other recurrent expenditures, would put a strain to the fiscal space. On the external front, the key downside risks include: uncertainty about the global outlook, reflecting adverse effects of the war in Ukraine, inflationary risks (from rising prices of food and oil), continuing COVID-19 pandemic related disruptions, and supply chain constraints as well as increased global financial markets volatility amid the tightening of monetary policy in advanced economies. The Government has faced difficult policy trade-offs to secure economic recovery and navigate

existing macroeconomic challenges amidst diminishing fiscal space. Among the fiscal measures implemented by Government to minimize the adverse impact of these emerging issues to the Kenyan economy include, among others: Subsidizing pump prices through the Petroleum Development Levy Fund; Reduction in electricity tariff by 15 percent to lower cost of power; Granting waiver of import duty on 540,000 metric tonnes of white non-genetically modified (non-GMO) imported into the country; and waived for a period of 3 months, the Railway Development Levy and the Import Declaration Fee on the importation of the gazetted white maize; Implemented Fertilizer Subsidy - to farmers during the April planting season (KSh 3.0billion) and a further KSh 2.7 billion for the next planting season in October 2022; Reduced the VAT rate on LPG from 16% to 8% in the Finance Act, 2022; Increased the minimum wage for low earners by 12 percent with effect from 1st May, 2022.

3.5.2 Risks to the County Economic Outlook

The County takes cognizant of risks that are likely to impact on the economic outlook ranging from adverse changes in macro- economic factors such as increase in inflation and interest rates, debt burden, low growth in investments and failure of the National Government to meet its revenue targets.

At the county government level risks arise out of uncertainty both from internal and external factors as shown in table below. Managing such risks calls for various mitigation measures by different County agencies.

Type of Risk	Inherent Risk	Likelihood	Impact	Mitigation	Responsibility Center
Strategic risks	Change in national policies	Medium	Inability to adjust to the changes in the short run leading to inefficiencies	Capacity building and institutionalizing reforms	National Treasury
	Noncompliance with PFMA and government regulations	Low	Increased audit issues and inefficiencies	Capacity building, adherence to regulations and strengthening of institutions	County Treasury

Financial Risks	OSR shortfalls and delay in exchequer release to counties.	High	Low Liquidity levels hence undermining implementation of the county the expenditure plan.	Enhance OSR performance	County Directorate of Revenue
Technological risks	Failure/ Network challenges with IFMIS	Low	Delayed transactions on IFMIS	Upgrading of systems	National Treasury/ County ICT Department
	Failure /network challenges with Automation machines	Medium	Under collection of various revenue stream targets	Routine monitoring of efficacy of the automation machines.	County ICT departments
	Technology failure.	Medium	Interference with county operations	Improved security of systems	County ICT departments

4.0 MEDIUM TERM FISCAL FRAMEWORK

4.1 Overview of the Fiscal Framework

For the FY 2022/2023, the County Government of Homa Bay expects to realize a total revenue of KES 8,787,706,909. The amount consists of Kenya Shillings 7,805,353,300 Equitable Share from the National Government; KES 607,761,293 Conditional Grants from both the National Government and Development Partners; KES 374,592,316 expected to be collected as Own Source Revenue.

Table 8: Expected Revenue Inflow during the MTEF period 2021/22 and 2022/23

Nature of Revenue	Printed Estimates FY2021/2022	Projected Estimates FY2022/2023	Projected Estimates FY2023/2024
Equitable Share of National Revenue	7,805,353,300	7,805,353,300	10,442,296,982
Conditional Grants from National Government	607,761,293	607,761,293	708,892,772
Other grants and loans (from Development Partners)			

Local Revenue (including A-in-A)	270,493,592	374,592,316	533,510,780
Other incomes including balances brought forward	0	0	0
Expected Gross Revenue Inflow	8,683,608,185	8,787,706,909	11,684,700,535

4.2 Resource allocation criteria

The County’s policy of expenditure prioritization strives to achieve a transformative development agenda of accelerating equitable and sustainable growth as well as reducing poverty and unemployment following the resource allocation criteria below;

- Program performance review findings on the on-going programs
- Linkage of the programme with broad strategic objectives highlighted in the CIDP and other plans Linkage with flagship projects/interventions of the current political administration
- Degree to which the programme addresses the core challenges of poverty and unemployment in Homa Bay County
- Degree to which the programme addresses the core mandate of the spending entity
- Expected outputs and outcomes from the programme
- Linkage of the programme with other programmes
- Cost-effectiveness and sustainability of the programme

4.3 Medium Term Fiscal Projection

4.3.1 Revenue Projections

Over the medium term, the total revenue including Appropriation-in-Aid (A-i-A) is projected at KES. 11,684,700,535. This revenue performance will be underpinned by the on-going reforms in revenue administration and boosted by the economic recovery occasioned by implementation of priorities outlined in the Post Covid19 Recovery strategy. On the other hand, driven by expenditure rationalization to eliminate non-core expenditures, total revenue shall equal the total expenditure assuming a ceteris paribus situation.

To mobilize revenues and cushion against further revenue shortfalls, the County Government has put in place measures aimed at strengthening tax administration and compliance. These, among others include: Enhanced supervision of revenue collection, decentralization of structured revenue i.e. single business permits and land rates and continued automation of revenue streams.

However to cushion against overspending, the County Government shall strive to reduce the wage bill in the following ways going forward: Those exiting through natural attrition be replaced by redeployment of the existing staff; Employment in crucial positions only; Capacity building and redeployment of the existing staff establishment to enable them handle diverse functions; Contractual engagement of employees in emerging needs; Continuous auditing of the payroll for proper payroll management to ensure right salaries without exaggeration; Scrapping public entities and merging others with duplicates roles; Increasing the collection of the local revenue; Outsourcing services where necessary and Going forward, new entrants should be engaged on contractual basis to eliminate payment of pensions during retirements.

4.3.2 Expenditure Projections

The County Government will continue with its policy of expenditure prioritization with a view to achieving the transformative development agenda which is anchored on provision of core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies, creation of employment opportunities and improving the general welfare of the people. Realization of these objectives will have implications in the budget ceilings provided in this County Budget Review and Outlook Paper. The following criteria will serve as a guide for allocating resources:

- i. Linkage of Programmes to Post-Covid-19 Economic Stimulus Strategy;
- ii. Linkage of Programmes to the Governor's manifesto;
- iii. Degree to which a programme addresses job creation and poverty reduction;
- iv. Degree to which the programme is addressing the core mandate of the Spending entities;
- v. Expected outputs and outcomes from a programme;
- vi. Cost effectiveness and sustainability of the programme;

- vii. Extent to which the programme seeks to address viable stalled projects and verified pending bills; and
- viii. Requirements for furtherance and implementation of the constitution

Table 9: Expected Expenditure projections during the MTEF period 2021/22 to 2023/24

Vote Code	Department	Approved Budget Estimates 2022/2023			CBROP Projection		% Share of Total Spending entity expenditures		
		Recurrent	Development	Total	2023/2024	2024/2025	2022/2023	2023/2024	2024/2025
5111	Agriculture, Livestock, Fisheries and Food Security	145,621,312	414,323,213	559,944,525	678,087,460	737,887,033	6.37	7.67	7.66
5112	Tourism, Sports, Youth Gender, Culture and Social Services	69,100,342	144,121,334	213,221,676	255,866,011	278,967,992	2.43	2.89	2.90
5113	Roads, Transport and Public Works	49,402,247	809,505,213	858,907,460	1,187,649,770	1,417,028,353	9.77	13.43	14.71
5114	Energy and Mining	41,801,214	80,776,312	122,577,526	132,745,218	143,825,176	1.39	1.50	1.49
5115	Education and ICT	727,207,321	126,589,712	853,797,033	926,820,762	1,098,467,466	9.72	10.48	11.40
5116	Health Services	2,265,901,901	375,020,521	2,640,922,422	2,961,267,742	3,109,779,196	30.05	33.49	32.28
5117	Lands, Housing, Urban Development and Physical Planning	51,900,253	125,643,187	177,543,440	185,337,000	193,534,710	2.02	2.10	2.01
5118	Trade, Industrialization, Cooperatives and Enterprise Development	132,989,123	171,109,021	304,098,144	327,858,502	353,662,424	3.46	3.71	3.67
5119	Water, Environment and Natural Resources	120,463,210	322,123,415	442,586,625	545,246,810	593,447,172	5.04	6.17	6.16
5120	Finance, Economic Planning and Service Delivery	384,363,421	89,449,159	473,812,580	642,651,969	672,601,530	5.39	7.27	6.98
5121	Office of the Governor	606,062,331	85,035,215	691,097,546	779,014,344	804,829,689	7.86	8.81	8.35
5122	County Public Service Board	68,936,223	5,003,763	73,939,986	77,887,173	82,056,739	0.84	0.88	0.85
5123	County Assembly Service Board	1,162,123,412	78,454,927	1,240,578,339			14.12	0.00	

5124	Homa Bay Municipal Board	32,234,298	102,445,309	134,679,607	140,686,000	147,056,980	1.53	1.59	1.53
		5,858,106,608	2,848,823,989	8,787,706,909	8,841,118,761	9,633,144,460			

4.4 Adjustments to the FY 2022/23 Budget

The Medium-Term Expenditure Framework (MTEF) for the FY 2022/23 emphasizes on the guiding principles namely equity, transparency, effectiveness, efficiency and economy on public spending and improving revenue collection inclusive economic growth, continued fiscal discipline and mitigating the adverse impacts of Covid-19 pandemic to the county's economy and re-position the economy on a steady and a sustainable growth trajectory. This is in addition to expenditure rationalization and revenue mobilization programmes that the County has to put in place.

The underperformance in both revenue collection and expenditure in the FY 2021/22 has implications on the financial objectives outlined in the 2022 CFSP and the 2022/23 Budget. In particular, the baseline for projecting both the revenue and expenditures for the FY 2021/22 and the medium term has changed given the outcome of FY 2021/22 and the first month of FY 2022/23. In light of these challenges, the revenue projections for FY 2022/23 will be revised considering a lower projection base and revenue performance by end September 2022 and the prolonged effects of COVID-19 Pandemic on economic activities and the measures put in place to curb its spread. Expenditure projections for FY 2022/23 will be revised to accommodate the weak revenue performance through trade-offs and reallocations of the existing budgetary provisions supported by austerity measures instituted on less productive areas of spending across the Government.

By the end of FY 2021/22, it was noted that own source revenue collection and expenditure were below target. This has implications on the financial objectives outlined in the 2022 County Fiscal Strategy Paper and the FY 2022/23 MTEF Budget. In this regard, the revenue projections for FY 2022/23 have been revised upwards from considering the outcome of the FY 2021/22 where revenues realized in FY 2021/2022 was KSh 233,869,476 below target by KSh 85,624,116. on account of the impact of the containment measures against Covid-19 pandemic on economic

activities and the tax relief measures implemented to cushion against the adverse impact of the pandemic and to increase liquidity in the economy

To protect the gains already made, the new Administration shall continue to emphasize on the implementation of policy measures such as the cashless revenue collection process, adoption of the “100 days Rapid Result Initiative (RRI), reducing spending on programmes which are not of high priority. As a result, the overall fiscal deficit is expected to decline. The Medium-Term Fiscal Framework (MTFF) for the FY 2022/23 emphasizes on the guiding principles aforementioned on public spending and improving revenue collection inclusive economic growth and continued fiscal discipline.

4.4.1 Quarter One Budget Outturn

4.4.2 Implementation of the Gubernatorial 100 Days commitments

The Governor expressed commitment to improving the livelihood of the people of Homa Bay in the next 100 days by ensuring the following is fulfilled within the stipulated time

1. Under Education and ICT

- Redesign and upgrade of the county website
- Development of a Project Management Dashboard for the Governor
- Repair all damaged EYE facilities
- Establish a school feeding programme
- Establish the Governor’s Education Fellowship Fund for bright and needy students

2. Office of the County Secretary, Public Service Board and HRM

- HR Census and Payroll Audit
- Training of MCAs, CECMs, CCOs and Directors (on Accountability, Governance, Leadership, Project Management and Procurement)
- Operationalization of the Office of Village Administrators for each Village
- Establishment of Single Project Unit for Development Partners

3. Finance and Economic Planning

- Development of CIDP 2023-2027
- Timely payment and Submission of Statutory Deductions
- Creation of 3-month salary reservoir

- Competitive Procurement of Professional Services (to support on recruitment into Key Positions and Setting up of a database of prospective Service Providers)
- Establishment of the Revenue Task Force and Reporting on Revenue Improvement
- Review and Closure of all Bank Accounts not required.
- Set up of designated salary account and application of 3-month salary cover to guard against exchequer delays (or negotiate standing overdraft facility in the interim)
- Independent Audit and Validation of all Outstanding Pending Bills and Statutory Remissions as at 30th September 2022 (including developing a payment plan)
- Review of access to funds by County Departments and establishment of system for ensuring allocation to priority activities with all departments in spite of limited funds
- Operationalization of Prompt Payments Act 2020 by paying suppliers within 60-90 days
- Evaluation of the need to commission a revenue mapping exercise
- Establishment of a committee to review inventory of all county assets and develop a comprehensive asset register
- Opening and publication of all tender awards on the county website for transparency

4. Lands

- Issuance of Municipal Charters
- Setting up a task force to conduct a comprehensive audit and verification of all land belonging to the county including status of their titles.
- Preparation of inventory of all public lands
- Identification of land and setting up of processes for setting up a fire station

5. Water, environment and Natural Resources

- Establishment of budget line for HOMA WASCO to ring-fence their funds
- Rehabilitation of 80 No. Boreholes (2 per ward)
- Desilt 80 No. Water Pans (2 per ward)

6. Health

- Establishment of budget line for HBCTRH and ring-fence their funds
- Supply of Cancer hoods and chemotherapy chairs
- Procure/supply and restock pharmaceuticals
- Identification of partner towards Mother and Child unit/hospital
- Develop designs and BoQs, approvals
- Procurement/commencement of Accident and Emergency hospital
- Procure 40 slides CT Scan for HBTRH
- Construction of Comprehensive Outpatient Block
- Funeral Parlor (112 body capacity)
- Completion of Rachuonyo South Sub County hospital
- Operationalization of the blood bank (including a vehicle for blood bank)
- Launch Sena Theatre, Ramula, Ndega Kamser-Rachuonyo North by end of October

- Aoch Muga Dispensary fencing and launch and construct a toilet, Gate and tiling pending
- Provide essential pharmaceuticals and commodities to every health facility
- Develop an agreement with KEMSA and MEDs
- Register and remunerate all Community Health Volunteers through their mobile wallets.
- Establish a transparent electronic logistics system for ordering and monitoring stocks
- Conduct a verification and registration exercise for all CHWs
- Establish a comprehensive NHIF cover for all staff subject to the HR audit
- Operationalize the HB county blood bank service.
- Conduct a blood donation exercise for the blood bank in collaboration with Red Cross
- Develop master plan for the HBTRH (Scope of work, recruit a consultant, draft and final plans)
- Completion Equipping, staffing and commission Ndhiwa Sub County Maternity Unit by 30 October
- Connect all public health facilities in HB to the national electricity power grid

7. Roads and Public Works

- Completion of the Governor's Office at the Department of Health
- Improvement to all-weather status all roads leading to health facilities
- Repair of one critical road in each ward (40 wards)
-

8. Trade

- Completion of Arujo Animal Feeds Factory
- Development of Value Chain Products in each Sub-County
- Completion of Kigoto Maize Milling Plant
- Operationalization of Kigoto Maize Milling Plan

9. Agriculture

- Provision of affordable seeds, fertilizers and technical support to farmers
- Sensitize farmers about fertilizer subsidies

4.4.3 Revision of Budget

The Public Finance Management Act, 2012 prescribes the manner in which supplementary estimates are prepared and submitted to the County Assembly for approval. Indeed, Section 135 of the Public Finance Management Act, 2012 allows the County Government to spend money that may not have been appropriated if the amount originally appropriated for any purpose under the County Appropriation Act is inadequate or if a need has arisen for expenditure for a purpose for which no amount had been appropriated by that Act, or where money had been withdrawn from

the County Government Emergency Fund. This supplementary budget was actually submitted to the County Assembly in respect of additional expenditure and it is complete with explanations of how the additional expenditure related to the fiscal responsibility principles and financial objectives of the County Government of Homa Bay.

Whereas section 135 (7) of the Public Finance Management Act, 2012 restricts changes in allocation to specific programmes not to be more than ten percent of the amount appropriated by the County Assembly in any financial year, an exception is allowed in law where the County Assembly can approve a higher figure under special circumstances to bring estimates to levels compliant with provisions of the law in line with the recommendations by the Office of Controller of Budget.

Section 136 of the Public Finance Management Act, 2012 provides that, subject to other legislation, any appropriation that had not been spent at the end of any financial year for which it was appropriated lapsed immediately at the end of that financial year. Pursuant to sub-section (2), all amounts appropriated for the financial year 2021/2022 that were not spent were repaid to the County Revenue Fund and will therefore be made available for supplementary appropriation in the current financial year (2022/2023).

The County Government of Homa Bay remains committed to ensuring prudent application of public resources to maximize benefits to the public. Given the decrease in fiscal space for development projects, it has become imperative that flagship projects that will be identified in the sectoral plans and the CIDP 2022/2027 are given prominence. In this budget, more effort has been directed at reducing expenditure on operations and maintenance (O&M) while accommodating the natural increases in personnel emoluments. In the short term, focus had been directed on reducing the stock of pending bills related to ward-based and fuel-levy projects.

As part of County effort to improve absorption of development funds, allocation to development projects will remain restricted to those projects that have been identified by departments to be delivered within e 100 days of the governor's commitment to ensure service is delivered to the citizens

5.0 CONCLUSION AND NEXT STEPS

The Medium-Term budget and fiscal framework projections presented in this CBROP assumes increased revenues from local and donor/public –private partnerships. To this end, the Government will institute measures to ensure the growth of both domestic and external revenues. This will be done through strengthening of the external resource mobilization unit and Liaison in development project concept note and proposals as a way of sourcing financial and technical assistance from development partners.

Going forward, the set of policies outlined in this CBROP ensures continuity in resource allocation based on prioritized programs that have been earmarked by the county to accelerate County GCP growth and increased domestic income.

The policies and sector ceilings in this document will guide the Sector/Pillar Working Groups and line ministries in the preparations of the FY 2022/23 budget embedded on the priorities of the 2022/23 ADP and the next Homa Bay Third Generation CIDP (2023-2027). The ceilings will form inputs into the next County Fiscal Strategy Paper to be finalized by November 2021.

Accounting officers are advised to plan within the set sector ceilings. Revision of ceilings within a sector will be done during sector hearings where an increase in a sub-sector’s ceiling within that sector to offset the changes. This will be facilitated through the resource allocation panel. To ensure meaningful sector-level engagements all accounting officers are requested to commence their departmental expenditure reviews and adequately take charge of their respective Sector Working Groups.

Based on the challenges experienced in participatory budgeting in FY 2020/21, the process will be restructured to ensure: (i) Budget Assessment Performance for FY 2021/22 form the basis for advancement for the budget for FY 2022/23; and (ii) Project technical feasibility/appraisals is done to all community proposals to assist the citizenry in making informed decisions while prioritizing projects.