

COUNTY GOVERNMENT OF VIHIGA



DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

**COUNTY BUDGET REVIEW AND OUTLOOK PAPER 2023
(CBROP)**

SEPTEMBER, 2023

© County Budget Review and Outlook Paper (CBROP) 2023

To obtain copies of the document, please contact;

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Finance and Economic Planning

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MARAGOLI,

KENYA

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FOREWORD

The Public Finance Management Act Section 118 requires that the County Treasury to prepare the County Budget Review and Outlook Paper (CBROP) on annual basis. The CBROP has been prepared at a time when the County Government is implementing the Third Generation County Integrated Development Plan (CIDP 2023-2027), the Bottom- Up Economic Transformation Agenda (BETA) and Fourth Medium Term Plan. The CBROP further provides details of the actual budgetary performance of the previous financial year's updates, the economic and fiscal forecasts and gives additional information on how the County adheres to fiscal responsibility principles.

Fiscal discipline will seek to ensure that County departments and agencies are able to work towards prudent financial management that enhances financial efficiency and effectiveness. The County is committed to sustaining the trend in economic growth and development towards a prosperous and a model County. Towards this end, the County shall continue to ensure transparency and accountability in Public Finance Management.

The County Budget Review and Outlook Paper 2023 has been prepared against a background of economic slowdown occasioned by the ongoing Russia-Ukraine conflict and higher-than expected inflationary pressure triggered by raising global oil and food prices and the impact of the global monetary policy of tightened spending and financial controls.

In the medium term, the allocation and utilization of resources will be guided by priorities outlined in the County Integrated Development Plan (CIDP), Bottom up Economic and Transformation Agenda (BETA) and other County plans in accordance with section 107 of the PFM Act 2012. Emphasis will be on aggressive revenue mobilization including policy measures to increase revenue and control expenditures to be within manageable levels. These measures will contribute to lowering of the fiscal deficit and control the growth of public debt. The effective utilization of public finances for enhanced economic growth, the County Government will prioritize expenditures within the key sectors in line with the set ceilings.

As we implement the FY 2023/24 and the Medium-Term Budget, the Sector Working Groups are required to carefully scrutinize all proposed Departmental budgets for FY 2024/25 and the medium term to ensure that they are not only directed towards improving productivity but are also aligned

to the achievement of the objectives.

As we prepare the FY 2024/25 Budget, all spending units are expected to lay emphasis on the priority programs under BETA by increasing investments in Agriculture, Health care, Commerce and Transport sectors.

Considering the resource constraints, the sector working groups and departments are therefore directed to critically review, evaluate, and prioritize all budget allocations to strictly achieve the county government and the BETA priorities. The departmental ceilings provided for FY 2024/25 budget and Medium Term will form the basis of the Allocations.

Thank you.

Hon. Dr. Jairus Boston Amayi
County Executive Committee Member,
Finance and Economic Planning

ACKNOWLEDGEMENT

The County Budget Review Outlook Paper (CBROP 2023) provides an overview of fiscal performance for the Financial Year (FY) 2022/23 and highlights on the macro-fiscal outlook over the medium term. As required by the Public Finance Management (PFM) Act, 2012 the County Budget Review and Outlook Paper has been prepared in an inclusive and participatory process involving various stakeholders that included the general public, the County Executive and the County Assembly.

Special mention goes to the County Executive Committee led by H.E the Governor and Deputy Governor for their steady leadership in preparation process of County Budget Review Outlook Paper (CBROP) 2023. Allow me to acknowledge the County Executive Committee member for Finance and Economic Planning for his guidance and support during the preparation of this document. I also would like to appreciate all chief officers and directors from the various county departments and agencies for their cooperation in submitting data and information on their budget execution of FY 2022/2023.

Last but not least, I wish to express my gratitude to the secretariat drawn from the Department of Planning, Budget and M& E for their dedication, commitment and their valuable role in coordinating data collection , compilation and finalization of the document .

Finally, it is my desire that the CBROP will be an important guide to the County Departments and agencies and other stakeholders in the preparation and implementation of the FY 2024/25 Budget with the ultimate goal being the realization of economic transformation and development of the County.

Thank you,

CPA Keverenge S. Joseph
Chief Officer,
Planning, Budgeting, Monitoring and Evaluation

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ABBREVIATIONS AND ACRONYMS

CBROP	County Budget Review and Outlook Paper
BETA	Bottom Up Economic Transformation Agenda
COVID 19	Corona Virus Disease of 2019
CRA	Commission of Revenue Allocation
CRF	County Revenue Fund
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
GDP	Gross Domestic Product
FY	Financial Year
FIF	Facility Improvement Fund
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
OSR	Own Source Revenue
PFM	Public Finance Management
SBP	Single Business Permit
SWG	Sector Working Group

Legal Basis for the Publication of the Budget Review and Outlook Paper

The County 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 -County Executive Committee for approval, by the 30th September in each financial year, a County Budget Review and Outlook Paper, which shall specify:
 - a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
 - b. Updated macro-economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper.
 - c. Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the County Fiscal Strategy Paper for that financial year.
 - d. The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2. The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
3. Not later than seven days after the County Budget Review and Outlook Paper has been approved by Cabinet, the County Treasury shall:
 - a. Arrange for the paper to be laid before the County Assembly.
 - b. As soon as practicable after having done so, publish and publicize the paper.

Fiscal Responsibility Principles in the Public Finance Management Act

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

1. The County government's recurrent expenditure shall not exceed the county government's total revenue.
2. Over the medium term, a minimum of 30% of the county government's budget shall be allocated to the development expenditure.
3. The county government's expenditure on wages and benefits for public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Committee for finance in regulations and approved by the County Assembly.
4. Over the medium term, the government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
5. The county debt shall be maintained at a sustainable level as approved by county assembly.
6. Fiscal risks shall be managed prudently.
7. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future.

EXECUTIVE SUMMARY

The 2023 CBROP has been prepared in accordance with the PFM Act, 2012 and its Regulations. The document provides an overview of the County government's fiscal performance for the FY 2022/23 including compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act, 2012. It also shows macro-economic projections and proposed sector ceilings for the FY 2024/25 and the medium-term budget as well as information on variations from the projections outlined in the County Fiscal Strategy Paper (2022).

In order to effectively implement County programs and projects as stipulated in the CIDP 2023-2027, the focus for the FY 2023/24 medium term expenditure framework shall be to enhance own source revenue and rationalization of expenditures to core areas so as to aid economic recovery.

On domestic scene, the economy is expected to be strong and increase by 5.5% in 2023, 5.6 % in FY 2023/24 and 5.7% in 2024/25.

Accordingly, the County Fiscal Strategy Paper (CFSP) 2024 should put emphasis on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities.

Articulation Process

The PFM Act 2012 gives credence on effective public engagements in planning, budgeting and implementation of Government programmes. The preparation of the 2023 CBROP was therefore prepared in an all-inclusive and engaging process that involved key stakeholders and actors. The following approach was adopted:

- The preparation of the 2023 CBROP was spearheaded by the Department of Finance and Economic Planning in liaison with all County Departments;
- Held public consultative meetings with key stakeholders and general public at ward, sub-County and County levels;
- Draft document was made available to the public via the County website and written submissions received from the public;
- Held a consultative meeting with the members of CBEF;
- Draft was presented to the cabinet for approval before forwarding to the County Assembly.

I. INTRODUCTION

Objective of the County Budget Review and Outlook Paper 2023

1. The 2023 CBROP provides a review of the fiscal performance for the financial year 2022/23 including adherence to the objectives and principles outlined in the 2022 County Fiscal Strategy Paper (CFSP) and the PFM Act, 2012. It also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term plan. The 2023 CBROP will guide development of the 2024 CFSP that will summarize the various departmental ceilings, projects and initiatives that will be undertaken in line with the Fourth Medium Term Plan (MTP IV 2023-2027).
2. The fiscal performance in the FY 2022/23 is broadly in line with the financial objectives outlined in the PFM Act, 2012, the 2022 CFSP and the Budget Estimates for FY 2022/23.
3. As required by the PFM Act, 2012, the annual budget process aims to improve the efficiency and effectiveness of revenue mobilization and government spending to ensure debt sustainability and stimulate economic activity. In this regard, this CBROP provides sector ceilings which will guide the budget preparation process for the FY 2024/25 and the medium term. The sector ceilings are based on the overall resource envelope that is informed by the medium-term fiscal projections as presented in section IV of this document.
4. The rest of the document is organized as follows: Section II provides a review of the fiscal performance for the FY 2022/23 and its implications on the financial objectives set out in the 2022 CFSP; Section III highlights the recent economic developments and outlook; Section IV presents the proposed resource allocation framework and Section V provides the conclusion.

II. REVIEW OF FISCAL PERFORMANCE FOR THE FY 2022/2023
Overview of the FY 2022/23 Budget

5. The County's approved second supplementary budget for FY 2022/23 was Kshs.6.49 billion, comprising Kshs.1.94 billion (30 per cent) and Kshs.4.55 billion (70 per cent) allocation for development and recurrent expenditure respectively. The allocation for personnel emoluments was Kshs. 3.01 billion representing a 46 percent of the total budget allocation.

Table 1: Summary of Second Supplementary Budget FY 2022/23

S/NO	VOTE TITLE	Compensation to Employees	Other Recurrent	Development	Totals
1	Office of The Governor	125,348,071	158,475,473	7,331,089	291,154,633
2	Finance & Economic Planning	117,770,000	251,310,405	277,899,229	646,979,634
3	Agriculture, Livestock, Fisheries & Cooperatives	103,966,936	85,395,636	421,891,321	611,253,893
4	Health Services	1,082,234,432	375,362,285	268,573,228	1,726,169,945
5	Education, Science, Technical and Vocational Training	239,297,120	207,136,020	144,852,426	591,285,566
6	Gender, Culture, Youth, Sports and Social Services	37,260,000	50,673,186	11,201,656	99,134,842
7	Trade, Industry, Tourism and Entrepreneurship.	16,470,960	48,122,552	50,647,574	115,241,086
8	County Public Service Board	24,260,024	28,952,090	0	53,212,114
9	Environment, Water, Energy & Natural Resources.	27,679,694	93,828,492	226,381,781	347,889,967
10	Transport, Infrastructure & Communication	56,086,187	51,193,302	439,130,772	546,410,261
11	Physical Planning, Land and Housing	41,619,897	45,244,282	63,587,892	150,452,071
12	County Assembly	546,620,824	80,507,976	15,000,000	642,128,800
13	Administration and Coordination of County Affairs	596,117,651	60,091,250	10,500,000	666,708,901
	TOTAL COUNTY EXPENDITURE	3,014,731,795	1,536,292,949	1,936,996,968	6,488,021,712

Source: Vihiga County Treasury

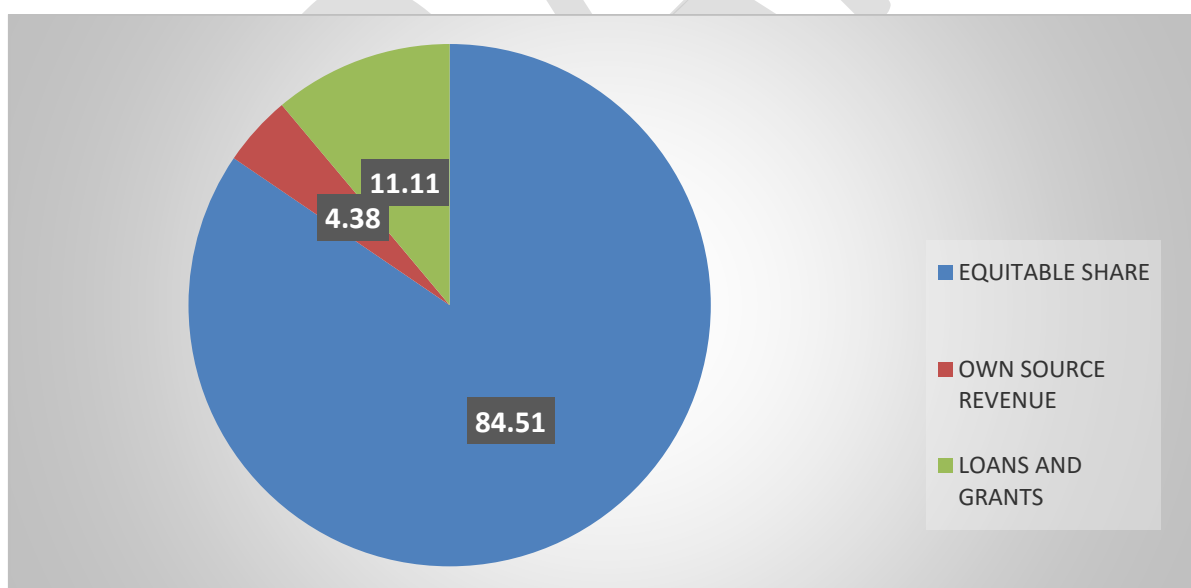
Table 2: Sources of Revenue for FY 2022/23 Budget

Source	FY 2021/22	FY 2022/23 (Kshs.)			Growth (%)
	Actual	Actual	Target	Deviation	
Equitable Share	4,661,968,000	5,474,266,491	5,483,330,648	-9,064,157	17.4%
Domestic and Foreign Grants	493,623,000	151,344,607	720,617,821	-569,306,214	-69.342%
Own generated revenues	240,890,593	229,848,536	284,073,208	-54,224,672	-4.58%
Total revenues & Grants	5,396,481,593	5,855,459,634	6,488,021,712	-632,562,078	8.5%

Source: Vihiga County Treasury

6. To finance the budget, the County expected to receive Kshs.5.48 billion (84.51 per cent) as equitable share of revenue raised nationally, Kshs.720.62 million (11.11 per cent) as total conditional grants and Kshs.284.07 million (4.38 per cent) from own sources of revenue.

Figure 1 : Sources of revenue for budget financing in FY 2022/23 as a percentage of the total budget



Own Source Revenue Performance

7. In FY 2022/23, the County collected own source revenue amounting to Kshs.229.85 million against a target of Kshs.284.07 million which is about 19.90 percent below target.

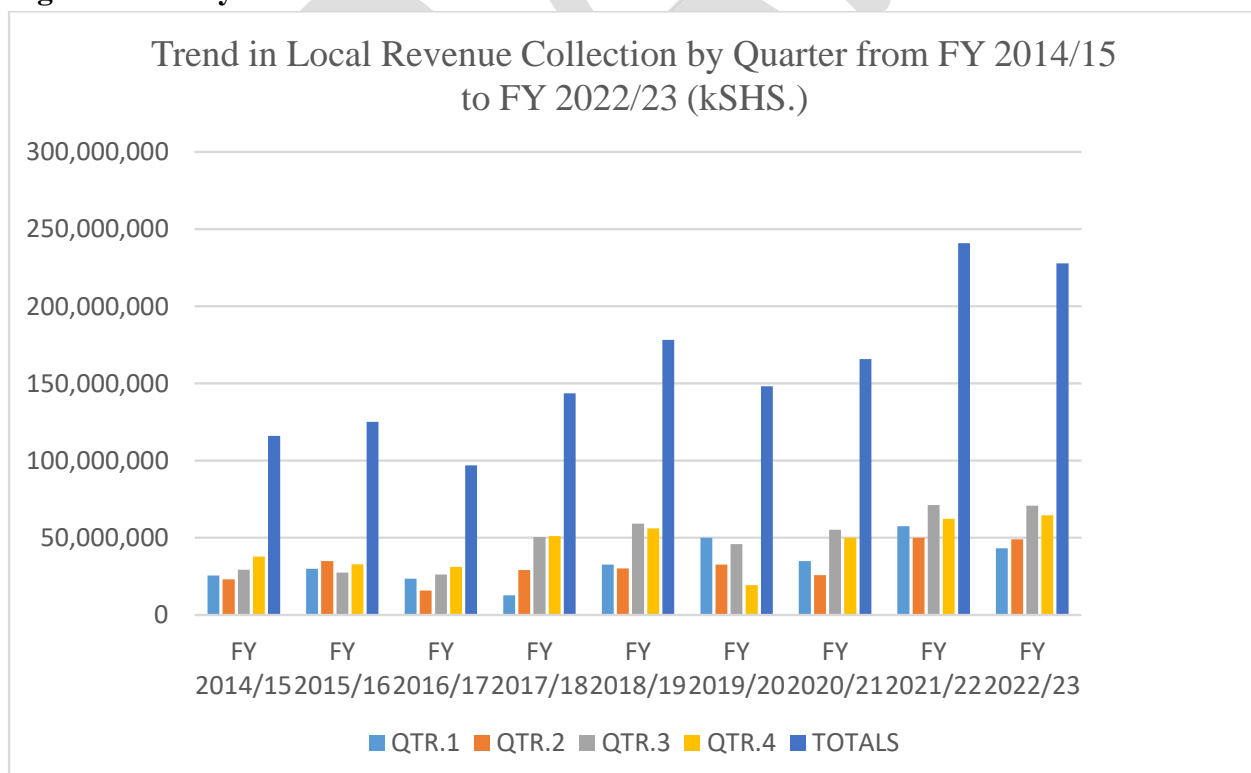
Table 3: Vihiga County, Trend in ORS by Quarter from FY 2014/15 to FY 2022/23

PERIOD	FY 2014/15 Kshs.	FY 2015/16 Kshs.	FY 2016/17 Kshs.	FY 2017/18 Kshs.	FY 2018/19 Kshs.	FY 2019/20 Kshs.	FY 2020/21 Kshs.	FY 2021/22 Kshs.	FY 2022/23 Kshs.
QTR.1	25,624,320	29,925,190	23,563,100	12,820,045	32,673,478	50,087,994	34,854,639	57,458,531	43,877,798
QTR.2	23,095,640	34,891,710	15,954,700	29,069,063	30,214,350	32,738,910	25,811,232	49,983,465	50,133,415
QTR.3	29,423,870	27,377,470	26,129,400	50,549,434	59,145,673	45,956,975	55,185,886	71,222,296	70,989,412
QTR.4	37,896,590	32,925,190	31,300,700	51,092,210	56,137,646	19,415,258	50,042,583	62,226,301	64,847,910
TOTALS	116,040,420	125,119,560	96,947,900	143,530,752	178,171,147	148,199,137	165,894,340	240,890,593	229,848,535

Source: Vihiga County Treasury

8. Trends in OSR since FY 2014/15 show that FY 2021/22 recorded the highest collection, with FY 2022/23 recording the second highest collection. Generally, from the table above, it can be observed that OSR collections is highest during the 3rd and 4th quarters.

Figure 2: Yearly trend in OSR collection from FY 2014/15 to FY 2022/23



Proposed Recommendations for Revenue Performance

9. To enhance and improve on own source revenue performance the following measures are proposed;

- Undertake a review of County Trade Licensing Act, 2017 so as to charge Single Business Permits in accordance with the respective business activities undertaken by clients.
- Fully automate revenue collection in order to address the challenges and inefficiencies with a manual system
- Implementation of the stipulated house rent rates with respect to County houses so as to realize the forecasted revenue of the stream in the budget.
- Need to improve on services provided including rehabilitation and modernization of government houses and market infrastructure to attract more rates and rents.
- Hasten the process of preparation of the valuation roll to facilitate efficient collection of revenue from the land rates revenue stream.
- Increased partnerships and collaborations with other parties where necessary to partner in collection of land rates so as to maximize collections in the revenue stream.
- Undertake measures to increase the technical and human resource capacity on revenue administration and collection.
- Enhanced enforcement measures particularly on plans approval, inspections and physical planning revenue streams.
- Explore expansion of the current revenue base e.g. hire of machinery and other assets at a fee.

Disbursement from Exchequer

10. During the period under review, the Controller of Budget authorized withdrawal of **Kshs. 5,855,459,633** from the CRF account representing 90.25 percent of the approved Second Supplementary Budget FY 2022/23.

Table 4: Summary Transfers from National Treasury-Exchequer Issues-2022/2023

S/No.	Revenue Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Budget Allocation (%)
A	Equitable Share of Revenue Raised Nationally	5,483,330,684	5,474,266,491	99.83
B	Conditional Grants			
1.	Nutritional International	20,474,828	2,500,000	12.21
2.	Road Maintenance Levy Fund	67725522	-	0.0
3.	Leasing of Medical Equipment	110,638,298	-	0.0
4.	DANIDA	16,493,400	14,966,438	90.74
5.	Conditional Grant for Rehabilitation of Village Polytechnics	1,821,234		0.0
6.	Transforming Health Systems for Universal Care Project-THS-UHC	48,834,321		0.0
7.	National Agriculture and Rural Inclusive Growth Project - NARIGP	328,461,754	105,120,632	32.00
8.	Agriculture Sector Development Support Programme - ASDSP II	20,653,959	4,417,622	21.39
9.	Kenya Devolution Support Programme - KDSP 1	46,924,215		0.0
10.	Kenya Urban Support Programme - UDG Grant	14,053,719	1,194,559	8.50
11.	Kenya Urban Support Programme - UIG Grant	1,170,061	1,145,356	97.89
12.	World Bank Credit to finance Locally-Led Climate Action Program (FLLoCA)	43,366,509	22,000,000	50.73
	Subtotal	720,617,820	151,344,607	21.00
C	Other Sources of Revenue			
13.	Own Source Revenue	284,073,208	229,848,535	80.19
14.	Balance b/f from FY2021/22	0	0	0
	Sub Total	284,073,208	229,848,535	80.19
	Grand Total	6,488,021,712	5,855,459,633	90.25

Source: Vihiga County Treasury

Expenditure Performance

11. Total expenditure in the FY 2022/23, amounted to Kshs. 5.95 billion against a budget of Kshs. 6.49 billion as per the approved second supplementary budget FY 2022/23 as shown in table 5 below. This represented an absorption rate of 91.6 percent. The total recurrent budget was Kshs. 4.55 billion and the total development budget was Kshs. 1.94 billion, the expenditures for recurrent activities in FY 2022/23 amounted to Kshs. 4.49 billion and the expenditures for development activities in FY 2022/23 amounted to Kshs. 1.46 billion. The absorption rate for recurrent expenditure was 98.71 percent, while the development expenditure was 75.61 percent.

Table 5: Budget Performance by Department in FY 2022/23

Department	Budget Allocation kshs.(Million)		Expenditure in the FY 2022/2023 Kshs. (Million)		Exchequer Issues (Kshs.)		Expenditure to Exchequer Issues %		Absorption Rate Kshs.	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	283.82	7.33	264.53	3.17	268.93		98.36		93.20	43.25
Finance and Economic Planning	369.08	277.9	422.95	251.84	487.87	64.6	86.69	389.85	114.60	90.62
Agriculture, Livestock and Fisheries	189.36	421.89	180.47	229.44	182.49	158.16	98.89	145.07	95.31	54.38
Health Services	1457.60	268.57	1791.44	141.25	1792.5	105.33	99.94	134.10	122.90	52.59
Education and Technical Vocational Training	446.43	144.85	428.72	92.39	433.03	86.88	99.00	106.34	96.03	63.78
Gender, Culture, Youth, Sports and Social Services	87.93	11.20	60.65	4.39	91.4	1.49	66.36	294.63	68.98	39.20
Commerce, Tourism and Cooperatives	64.59	50.65	53.24	42.18	60.55	41.73	87.93	101.08	82.43	83.28
County Public Service Board	53.21		43.61		43.8		99.57		81.96	
Environment, water, Natural Resources and Climate Change	121.51	226.38	114.77	163.59	109.81	99.1	104.52	165.08	94.45	72.26
Transport and Infrastructure	107.28	439.13	104.23	456.44	102.59	254.31	101.60	179.48	97.16	103.94
Physical Planning, Lands, Housing and Urban Development	86.86	63.59	83.1	57.96	86.07	54.91	96.55	105.55	95.67	91.15
County Assembly	627.13	15.00	409.83	14.47	570.9	14.47	71.79	100.00	65.35	96.47
Public Service and Administration	656.21	10.50	534.94	7.5	486.32	7.68	110.00	97.66	81.52	71.43
TOTAL	4551.02	1936.99	4492.48	1464.62	4716.26	888.66	95.26	164.81	98.71	75.61

Source: Vihiga County Treasury

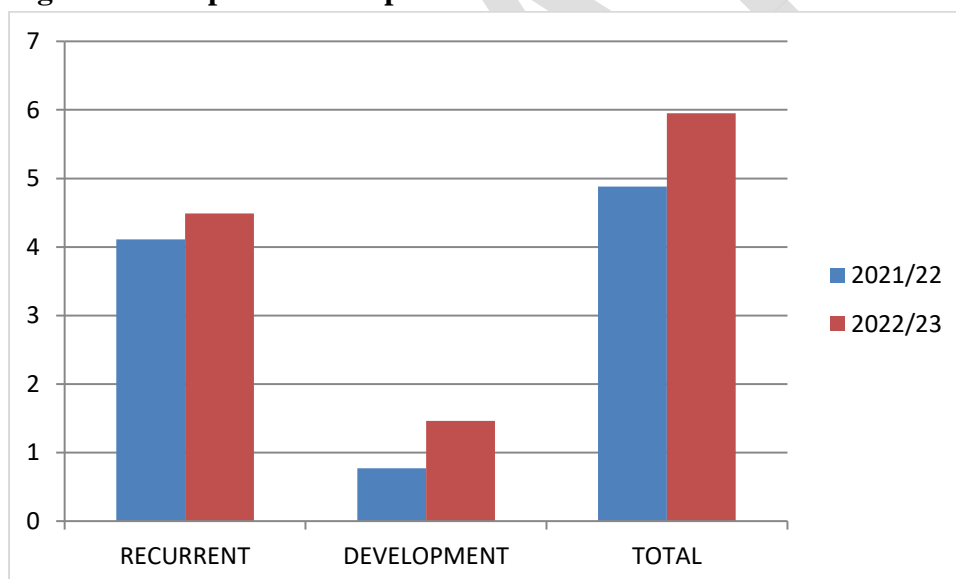
12. The Department of Transport recorded the highest development budget absorption of 103% whilst the Department of Gender, Culture, Youth, Sports and Social Services had the lowest absorption of 39.20 percent.
13. The recurrent budget registered higher absorption rates with most departments spending more than 70 percent of their allocation. The highest recurrent absorption rate of 122.90% was the recorded by the department of Health Services, while the department with the lowest absorption was Gender, Culture, Youth, Sports and Social Services with absorption of 68.98 percent.

Table 6: Comparison of expenditures in FY 2021/22 and 2022/23 in billions

Recurrent Expenditure	2021/22 Kshs.	2022/23 Kshs.	% Variance
	4.11	4.49	9.25
Development Expenditure	0.77	1.46	89.61
Total	4.88	5.95	21.92

Source: Vihiga County Treasury

Figure 3: Comparison of expenditures in FY 2021/22 and 2022/23 in billions



Source: Vihiga County Treasury

14. From the table 6 and figure 3 above, there was a general growth in expenditure in FY 2022/23 as compared to FY 2021/22, by 21.92 percent. The total recurrent expenditure of FY 2021/22 was Kshs. 4.11 billion compared to the total recurrent expenditure for FY 2022/23 which was Kshs. 4.49 billion; this marked a percentage growth of 9.25 percent.
15. The total development expenditure of FY 2021/22 was Kshs. 0.77 billion, while the total development expenditure for FY 2022/23 was Kshs.1.46 billion, which represents a growth of 89.61 percent.

Analysis of Sector Performance in the Period 2022/23

Agriculture, Livestock, Fisheries

16. The Agriculture sector is the mainstay of the County economy and main source of income generation activities, employment and livelihood in most households. During The sector had a budgetary allocation of Kshs 189.36 Million on recurrent and Kshs 421.89 Million on Development. The sector incurred an expenditure performance of Kshs 180.47 and Kshs 229.44 on recurrent and development representing an absorption of 95.31% and 54.38% on recurrent and development respectively.
17. The sector utilized its 2022/23 budgetary resources to implement various projects and programmes. A wide range of outputs were realized. Key among the include; construction of lagoons at Serem and Lunyerere slaughter houses; insemination of 8,139 cattle; vaccination of 182,908 animals; production and supply of 51,120 fingerlings to farmers, supplied 3,500 chicks and 25 beehives to poultry and beekeeping farmers respectively, establishment of Wemilabi irrigation scheme, supported establishment of 45 farm ponds, and commencement of the construction of a Hay ban at Sabatia Dairy Cooperative society and banana aggregation centres in Hamisi.

Commerce, Tourism and Cooperatives

18. The sector is responsible for creating enabling environment for growth and development Commerce, tourism and Co-operatives in the County. During The sector had a budgetary allocation of Kshs 64.59 Million on recurrent and Kshs 50.65 Million on Development. The sector incurred an expenditure performance of Kshs 53.24 and Kshs 42.18 on recurrent and development representing an absorption of 82.43% and 83.28 % on recurrent and development respectively.
19. In the period under review, the sector achieved the following; Market infrastructure development that include construction of 2 Eco-toilets in market centres, rehabilitation of 10 pit latrines, renovation of Mwibona Stock market, and installed high mast floodlight at Wemilabi and Hamisi Market. In addition, 1,375 MSMEs were advanced with credit through the trade and enterprise fund. Further, market committees were capacity built on governance.
20. On the cooperative sub-sector, 2 Co-operative societies were revitalized and 25 other new cooperatives registered. During the period approximately Ksh 13M were mobilized from cooperative societies

Transport and Infrastructure

21. The development and maintenance of physical infrastructure on a sustainable basis is a pre-requisite for rapid and sustainable development and economic growth. It is equally pertinent to note that infrastructural development is a critical enabler for all other sectors. During the period under review sector had a budgetary allocation of Kshs 107.28 Million on recurrent and Kshs 439.13 Million on Development. The sector incurred expenditure of Kshs 104.23 Million and Kshs 456.44 Million for recurrent and development representing an absorption of 97.16% and 103.94 % on recurrent and development respectively.
22. During the financial year 2022/23, the following achievements were realized; 260.8 km of roads were maintained under ward based and labour based programs respectively, of this 40.45km in Luanda Sub County, 23.65km in Emuhaya Sub County, 47.3 Km in Vihiga Sub County, 52.8 km in Sabatia Sub County and 78.1 km in Hamisi Sub County. In addition, the department strengthened the supervision of public infrastructure development and operationalized the Mechanical Unit at Manyatta.

Education, Science, Technical and Vocational Training

23. The County Government remains committed to the development of human capital through education and training. Funding of Early Childhood Develop Education, the Vocational, Education and Training and bursary and scholarships remains a top priority. In line with this commitment, the expenditure on education has continued to rise over the years. During the financial 2022/23 the sector had a budgetary allocation of Kshs 446.43 on recurrent expenditure and Kshs 144.85 on Development expenditure. The Department utilized Kshs 428.72 and Kshs 92.39 on recurrent and development expenditure depicting an absorption rate of 96.03% and 63.78% on recurrent and development respectively.
24. During the period under review the sector implemented various programmes, projects and activities namely; recruitment of ECDE tutors and TVET instructors, development of policies and legislations such as the Child Care Facilities Bill 2022 and the ECDE Capitation Policy 2022, construction of 25 ECDE classrooms and operationalized of 4 new Vocational training centers. In addition, 153 new students were enrolled on the Governors' Scholarship Programme whilst 26,979 student accessed county bursary funds.

Health Sector

25. The Health Sector remains a central pillar in the County's Development agenda. In line with the overall objective of increasing access to high quality and affordable health care for all, the county government has continued to increase investments in expansion of

health care delivery systems. During the financial 2022/23 the County Department of Health had a budgetary allocation of Kshs 1457.60 on recurrent expenditure and Kshs 268.57 on Development expenditure. The Department utilized Kshs 1791.44 and Kshs 105.33 on recurrent and development expenditure depicting an absorption rate of 122.90% and 52.59% on recurrent and development respectively.

26. During the period under review the sector achieved the following: Renovated Lyanaginga, Kapchamwani, Ebukanga health facilities, Emusire Sub-County Hospital and continued with construction of VCRH Hospital Plaza; Completed the construction of the Funeral Home at Mbale; Established Non-Communicable Disease Clinic in Hamisi and constructed Eye, Psychiatric and oncology units at VCRH. The sector enhanced human resource for health and hence.
27. On human resource in health number of Doctors per population ratio (per 10,000 populations) was 0.78, Number of Nurses per population ratio (per 10,000 populations) was 5.99. The average distance to nearest health facility improved to 2.3 Km, Increased access to specialized health care in management of lifestyle diseases (Renal, Cancer, Diabetes and Cardiovascular Diseases), OPD per capita utilization rate was 4.0, % of inpatient (admissions) and Bed occupancy rate is 25.2%. The percentage of TB patients completing treatment -78%, % of eligible HIV clients on ARVs-85%, % of children under five years treated for Diarrhea with ORS & Zinc-89.1%, % of school age children de-wormed -88%. On maternal health care, the sector performed as follows: % of Pregnant women attending at least 4 ANC visits-61%. % of Women of reproductive age (WRA) receiving family planning (FP) commodities-30%, proportion of pregnant women getting IFAS supplements at 1st ANC-84.5% and % of deliveries

Environment, Water and Sanitation

28. Provision of clean and safe water and improved sanitation services remains a priority of the county government. Similarly, sustainable utilization and management of natural resources, environmental management, and climate change adaptation and mitigation is critical for sustainable development. As shown in Table 5 above the Department had a budgetary allocation of Kshs 121.51 on recurrent expenditure and Kshs 226.38 on Development expenditure. The Department utilized Kshs 114.77 and Kshs 163.59 on recurrent and development expenditure depicting an absorption rate of 94.45% and 72.26% on recurrent and development respectively.
29. During the period under review the County department continued to pursue the sector overall objective of ensuring sustainable development in a clean and secure environment. The following key achievements were realized during this period; Coordination and Development of various policies and legislations that included Water

the Sand Harvesting policies, PCRA and Climate Change Action Plan and drafted Eucalyptus Management Policy. Others were solarization of several water schemes and expansion and rehabilitation existing piped water schemes.

30. On Environmental Management and conservation, the department procured 12 waste holding skips; acquired a waste holding site at Ebuyangu; Conserved 15 km of wetland (River Edzava) by planting 5,000 Bamboo seedlings. In addition, efforts were made on re-afforested 15 acres of Maragoli Hills and 4 existing community forests; Established 2 training tree Nursery at Maragoli and Ebusekwe Hills; Implemented School Greening Program.
31. Under Climate Change Mitigation and Adaptation: Undertook community project identification in 9 wards; Completed Participatory Climate Risk Assessment (PCRA) Process in line with the FLLoCA Program; Finalized the Vihiga County Climate Change Action Plan; Validated the Climate Information Service (CIS) Plan, signed an M.O.U for Climate Change Centre in Partnership with Kaimosi University

Physical Planning, Lands and Housing

32. The sector broad objective is to pursue strategies aimed at attaining orderly, progressive sustainable urban and rural development in the county. In addition, the sector has a role in promotion of development of decent and affordable housing. During The sector had a budgetary allocation of Kshs 86.86 Million on recurrent and Kshs 63.59Million on Development. The sector incurred an expenditure performance of Kshs 83.1 and Kshs 57.96 on recurrent and development representing an absorption of 95.67 % and 91.15 on recurrent and development Hrespectively.
33. During the period under review the Department Physical Planning, Lands and Housing realized the following achievements; Completed the preparation of the Local Physical Development Plan for Luanda; Continued construction of the Governor & Deputy Governor residence; Validated draft county valuation roll; Aacquired modern survey equipment; Renovated 9 government houses and undertook land banking for public utility. Under KUSP, maintained 3 High mast floodlight at Lotego, Kidundu Stadium and Mutsulyu; Maintained 0.37 km Vihiga County link Road and repair of the U-drains from Event Building to Mbale Equity Bank.

Gender, Youth, Sports, Culture and Social Services

34. The sector plays a critical role in promotion of gender equity and equality, empowerment of communities and vulnerable groups, safeguarding children rights, advancement of diverse culture arts and sports. As shown in Table 5 above the Department had a budgetary allocation of Kshs 87.93on recurrent expenditure and Kshs 11.20 on Development expenditure. The Department utilized Kshs 60.65 and Kshs 4.39on recurrent and development expenditure depicting an absorption rate of 68.98% and 39.20 % on recurrent and development respectively.

35. During the period under review the sector achieved the following; Facilitated 17 Vihiga United team, Vihiga queens, Vihiga volleyball team, athletics and Vihiga Netball team among other teams through the County Sports Funds; Rehabilitated Goibei primary school play grounds; Organized 4 county cultural festivals, supported teams to participate in the Kenya Music and Cultural Festival, equipped Shiru cultural centre, supported inter county sporting activities (KICOSCA games), promoted talents through the annual youth extravaganza, renovated Ivona and Ebusiratsi talent centres, organized a 16-day campaign against Gender Base Violence (GBV) and digitized indigenous knowledge, youth film making and production.

County Public Service Board

36. The County Public Service Board draws its mandate from Article 235 of the Kenya Constitution and section 49 of the County Government Act 2012 to coordinate and advice the county government on issues regarding Human Resource Management and development. The County Government Act 2012 provides the framework of uniform norms and standards for staffing. During The sector had a budgetary allocation of Kshs 53.21 Million on recurrent and nil on Development. The sector incurred an expenditure performance of Kshs 43.61 on recurrent representing an absorption of 81.94 %.
37. The Sub-sector realized the following key achievements during the period under review; Facilitated employment and placement of personnel in various county department and Agencies; facilitated promotion and re-designation of staff in different cadres, Continued capacity building of County Public Service Board staff to strengthen service delivery and undertook human resource audit and implementation and of the report.

The County Assembly

38. The County Assembly is the legislative branch of the County Government established under Article 177 of the Kenya Constitution 2010. The county assembly while respecting the principles of separation of powers exercise oversight over the county executive committees and other county executive organs. During The sector had a budgetary allocation of Kshs 627.13 Million on recurrent and Kshs 15.0 Million on Development. The Assembly incurred expenditure performance of Kshs 409.83 and Kshs 14.47 on recurrent and development representing an absorption of 95.67 % and 91.15 on recurrent and development respectively.
39. During the period under review the county assembly realized the following achievements; Construction of the speaker's residence, renovation of the Chambers, undertook their legislative role by discussing and passing several Bills, approvals of various nominees for appointment in the county public; public participation on bills, policies and regulations and Capacity built the County Assembly Members and staff on oversight and legislative roles.

Public Service and Administration

40. The public service and administration sector plays a critical role in coordinating the county public service for effective and impartial service delivery. During the financial

2022/23 the County Department of Public Service had a budgetary allocation of Kshs 656.21 on recurrent expenditure and Kshs 10.50 on Development expenditure. The Department utilized Kshs 534.94 and Kshs 7.5 on recurrent and development expenditure depicting an absorption rate of 81.52 % and 71.43% on recurrent and development respectively

41. In financial year 2022/23 the sub-sector realized the following key achievements; developed and implemented the new County Government organization structure, coordinated development of service charters in all directorates, upgraded County Website, produced and disseminated documentaries and newsletters, installed Wifi in Mbale and Chavakali markets, Constructed Hamisi sub county offices, Refurbished the county Headquarter building and Extension and renovation of call centre

Office of The Governor

42. The major role of the office of the Governor is to provide stewardship, sound policies and good governance framework for quality and efficient service delivery. As shown in Table 5 above the during the period under review the Governor's Office had a budgetary allocation of Kshs 283.22 on recurrent expenditure and Kshs 7.33 on Development expenditure. The Department utilized Kshs 264.5 and Kshs 3.17 on recurrent and development expenditure depicting an absorption rate of 93.26 % and 43.25% on recurrent and development respectively.
43. During the period under review the following key achievements were realized; Streamlined operations of the County Government and aligned to existing laws and regulations, drafted and assented to various policies, regulation and bills, established County Attorney's office, produced and disseminated newsletters and other reports, Established an institutional framework for performance management, Strengthened the service delivery unit, enhanced stakeholder engagement in County Government programmes, strengthened GIS through capacity building of GIS staff on new GIS software, Streamlined public participation and civic engagement activities, Strengthened grievances redress and feedback mechanism processes.

Finance and Economic Planning

44. The Finance and Economic Planning sub-sector has the key roles that include; Public financial Management, advisory on fiscal matters and custodian of County Assets, County Planning and M&E, Budgeting, Procurement and resource mobilization. During the financial 2022/23 the County Department had an allocation of Kshs 369.08 on recurrent expenditure and Kshs 277.9 on Development expenditure. The Department utilized Kshs 422.95 and Kshs 251.84 on recurrent and development expenditure depicting an absorption rate of 114.60 % and 90.62 % on recurrent and development respectively.
45. During the period under review, the sub-sector realized the following; established the County Audit Committee (CAC) and the County Budget and Economic Forum (CBEF), prepared statutory policy documents that include, the CIDP 2023/27, the ADPs, CAPR, CFSP, CBROP, the Finance Bill and the Debt Management Strategy Paper, reduced

pending bills to less than 400million shillings in F/Y 2022/23, realized own source revenue collection of Ksh. 227.7 million and digitized the asset register. In addition, successfully implemented the KDSP activities that include; Construction and Equipping of the Theatre Block at Hamisi Sub-County Hospital, 90-Bed Capacity Ward Complex at Emuhaya Hospital, a Containerized Archive Registry Office at the County Headquarters and renovation and installation of LPG burners at the VCRH.

Update on Fiscal Performance and Emerging Challenges

46. The Fiscal policy over the medium-term aimed at enhancing revenue mobilization and improving finance management systems at all levels of County government so as to improve on efficiency of public finance management. The updated fiscal economic framework is on a positive trajectory, given the improving trends in own source revenue collection through expansion and automation of some revenue streams.
47. Going forward, the County Government will put greater attention to the policy of expenditure rationalization with a view to provide more funds to core services. It will also focus on engagements with the private sector actors so as to enhance public private partnerships. This will create fiscal space for the implementation of the Governor’s Agenda “Bottom –Up Economic Transformation Agenda (BETA)” and The CIDP 2023-2027.

Fiscal Performance for the FY 2022/23 in relation to Financial Objectives

48. The fiscal performance in the FY 2022/23 is broadly in line with the financial objectives outlined in the PFM Act, 2012. Further analysis indicates that personnel emoluments costs amounted to Kshs.2.52 billion, or 43.0 per cent of the revenue for FY 2022/23 of Kshs.5.86 billion. This expenditure represented an increase from Kshs.2.40 billion reported in a similar period of FY 2021/22. The wage bill included Kshs.1.13 billion paid to health sector employees, translating to 44.8 per cent of the total wage bill.

Expenditure by Economic Classification for FY 2022/23

Expenditure Classification	Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	3,923,895,944	627,128,800	4,072,718,075	409,834,865	103.8	65.4
Compensation to Employees	2,468,110,971	546,620,824	2,227,926,652	297,029,005	90.3	54.3
Operations and Maintenance	1,455,784,973	80,507,976	1,844,791,423	112,805,860	126.7	140.1
Development Expenditure	1,921,996,968	15,000,000	1,450,154,006	14,474,337	75.5	96.5
Total	5,845,892,912	642,128,800	5,522,872,081	424,309,202	94.5	66.1

Source: Vihiga County Treasury

49. The under-spending in recurrent and development budget for the FY 2022/23 can partly be explained by below the target disbursements for externally funded projects and low revenue collection. The Government will put in place appropriate measures to increase revenue collection, improve absorption of resources from development partners and explore alternative financing strategies early in the financial year to ensure the budget is fully funded.
50. The overall resource envelope remains largely within the 2023 CFSP position. Therefore, the overall baseline expenditure ceilings for spending agencies will largely be retained at the same levels as per the 2023 CFSP. Any adjustments would be to reflect changes in priority across sectors or Departments and
51. In FY 2022/23, the County Government collected own source revenue amounting to Kshs. 229.85 million against a target of Kshs.284.07 million which is about 19.09 percent below target. Total expenditure in the FY 2022/23, amounted to Kshs. 5.95 billion against a budget of Kshs. 6.49 billion as per the approved second supplementary budget FY 2022/23. This represented an absorption rate of 92 percent. The absorption rate for development expenditure was 75.61 percent, which means the County was not able to undertake all the development projects.

Fiscal Responsibility Principles

52. In line with the Constitution, the PFM Act, 2012, the PFM Regulations, and in keeping in line with prudent and transparent management of public resources, the County Government has largely adhered to the fiscal responsibility principles as set out in the statute as follows:

- i The County Government Recurrent Expenditure was below the total revenues. The total recurrent expenditure for the FY 2022/23 was Kshs. 4.49 Billion against a total revenue of Kshs. 5.86 Billion representing 76.6 percent of the total receipts.
- ii The total development expenditure for the FY 2022/23 amounted to Kshs. 1.46 Billion representing 24.9% of the total receipts of Kshs 5.86 Billion. The required development budget threshold is 30% of the total budget, however, absorbing 100% of the development budget was not achieved due to delays in completion of projects to warrant payments and hence recognition under the cash basis of Accounting as provided for under IPSAs.
- iii The County Government's share of wages and benefits to the total revenue was 39.07 percent in the FY 2022/23.
- iv To reduce on pending bills, the County Government has committed to adherence to fiscal discipline as well reduction on recurrent and operational expenditure. Additionally, timely procurement of goods and services, a steady and strong increase in own source revenues.
- v To abridge the resource gap, the county government shall develop a robust resource mobilization strategy targeting the national government, development partners, private sector actors and other donor community.
- vi To ensure proper management and utilization of the existing and future grants and donations, a Grants Management and Partnership Unit shall be established within the County Treasury.

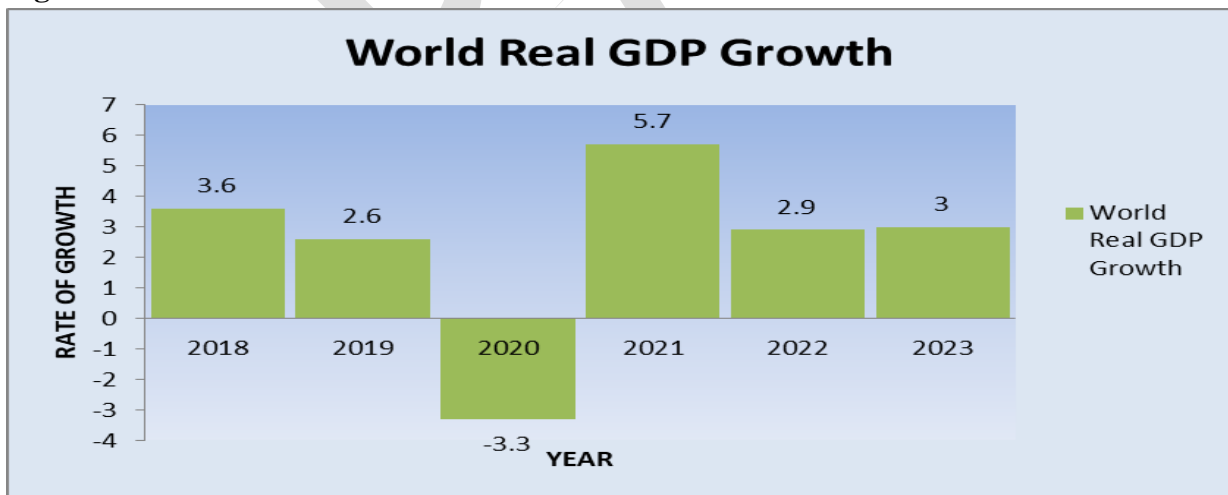
III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

Global Economic Outlook

53. The 2023 Economic Outlook is prepared in the backdrop of slowdown in the growth of the world economy. The world real GDP growth decelerated to 3.4 per cent in 2022 from a growth of 6.0 per cent in 2021. The deceleration was as a result of the tightening monetary policies in most regions, resurgence of COVID-19 in China and the Russia – Ukraine War that led to supply chain disruptions. The slowdown was experienced by both advanced economies and the Emerging Markets and Developing Economies (EMDEs). Growth in EMDEs was constrained by among other reasons, strengthening of the US dollar against most currencies and recurrence of COVID -19 that negatively impacted on global supply chains. The world inflation rose from 4.7 percent in 2021 to 8.7 percent in 2022 on account of high energy prices, supply chain disruptions associated with Russian –Ukraine war, and significant depreciation of most currencies relative to the US dollar.

54. The Sub-Sahara economy grew by 3.9 percent in 2022 compared to 4.8 percent in 2021 on account of decline in household consumption and private investments. The East African community GDP expanded by 4.9 percent in the period under review against a growth of 6.7 percent in 2021.

Figure 4: Trend in World GDP Growth



Domestic Outlook

55. The real Gross Domestic Product (GDP) expanded by 4.8 percent in 2022 compared to a revised growth of 7.6 percent in 2021. The growth was more pronounced in the service-oriented activities including the Financial and insurance (12.8%) information and communication (9.9%), transport and storage (5.6%). Nominal GDP increased from KShs

12,027.7 billion in 2021 to KShs 13,368.3 billion in 2022. Despite the decline in terms of volumes, Agriculture remained the dominant sector accounting for 21.2% of the overall GDP in 2022. Gross National Income (GNI) rose from KShs 11,823.5 billion in 2021 to KShs 13,163.2 billion in 2022. Gross National Disposable Income (GNDI) increased by 11.5 per cent to stand at KShs 13,932.0 billion in 2022. Gross domestic product per capita at current prices increased from KShs 237,861 in 2021 to KShs 260,024 in 2022. During the review period, inflation raised from 6.1 per cent in 2021 to 7.4 per cent in 2022, mainly driven by a surge in food and energy prices.

Figure 5: Trend in GDP Growth



2023 Economic Outlook

56. Kenya’s economy is expected to remain resilient in 2023, supported by a robust performance in the services sector and expected recovery in agriculture. The agriculture sector is likely to rebound in 2023 from two consecutive annual contractions supported by favorable weather conditions and subsidized fertilizer from the Government. Economic performance in 2023 is likely to be reinforced by the Government’s Bottom up economic transformation Agenda (BETA) aimed at achieving economic turnaround and inclusive growth. On the downside, the 2023 growth will be hampered by a decline in domestic demand as a result of elevated inflation and sustained high interest rates. The reduction in domestic demand is likely to suppress private investment. The weakening of the Kenya Shilling against the US Dollar is likely to make imports expensive and slow trade with the rest of the world. Additionally, the projected decline in global demand due to deceleration in the global economy is expected to reduce demand for Kenyan goods

County Economic outlook and growth prospects

57. Vihiga County operates within the global and domestic macro economic framework that influences fiscal decisions. The medium-term prospects for County growth are stronger with the County government renewed commitment and strategy as spelt out in the 3rd generation CIDP 2023-27. County economy is expected to rebound as augmented by increased production in agriculture supported by favorable weather and the government support to farmers through subsidized farm inputs and fertilizer as well as commercialization and value addition. Additionally, the County projects an increase in growth of GCP and incomes occasioned by increased investments in industry and mining sector through, Establishment of industrial park and Mining industries, supporting MSMEs and expansion of transport infrastructure.

Risks to the Outlook

58. The County has identified the following risks and will implement the necessary mitigation measures to minimize the impact to the planned objectives and operations.

Table 7: Risks to the Outlook

Category	Risk	Risk Implication	Risk Level (Low, Medium, High)	Mitigation measures
Financial	<ul style="list-style-type: none"> • Failure to meet Own Source Revenue targets • Delayed procurement processes. 	<ul style="list-style-type: none"> • Unfunded budget • Delayed programme implementation 	Medium	<ul style="list-style-type: none"> • Prudent financial management and adherence to PFMA • Strengthen resource mobilization strategies • Fully automation of revenue, accounting and auditing processes • Timely initiation of procurement processes.
	<ul style="list-style-type: none"> • Delay in exchequer releases 	<ul style="list-style-type: none"> • Low Absorption of budget by Departments 	• Medium	<ul style="list-style-type: none"> • National Treasury ensure timely disbursement of funds.
Organizational Administrative	<ul style="list-style-type: none"> • Recurrent Expenditure pressure due to expanded programs and 	<ul style="list-style-type: none"> • Diminishing proportion of development expenditure 	• High	<ul style="list-style-type: none"> • Cuts in recurrent Expenditure and sustainable planning

Category	Risk	Risk Implication	Risk Level (Low, Medium, High)	Mitigation measures
e	increasing wage bills			
	<ul style="list-style-type: none"> • Low enforcement of policies 	<ul style="list-style-type: none"> • Weak performance management 	<ul style="list-style-type: none"> • Medium 	<ul style="list-style-type: none"> • Full Implementation of all policies and procedures
	<ul style="list-style-type: none"> • Corruption 	<ul style="list-style-type: none"> • Increased wastage 	<ul style="list-style-type: none"> • Medium 	<ul style="list-style-type: none"> • Enforcement of Code of Ethics • Implementation of audit reports recommendations
Strategic risks	<ul style="list-style-type: none"> • Contingency Liabilities 	<ul style="list-style-type: none"> • Late or non-remittance of statutory deductions. 	<ul style="list-style-type: none"> • Medium 	<ul style="list-style-type: none"> • County to comply with legal requirements on statutory deductions to avoid being surcharged.
Agricultural risks	<ul style="list-style-type: none"> • Climate Change Related risks 	<ul style="list-style-type: none"> • Lowering of tax revenues and increase in public spending to mitigate the disasters 	<ul style="list-style-type: none"> • Medium 	<ul style="list-style-type: none"> • Adapt to green economic considerations • Develop and implement disaster recovery plan
Technological risk	<ul style="list-style-type: none"> • Failure/ Network challenges with IFMIS 	<ul style="list-style-type: none"> • Low 	<ul style="list-style-type: none"> • Delayed transactions on IFMIS 	<ul style="list-style-type: none"> • Upgrading of systems

The County Government will undertake appropriate measures to safeguard fiscal stability should these risks materialize by mitigating against them.

IV. RESOURCE ALLOCATION FRAMEWORK

Implementation of the FY 2023/24 Budget

59. Budget implementation during the first months of the FY 2023/24 has progressed well. Total revenues amounted to Ksh. 69.11 million for the two months ending August 2023. Total expenditure by end of August 2023 was Ksh. 650.06 million. There are expenditure pressures arising from FY 2022/23 carryovers amounting to Ksh. 1,467.71 million which may necessitate revision of the budget to cater for this unpaid bills.
60. Total revenues for the FY 2023/24 are projected at Ksh. 5,969.51 million with own source revenues projected at Kshs 300.55 million, Total expenditures is projected at Ksh 5,969.51 million split into recurrent expenditures of Ksh 4,057.67 million and development expenditures of Ksh 1,911.83 million.

Fiscal Policy for FY 2024/25 and Medium Term Budget

61. The Medium-Term Fiscal Framework (MTFF) for the FY 2024/25 emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities.
62. Allocation and utilization of resources in the FY 2024/25 & medium term will be guided by priorities outlined in the County Integrated Development Plan (CIDP), the Bottom - Up Economic Transformation Agenda (BETA) and the MTP IV and other national and international commitments in accordance with section 107 of the PFM Act 2012.
63. Emphasis will be placed on aggressive revenue mobilization through a combination of revenue administrative and reforms including automation of own source revenues. For effective utilization of public finances for enhanced expenditure productivity, the County Government will prioritize expenditures within the overall sector ceilings and strategic sector priorities.
64. Similarly, the County Government will sustain efforts to improve efficiency in public spending and ensure value for money by: eliminating non priority expenditures; rationalizing tax expenditures and scaling up the use of Public Private Partnerships in financing for commercially viable projects

Fiscal Policy Framework for the FY 2024/25 and Medium Term Budget

65. During the Medium Term Expenditure period 2023/24-2025/26, the County Government will endeavor to pursue the flagship projects and other development projects as contained in the County Integrated Development Plan (2023-2027) in order to achieve the transformative development agenda which entails implementation of the constitution, provision of core services, creation of employment opportunities, improving the general welfare of the people and above all ensuring equity and minimizing costs through elimination of duplication and inefficiencies.
66. The Kenyan Economy continued to expand in 2022, albeit at a slower pace than the

7.5 percent recorded in 2021. Real GDP is expected to have grown by 5.5 percent in 2022 supported by the services sector despite subdued performance in agriculture and weaker global growth. The economy is projected to rebound to 5.6 percent in FY 2023/24 and over the medium term through the Government's Bottom-Up Economic Transformation Agenda geared towards economic turnaround and inclusive growth, as stipulated in the Budget Review and Outlook Paper 2023.

FY 2024/25 Fiscal Projections

67. In the proposed 2024/25 budget, the County Equitable Share is projected to increase by 5.6 percent as indicated in the table 8 below. In this regard, the County Government will over the medium term ensure compliance with the fiscal responsibility principles as outlined in the sections 107 of the PFM Act 2012. The County Government is expected to enhance expenditure productivity in the proposed year and manage the rising wage bill to be within the required limit.
68. The County Government will continue to allocate resources while adhering to the fiscal responsibility principle and further ensuring budget credibility.

Criteria for Resource Allocation

69. The County Departments and agencies will be encouraged to adopt efficiency in allocation of resources through cost budgeting and reviewing the portfolio of externally funded projects. The Departments will also be encouraged to restructure and re-align with the County Government priority programmes. Realization of these objectives will be achieved within the budget ceilings provided in this CBROP. The following criteria will serve as a guide for allocating resources:
 - i. Linkage of programmes with the Governor's manifesto and priorities of the Bottom-Up Economic Transformation Agenda
 - ii. Linkage of the programme with the priorities of Medium-Term Plan IV of the Vision 2030;
 - iii. Linkage of programmes that support mitigation and adaptation of climate change;
 - iv. Completion of ongoing projects, viable stalled projects and payment of verified pending bills;
 - v. Degree to which a programme addresses job creation and poverty reduction;
 - vi. Degree to which a programme addresses the core mandate of the Departments
 - vii. Cost effectiveness, efficiency and sustainability of the programme; and
 - viii. Requirements for furtherance and implementation of the Constitution.

70. The projected resource envelope is Kshs. 6.46 billion. The table 8 below provides the projected estimate ceilings for the FY 2024/25.

Table 8: County Government Fiscal Projections in Kshs. For FY 2024/25

Sources	FY 2022/23 Budget Kshs	FY 2023/2024 Budget Kshs	Projections FY 2024/25 Kshs
County Equitable Share	5,067,356,827	5,267,026,885	5,588,315,525
Own Source Revenue	284,073,208	300,549,454	300,549,454
Conditional Grants	283,792,791	764,189,625	595,198,778
Total	5,635,222,826	6,331,765,964	6,457,728,623

Source: Vihiga County Treasury

71. The FY 2024/25 and the Medium Term Framework will focus on the implementation of the CIDP 2023-2027, the Bottom-up Economic Transformation Agenda (BETA) as prioritized in the ADP 2024/25.

72. The ADP will focus on the following key policy areas;

- Scale-up of good governance, accountability and transparency systems including automation of government services for better service delivery and economic development
- Public sector reforms including strengthening performance management systems, and enhancing human resource capacity with the objective of creating a public service that is accountable, efficient, motivated, citizen-focused and results oriented.
- Promotion of an educated, skilled and well-informed society through investments in education infrastructure, human resource development, nurturing care for early childhood development and enhanced bursaries, scholarships and other education support programmes.
- Strengthening health care delivery systems towards the realization of quality, affordable and accessible health care services for all
- Infrastructure development with emphasis on expanding road network by improving selected roads to bitumen standards, opening of new access roads and bridges, routine maintenance of existing roads, street lighting, expansion of water infrastructure water and sanitation infrastructure and sewerage systems.

Table 9: Projected estimate ceilings for the FY 2024/25

Department	Projected 2024/25 Ceilings Kshs. Millions	Projected Additional Revenue Bill	Net Projected Ceilings 2024/25 Kshs. Millions
Office of The Governor	275,372,321		275,372,321
Finance and Economic Planning.	504,478,049		504,478,049
Agriculture, Livestock & Fisheries	310,482,762	361,986,124	310,482,762
Health Services	1,480,249,608	133,212,654	1,480,249,608
Education & Technical Vocational Training	600,458,432		600,458,432
Gender, Culture, Youth, Sports and Social Services	182,127,499		182,127,499
Commerce, Tourism and Cooperatives.	209,893,214	100,000,000	209,893,214
County Public Service Board	50,812,039		50,812,039
Environment, Water, Natural Resources and Climate Change	361,497,562		361,497,562
Transport & Infrastructure	300,738,645		300,738,645
Physical Planning, Lands, Housing & Urban Development	233,144,601		233,144,601
County Assembly	604,741,175		604,741,175
Public Service & Administration	324,254,479		310,628,479
County Attorney	14,500,000		28,126,000
Ward Based Development	409,806,459		409,806,459
TOTAL COUNTY EXPENDITURE	5,862,529,845	595,198,778	5,862,529,845

Source: Vihiga County Treasury

Public Participation and Involvement of Stakeholders

73 As required by the Public Finance Management (PFM) Act, 2012 this Budget Review and Outlook Paper has been prepared in an inclusive and participatory process involving various stakeholders. Dissemination of the draft document to public was conducted in the five sub counties. Subsequently, it was reviewed by the CBEF before being presented to the County Executive Committee (Cabinet) for adoption and finally submitted to County Assembly for approval.

**SECTION V:
CONCLUSION**

- 74 Global economic outlook has become more uncertain as reflected in the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures, elevated inflationary pressures, volatile financial markets, and persistent supply chain disruptions. The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to its diversified nature and the proactive measures by the Government to cushion the vulnerable, support businesses and accelerate economic recovery.
- 75 To ensure continued development in Vihiga, the County Government in the MTEF period, will focus on resource mobilization and reduction of non-core expenditures with a view of prioritizing programs that reduce the adverse effects of Covid-19 pandemic and strategic intervention that strengthen economic recovery. The Kenyan economy is expected to expand by 5.6 percent in the FY 2023/24
- 76 During the FY 2022/23, the County collected own source revenue amounting to KShs 229.85 million against the target of KShs 284.07 million which is about 19.09 percent below target. The FY 2022/23 the fiscal performance was positive with a total expenditure of KShs 5.95 billion compared to KShs 4.88 billion in FY 2021/22 which represent an increase of 1.07 percent.
- 77 As we prepare the FY 2024/25 Budget, all spending units are expected to lay emphasis on the priority programs under Governors manifesto by increasing investments in Agriculture, Health care, Commerce and Transport departments.
- 78 Given the limited resources, the sector working groups and departments are therefore directed to critically review, evaluate, and prioritize all budget allocations to strictly achieve the Governors manifesto. The departmental ceilings provided for FY 2024/25 budget and Medium Term will form the basis of the Allocations.

ANNEX 1: BUDGET CALENDAR

<i>S/No.</i>	<i>Activity</i>	<i>Responsibility</i>	<i>Timeframe/Deadline</i>	<i>Obligation of Members of the Public</i>
1.	Issue guidelines for preparation of 2024/25 and MTEF County Budget	C.E.C Finance & Planning	30 th August, 2023	Read to know when, where and how to participate in the budget process
2.	Submission of Annual Development Plan (ADP 2024/25) to the County Assembly	CEC for Finance and Economic Planning	1 st September, 2023	Read the plan, and can submit written Memorandum
3.	Undertaking of Departmental Expenditure Reviews and submit to County Treasury ensuring that ecological, social, environmental and institutional issues are highlighted	All Departments	4 th - 8 th September, 2023	
4.	Estimation of Resource Envelope and Preliminary allocation to sectors for preparation of County Budget Review and Outlook Paper (CBROP 2023)	County Treasury	11 th – 18 th September, 2023	
5.	Submission of CBROP to County Budget and Economic Forum CBEF	County Treasury	25 th -27 th September, 2023	
6.	Submission of CBROP to the County Executive Committee for deliberation and approval	County Treasury	28 th September, 2023	
7.	Submission of County Budget Review and Outlook Paper (CBROP 2023) to the County Assembly	CEC for Finance and Economic Planning	20 th October, 2023	Access, Read and comment.
8.	Sector consultative forums and Drafting of Sector Reports ensuring that ecological, social, environmental and institutional issues are well Addressed. Launch of Sector Working Groups	County Treasury	6 th -10 th November 2023	Access, Read and comment.
9.	Submission of final sector reports to County Treasury ensuring that ecological, social, environmental and institutional issues are well addressed.	All C.E. Cs for their respective Departments	30 th November, 2023	Access, Read and comment.

10.	Drafting of County Fiscal Strategy Paper (CFSP 2024-) and County Debt Management Strategy Paper.	County Treasury	8 th -12 th January, 2024	Access, Read and comment.
11.	Public Participation exercise	County Treasury	6 th -8 th February, 2024	Read the budget, and can submitwritten Memorandum
12.	Submission of County Fiscal Strategy Paper(CFSP 2023) to CBEF	CEC Finance and Economic Planning	14 th -16 th February, 2024	Read the paper, and can submitwritten Memorandum
13.	Submission of CFSP to County ExecutiveCommittee for approval	CEC Finance and Economic Planning	23 rd February 2024.	Read the paper, and can submitwritten Memorandum
14.	Submission of the CFSP to County Assembly	County Treasury	28 th February, 2024	Access, Read and comment.
15.	Deliberation and approval of CFSP by County Assembly		1 st -14 th March 2024	
16.	Circulate approved County Fiscal Strategy Paper (CFSP 2024) and Final guidelines on preparation of 2024/25 MTEF Budget	County Treasury	15 th March, 2024	Access, Read and comment.
	Submission of budget proposals for 2023/24MTEF Budget to County Treasury	All CECMs and Accounting Officers	30 th March 2024	
17.	Public Participation of Budget Estimates	County Treasury	17 th -19 th April, 2024	
18.	Consolidation of Budget Estimates for F/Y2024/25	County Treasury	20 th – 23 rd April, 2024	Access, Read and comment.
19.	Submission of Budget Estimates to CBEF	County Treasury	24 th -25 th April, 2024	
20.	Submission of Budget Estimates F/Y 2023/24 to County Executive for approval	County Treasury	26 th April, 2024	Access, Read and comment
21.	Presentation of Budget Estimates to County Assembly	C.E.C Finance &Planning	By 30 th April, 2024	
22.	Deliberations and Approval of Budget Estimates F/Y 2024/25	County Assembly	30 th April– 30 th June, 2024	Access, Read and comment.
23.	Finance Bill & ACT	County Treasury &County Assembly	30 th September within 90days	Access, Read and comment

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