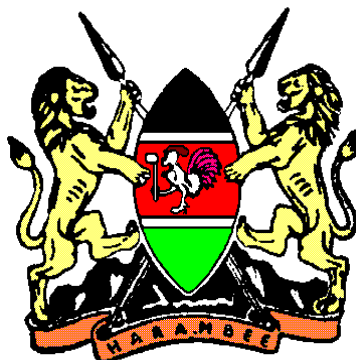


REPUBLIC OF KENYA



**COUNTY GOVERNMENT OF KERICHO
FINANCE AND ECONOMIC PLANNING**

MEDIUM TERM

**COUNTY FISCAL
STRATEGY PAPER
2023**

FEBRUARY 2023

Vision

“A prosperous county where residents enjoy a high quality of life in a sustainable environment”

Mission

“To foster equitable and sustained socio-economic development through effective and efficient mobilization and utilization of available resources.

CORE VALUES

Accountability and Professionalism

Accountability to its citizens by paying attention to details and running the affairs of the county in a fair manner.

Yield and Sustainability

Yielding lasting fruits to be enjoyed by the citizens, putting in place measures to ensure sustainability of programs and services rendered.

Commitment and Hard work

Commitment to work by ensuring that there is always competitive and efficient service delivery, responsive to the needs of the people.

Innovation and Creativity

Innovation services driven by creative strategies.

TAGLINE

All You Can Imagine

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ABBREVIATIONS AND ACRONYMS

ADP	-	Annual Development Plan
CFSP	-	County Fiscal Strategy Paper
CIDP	-	County Integrated Development Plan
CRA	-	Commission on Revenue Allocation
CSP	-	County Strategic Plan
ECDE	-	Early Childhood Development Education
ERP	-	Enterprise Resource Planning
FIF	-	Facility Improvement Fund
FY	-	Financial Year
HDU	-	High Dependency Unit
ICU	-	Intensive Care Unit
ICT	-	Information Communication Technology
IFMIS	-	Integrated Financial Management Information System
MTEF	-	Medium Term Expenditure Framework
MTP	-	Medium Term Plan
NHIF	-	National Hospital Insurance Fund
NSSF	-	National Social Security Fund
O&M	-	Operation and Maintenance
PFM A	-	Public Finance Management Act, 2012
PBB	-	Program Based Budgets

Foreword

The 2023 County Fiscal Strategy Paper (CFSP) has been prepared in line with Section 117 (1) and (6) of the Public Finance Management Act, 2012 and PFM Regulations, 2015. The County Fiscal Strategy Paper (CFSP) underpins the county fiscal and budget framework by laying out strategic priorities and fiscal policy – that is what the county plans to do regarding revenue, expenditure and debt management over the medium-term. Importantly, this document sets the sector and program resource ceilings that guide the FY 2023/2024 budget estimates. The CFSP outlines the Medium-Term Fiscal Framework, which offers mechanisms for entrenching sustainable growth and development for efficient service delivery

The County has continued to record positive economic development as a result of improved infrastructure, revitalized agricultural sector and the significant investments in other sectors including health, education and trade. To keep this development pace, the focus of FY 2023/2024 will be geared towards completing developing projects initiated in the previous periods and putting the County Government on stable fiscal ground. Over the years, we have learnt the importance of laying firm fiscal base for the County Government through minimization of debt and maximization of revenues. This is what we intend to achieve with the CFSP and the budget estimates to be drawn from the strategy paper.

The fiscal framework presented in the paper ensures a sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives calls for greater transparency, effectiveness and efficiency in public financial management in order to ensure fiscal discipline.

Hon. Leonard K. Ngetich

CECM Finance and Economic Planning and Head of County Treasury.

Acknowledgement

The development of the 2023 CFSP was a collaborative effort by the County Departments and Agencies under the leadership and guidance of His Excellency the Governor, Dr Erick Mutai. I also wish to acknowledge the leadership and guidance by H.E the Deputy Governor, the County Executive Committee Member for Finance and Economic Planning, all the County Executive Committee Members and the Chief Officers for coordination of respective departments during the preparation of this Paper.

The 2023 County Fiscal Strategy Paper has been prepared in compliance with the provisions of the Public Finance Management Act, 2012. The document was prepared through a consultative process that has taken a keen consideration of the views and opinions of the public and other interested groups who submitted their inputs which have greatly informed the content of this Paper.

I would like to take this opportunity to thank the entire staff of the Finance and Economic Planning Department for their dedication, sacrifice and commitment to public service.

CPA. Gilbert Kipkurui Bii
Chief Officer Economic Planning

CPA. Rosemary Chelangat
Chief Officer Finance

CHAPTER ONE

1.0 COUNTY FISCAL STRATEGY PAPER PROCESS OVERVIEW

1.1 Introduction

This Kericho County Fiscal Strategy Paper 2023 is prepared in line with the Constitution, the Public Financial Management (PFM) Act, 2012. This is the ninth paper prepared by the County Executive and the first in the second County Government. It will guide the County Government in preparing its budget for Financial Year (FY) 2023/2024 and the Medium Term.

1.2 County Fiscal Strategy Paper Process

As per the requirement of the Public Finance Management Act, 2012 section 117 the County Government has taken into consideration views of various stakeholders during the preparation of the 2023 County Fiscal Strategy Paper.

1.3 Legal basis for the publication of County Fiscal Strategy Paper

The County Fiscal Strategy Paper is published in accordance with section 117 of the Public Finance and Management Act, 2012. The law states that

(1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.

(2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

(3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.

(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

(5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of—

(a) the Commission on Revenue Allocation;

(b) the public;

(c) any interested persons or groups; and

(d) any other forum that is established by legislation.

(6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.

(7) The County Treasury shall consider any recommendations made by the county assembly when finalising the budget proposal for the financial year concerned.

(8) The County Treasury shall publish and publicise the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

1.4 Rationale for the Fiscal Strategy Paper

The objective of the 2023 County Fiscal Strategy Paper is to lay down the framework for the preparation of the County Budget. It is a requirement under Section 117 of the Public Finance Management Act, 2012 that each County Treasury shall prepare and submit to the County Executive Committee the Fiscal Strategy Paper for approval, and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly by the 28th February each year.

Pursuant to the provisions of the PFM Act 2012, this County Fiscal Strategy Paper addresses the following:

- i. The Medium-Term macroeconomic framework and its outlook as contained in the Budget Policy Statement and how it impacts on the County economic environment;
- ii. A statement of fiscal responsibility principles, as specified in the PFM Act, 2012 and regulations indicating how the Fiscal Strategy Paper adheres to these principles;
- iii. The economic assumptions underlying the County budgetary and fiscal policy over the Medium Term;

- iv. Indicative allocation of available resources among County Government entities; and
- v. A medium-term fiscal framework defining a top-down aggregate resource envelope and broad expenditure levels.

1.5 Outline of the 2023 County Fiscal Strategy Paper

The report is structured into four sections as follows;

- a) Chapter One provides an overview of the report
- b) Chapter Two outlines the recent economic development and fiscal outlook at the Global, National and County Levels.
- c) Chapter Three outlines the County strategic objectives and the various programmes that the County is implementing to achieve her objectives.
- d) Chapter Four covers the fiscal and budget framework with projected resource envelope and departmental ceilings.

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CHAPTER TWO

2.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1 Introduction

This section gives an over view of the recent economic developments at the global, national and county levels.

2.2 Global Economic and Fiscal Overview

Global growth has slowed to the extent that the global economy is perilously close to falling into recession only three years after emerging from the pandemic-induced recession of 2020. Very high inflation has triggered unexpectedly rapid and synchronous monetary policy tightening around the world to contain it, including across major advanced economies. Although this tightening has been necessary for price stability, it has contributed to a significant worsening of global financial conditions, which is exerting a substantial drag on activity. This drag is set to deepen given the lags between changes in monetary policy and its economic impacts, and the fact that real rates are expected to continue to increase.

Global inflation has been pushed higher by demand pressures, including those from the lagged effects of earlier policy support, and supply shocks, including disruptions to both global supply chains and the availability of key commodities. In some countries, inflation has also been spurred by large currency depreciations relative to the U.S. dollar, as well as tight labor market conditions.

Inflation remains high worldwide and well above central bank targets in almost all inflation targeting economies. Although inflation is likely to gradually moderate over the course of the year, there are signs that underlying inflation pressures could be becoming more persistent. In response, central banks around the world have been tightening policy faster than previously expected. Monetary policy tightening in advanced economies, a strong U.S.

dollar, geopolitical tensions, and high inflation have dampened risk appetite and led to widespread capital outflows and slowing bond issuance across EMDEs.

Fiscal space has narrowed considerably, and concerns over debt sustainability in many countries have risen as global financial conditions have made it more difficult to service debt loads that have accumulated rapidly in recent years, particularly during the pandemic. Nonetheless, many governments have announced new support measures to shield households and firms from the effects of sharply rising prices, slowing the pace of fiscal consolidation as pandemic-related stimulus is withdrawn.

Global growth is forecast to slow to 1.7 percent in 2023. This pace of growth would be the third weakest in nearly three decades, overshadowed only by the global recessions caused by the pandemic in 2020 and the global financial crisis in 2009. This forecast is 1.3 percentage points lower than in June, largely reflecting more aggressive monetary policy tightening, deteriorating financial conditions, and declining confidence. Growth projections have been downgraded for almost all advanced economies and about two-thirds of EMDEs in 2023, and for about half of all countries in 2024. Global trade is also expected to slow sharply alongside global growth, despite support from a continued recovery in services trade. Downgrades to growth projections mean that global activity is now expected to fall even further below its pre-pandemic trend over the forecast horizon, with EMDEs accounting for most of the shortfall from trend. This suggests that the negative shocks of the past three years namely the pandemic, the invasion of Ukraine, and the rapid increase in inflation and associated tightening of monetary policy worldwide are having a lasting impact on economic prospects.

Risks to the growth outlook are tilted to the downside. In light of high inflation and repeated negative supply shocks, there is substantial uncertainty about the impact of central bank policy in terms of both

magnitude and timing. As a result, the risk of policy missteps is elevated. Global inflation may be pushed higher by renewed supply disruptions, including to key commodities, and elevated core inflation may persist. To bring inflation under control, central banks may need to hike policy rates more than is currently expected. Financial stress among sovereigns, banks, and nonbank financial institutions may result from the combination of additional monetary tightening, softer growth, and falling confidence in an environment of elevated debt. Given already-weak global growth, a combination of sharper monetary policy tightening and financial stress could result in a more pronounced slowdown or even a global recession this year. Weaker-than-expected activity in China amid pandemic-related disruptions and stress in the real estate sector, rising geopolitical tensions and trade fragmentation, and climate change could also result in markedly slower growth.

2.3 National Economic and Fiscal Overview.

Kenya's new president, William Ruto, of the Kwanza coalition, began his four-year term in September 2022. The mostly peaceful electoral process bodes well for Kenya's institutional strengthening and political stability. An ongoing IMF programme will underpin confidence and help to curtail debt-related risks, but new Eurobond issuance remains on hold because of adverse market conditions. Economic growth will remain modest in 2023, owing to heightened headwinds, including slower global growth and domestic interest-rate increases. We expect growth to accelerate in 2024-27, supported by structural reforms. However, a current-account deficit and a large external debt stock could expose Kenya to balance-of-payments stresses, if access to external financing continues to deteriorate.

The FY23-FY28 Country Partnership Framework (CPF), endorsed by the World Bank Group (WBG) Board of Executive Directors in November 2022, sets out the strategy to support Kenya's transformation into a middle-income economy

that achieves inclusivity and resilience. The new CPF draws on Kenya's Vision 2030, the previous WBG's Country Partnership Strategy (CPS) FY14-FY20 for Kenya, lessons from the CPS Completion and Learning Review (FY22), the FY20 Systematic Country Diagnostic, a Country Private Sector Diagnostic (FY19), over 34 stakeholder consultations and builds on the WBG's comparative advantages in Kenya. It also aligns directly with the World Bank's Africa Strategy – i.e., jobs and economic transformation, digital economy, human capital, universal access to electricity, climate change mitigation and adaptation, and fragility conflict and violence, and achieving gender equality.

The International Development Association (IDA)/International Bank for Reconstruction and Development (IBRD) portfolio stands at \$6.8 billion in 33 projects: 23 national and 10 regional projects. The transport sector takes the largest share of investments at 18%, followed by water at 15%, energy and extractives at 12%, and agriculture at 11%. Other investments are in the following sectors: macroeconomics, trade, and investment, Education, ICT sectors, social sectors, urban, devolution, governance, forced displacements, private sector development, and statistical capacity building.

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 grow 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 6.1 percent in 2023, reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth.

The growth momentum continued in the first three quarters of 2022 averaging 5.5 percent despite subdued performance in agriculture and weaker global growth. The economy grew by 6.7 percent in the first quarter and 5.2 percent in the second quarter compared to a growth of 2.7 percent and 11.0 percent in similar quarters in 2021.

In the third quarter of 2022, the economy grew by 4.7 percent compared to a growth of 9.3 percent in the corresponding quarter of 2021. Most sectors posted slower growths owing to the significantly high growth rates recorded in the third quarter of 2021 that signified recovery from the impact of the COVID-19 pandemic. The growth in the third quarter of 2022 was mainly supported by the service sectors particularly Accommodation and Food Service activities, Wholesale and retail trade, Professional, Administrative and Support services, Education and Financial and Insurance activities. The growth was however slowed by declines in activities of the Agriculture, Forestry and Fishing, and Mining and Quarrying sectors.

2.4 County Economic and Fiscal Overview, FY 2021/2022

The County's approved final Supplementary Budget for FY 2021/22 was Kshs.8.4 billion, comprising of Kshs.5.2 billion (63 per cent) and Kshs.3.1 billion (37 per cent) allocation for development and recurrent programmes respectively

To finance the budget, the County expected to receive Kshs.6.4 billion (77 per cent) as equitable share of revenue raised nationally, Kshs.122.5 million (1.46 per cent) as total conditional grants, Kshs 735.6 million (8.75 per cent) as donor funds, generate Kshs.842 million (10 per cent) from own sources of revenue, Insurance Compensation of Kshs 5.8 million (0.07 per cent) and had Kshs.266.7 million (3.17 per cent) as cash balance from FY 2020/21.

During the FY 2021/22, the County received Kshs.5.916 billion as equitable share of revenue raised nationally, Kshs.81.6 million as total conditional grants, Kshs 400.3 million as donor funds and had a cash balance of Kshs.267.5 million from FY 2020/21. The County also raised Kshs.566.8 million from own source revenue.

In overall, actual income received by the County Treasury reflected a deficit of Kshs 1.17 billion attributable to delayed releases by both the exchequer and

the Donors Funds. Own source revenue target was not achieved by Kshs 275.8 million including the FIF and NHIF rebates.

Revenue performance-July-December 2022

Over the 6-months period, the major source of revenue was Kshs 2,636,572,616 from the Equitable. Own Source Revenue contributed Kshs 144,339,120, while the unspent balance from the previous financial year was Kshs 876,545.80 over the 6-months period.

MONTH	EQUITABLE SHARE	OWN SOURCE REVENUE	UNSPENT BALANCE	TOTAL
JULY	514,453,191.00	17,116,950.48	876,545.80	532,446,687.28
AUGUST	-	11,110,489.00	-	11,110,489
SEPTEMBER	1,061,059,713.00	9,241,450.00	-	1,070,301,163
OCTOBER	-	62,757,480.00	-	62,757,480
NOVEMBER	546,606,518.00	16,829,400.00	-	563,435,918
DECEMBER	514,453,194.00	26,491,301.00	-	540,944,495
TOTAL	2,636,572,616.00	143,547,070.48	876,545.80	2,780,996,232.28

Own Source Revenue Collection July-December 2022

The analysis of revenues collected from County's local sources is as indicated in the table below from July to December 2022

COUNTY GOVERNMENT OF KERICHO 2022/2023 FINANCIAL YEAR REVENUE Q2 REPORT					
JUL 2022 - DEC 2022 KERICHO COUNTY					
Revenue Stream	ANNUAL PROJECTION FY 2022-23	2022/2023 Q1 ACTUAL	2022/2023 Q2 ACTUAL	YTD ACTUAL	VARIANCE
Hospital Payments	528,196,453	44,211,436	32,199,792	76,411,228	(451,785,225)
Bus Park Fees	25,000,000	3,158,922	3,695,990	6,854,912	(18,145,088)
Market Fees	30,000,000	3,348,240	4,218,930	7,567,170	(22,432,830)
Car Park Fees	15,000,000	2,894,650	2,898,850	5,793,500	(9,206,500)
Single Business Permit	65,000,000	1,981,500	2,329,000	4,310,500	(60,689,500)
Advertisement, Branding and Billboard Fees	10,000,000	3,967,100	1,143,899	5,110,999	(4,889,001)
Land and Property Rates Fees	90,000,000	2,642,859	2,524,169	5,167,028	(84,832,972)
Public Health Payments	5,000,000	1,207,600	877,900	2,085,500	(2,914,500)
House Rent Fees	10,000,000	1,622,350	5,837,900	7,460,250	(2,539,750)
Building Plan Approvals Fees	10,000,000	731,220	1,173,090	1,904,310	(8,095,690)
Weights and Measures Fees	5,000,000	203,740	1,093,810	1,297,550	(3,702,450)
Quarry Stone Cess	3,000,000	481,400	449,700	931,100	(2,068,900)
Agriculture Livestock, Veterinary Payments and Machinery Services.	2,500,000	528,330	621,645	1,149,975	(1,350,025)
Signages Fees	6,000,000	77,900	181,500	259,400	(5,740,600)
Slaughter House Operation Fees	1,500,000	291,500	304,940	596,440	(903,560)
Stockyard Sales Fees	2,000,000	414,420	494,380	908,800	(1,091,200)
Boda Boda Payments	5,000,000	2,100	1,500	3,600	(4,996,400)
Reserved Parking Fees	2,000,000	-	832,000	832,000	(1,168,000)
Refuse Fees	8,000,000	146,400	168,800	315,200	(7,684,800)
Plot Rent	2,000,000	139,913	946,793	1,086,706	(913,294)
Produce Cess	2,500,000	1,232,834	4,057,887	5,290,721	2,790,721
Nema Fees, Drilling Services	250,000	400,000	140,000	540,000	290,000
Fire License Fees	6,000,000	202,300	165,400	367,700	(5,632,300)
Survey Fees	700,000	101,000	133,000	234,000	(466,000)
Murram, Ballast, Sand & Scrap Metal Cess Fees	1,000,000	57,700	199,700	257,400	(742,600)
Inspection Fees	2,500,000	95,000	72,100	167,100	(2,332,900)
Application/Registration Fees	2,500,000	80,200	43,000	123,200	(2,376,800)
Forest Cess/Seedling Sale Yard	500,000	58,800	41,200	100,000	(400,000)
Clamping, Fines and Impounding Fees	300,000	21,800	123,100	144,900	(155,100)
Business Permits Late Payment Penalties, Current Year	500,000	29,750	4,631	34,381	(465,619)
Tea Transport Cess fees	100,000	-	-	-	(100,000)

Audit Fees	50,000	3,000	3,000	6,000	(44,000)
Cemetery Fees	15,000	2,000	2,000	4,000	(11,000)
Hire Of Social Hall/Park & Stadium Fees	450,000	221,000	31,500	252,500	(197,500)
Alcoholic Drink License Fees	5,000,000	-	-	-	(5,000,000)
Coffee Fees	750,000	1,000	-	1,000	(749,000)
Land Cultivation Fees	500,000	-	-	-	(500,000)
Kabianaga Tea Farm Payments	5,000,000	300,000	-	300,000	(4,700,000)
Insurance Compensation	0	5,678,000	-	5,678,000	5,678,000
TOTAL REVENUE STREAMS	853,811,453	76,535,964	67,011,106	143,547,070	(710,264,383)

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From this analysis, in the first half-year, the County has generated 16.81% of its Own Source Revenue (Local Collections, NHIF rebates and FIF) target of Kshs. 853,811,453. Hospital payments was the best performing revenue stream in the period. The stream generated 53.23% (Kshs. 76,411,228) of the County's Own Source Revenue within the 6-month period. However, This performance translates to only 14.47% of the targeted revenue collection of Kshs 528,196,453 for the stream. This was followed by Market fees at 5.27 % (Kshs. 7,567,170) and Bus Park Fees at 4.78 %. (Kshs. 6,854,912). There is need for the County Government to revamp its revenue collection to meet targets.

County 2022/23 First Half-year expenditure performance

The total expenditure for the first half of the FY 2022/23 is Kshs 2,032 million which comprised of only recurrent expenditure.

The table below shows the expenditures per department

DEPARTMENT	Qtr1	Qtr2	Grand Total
Agriculture, Livestock Development and Fisheries	29,992,827.10	33,787,227.90	63,780,055.00
County Public Service Board	9,314,337.00	17,249,090.10	26,563,427.10
Education, Youth Affairs, Children, Culture and Social Services	72,560,706.30	112,020,621.40	184,581,327.70
Finance And Economic Planning	41,073,265.30	81,708,276.10	122,781,541.40
Health	477,703,752.55	743,514,436.40	1,221,218,188.95
Information, Communication & E-Government	6,623,017.70	8,646,020.30	15,269,038.00
Lands, Housing and Physical Planning	20,342,546.10	24,510,168.75	44,852,714.85
Office Of the Governor	18,980,255.05	42,437,512.05	61,417,767.10
Public Service Management	53,190,796.00	115,838,702.00	169,029,498.00
Public Works, Roads, Transport	12,830,371.10	21,524,485.20	34,354,856.30
Trade, Industrialisation, Tourism, Wildlife and Cooperative Management	13,898,909.20	12,308,239.50	26,207,148.70
Water, Energy, Natural Resources and Environment	20,698,628.95	41,781,420.80	62,480,049.75
Grand Total	777,209,412.35	1,255,326,200.50	2,032,535,612.85

CHAPTER THREE

3.0 BUDGET THEME: BUDGETING FOR ECONOMIC RECOVERY

3.1 Overview

This chapter provides the details for overall spending priorities of the county government. It also describes the sectoral spending priority programmes and projects for the remaining MTEF period.

The 2023/2024 Annual Development Plan spells out priority activities, projects and programmes to be undertaken by the various departments during the plan period. This is key in terms of informing allocation of resources to various sectors, projects and programmes.

The medium-term budget framework for 2023/24 – 2025/26 has taken into account the need to ensure fiscal consolidation and prioritize resources towards economic recovery.

3.2 County Strategic Objectives

3.2.1 Agriculture and Livestock

The agriculture sector continues to play a vital role in the rural economy. The county economy is highly depended on Agriculture owing to the huge tracks of arable lands available across the county. Agricultural productivity has been affected by a fall in rainfall in January 2023 and also worsened the situation with world fertiliser prices having more than doubled in the past two years, affecting productivity of Kenyan farmers. The National Government in an effort to make fertilizer available and improve productivity imported fertilizer and distributed them at a lower cost. Strengthening and improving the performance of the agricultural sector and enabling the engagement of the citizens in this process is a prerequisite and a necessary condition for economic growth. The County government is geared towards developing capacity of farmers, promoting modern methods of farming, offering high

quality seeds; seedlings and fertilizers, revitalizing the coffee sector, improving tea buying centers as well as ensuring extension services are easily accessible.

The County proposes to utilize available land to enhance food security and wealth creation of Kericho citizenry during FY 2023/2024. The sector will continue undertaking the following; provision of efficient and effective agricultural, livestock and fisheries services, improving food security and; promoting affordable agricultural land use and efficiency in farm operations through crop management; the veterinary services will continue preventing and controlling spread of disease from within and other counties; providing animal health and extension and welfare services; Improved livelihood for the households in income generation activities through cooperative marketing and value addition.

3.2.2 Health and Sanitation

Access to quality and affordable healthcare is critical for socio-economic development. The National and County Governments have their specific functions that are complementary towards achievement of quality, efficient and affordable Universal Health Coverage (UHC) for all Kenyans. The county government is committed to supporting the health sector in terms of adequate human resources, health care financing, provision of commodities and developing the required infrastructure.

In the forthcoming FY 2023/24, the Department will continue to enhance healthcare access in the County. Already the department has started the construction of an oncology centre at Kericho County Referral Hospital. Construction and equipping of health centers and dispensaries will continue. The county will also operationalize these health centres and dispensaries by ensuring adequate and qualified staff are deployed to provide services to the public.

3.2.3 Education, Social Protection, Culture and Recreation

This sector is responsible for coordinating preprimary and vocational training, social security services and sports talent and arts. It executes its mandate through the following programs; County Pre-Primary Education, Vocational Education, Youth Training and Development, County Social Security and Services; General Administration, Planning and Support Services. The sector envisions having an educated, socially-secure, and empowered citizenry

The transfer of libraries function has been devolved to County Governments. An additional allocation of Kshs. 16.7 million has been factored from the equitable share to cater for activities involved with libraries under the recurrent ceiling.

The County targets to provide an allocation towards Youth empowerment opportunities to unemployed youths through internships, in addition to access to services and support programmes. The Government has also prioritized human capital development by investing in quality and relevant education including revamping the Vocational Education and Training (TVET) sub sector.

The County government is also scaling up social safety nets to promote the wellness of vulnerable members of the society. Towards this, the County government commits provide equipment for people living with disabilities (PWDs).

3.2.4 Transport, Public Works, Infrastructure, Energy and ICT

Kenya is a strong leader in the Information, Communication and Technology space. Appropriate policy framework, constitutionally protected freedoms of expression, media, information and communication has cemented the country's position as a regional and continental hub of innovation overtime.

Access to improved road infrastructure is a key enabler for socio-economic development. Investment in the road sector, where most of the County roads are motorable has increased connectivity and improved accessibility. Moreover, installation of high mast flood lights has increased hours of doing business thus increased incomes among households.

The sector's priority during the plan period is opening of access roads, routine roads maintenance, and supervision of construction works and provision of mechanical services. The key priorities of the department in the FY 2022/23 will be: Periodic/routine maintenance of existing earth/gravel roads; Completion and Improvement of selected county roads to Bitumen standards; Construction of foot bridges; Construction of Box Curves; Acquisition of roads construction/maintenance machinery.

The County Government recognizes the role played by Information and Communications Technology (ICT) to drive social economic development. In the 2023/2024 FY the government will seek to integrate ICT in its operations and service delivery programmes and promotion of e government services. The sub sector will undertake development of ICT infrastructure at both county offices and sub county levels to support service delivery, e-government use and adoption.

3.2.5 Trade, Innovation, Industrialization and Tourism

The Micro, Small and Medium Enterprise (MSME) Economy contribute very significantly to the economy, employing about 85 percent of non-farm jobs. Access to credit is a stimulant that enhance growth in the MSME economy. However, high interest rates crowd out the private sector and the MSMEs. The Government is committed to ensure Kenyans access affordable credit. Towards this end the County Government through the department of Trade plans to reintroduce the enterprise fund to fund the youthful innovative ideas across the county.

In FY 2023/24, the National Treasury proposes to allocate as additional allocations from proceeds of loans and grants to County Governments for Industrial Parks. In order to operationalize the national government's programme on aggregated industrial parks, each county government has been allocated Ksh 100 million as a conditional grant in FY 2023/24. This sector has factored the allocation under the department of Trade, Innovation, Industrialisation, Tourism and Wildlife

In FY 2023/24, the department will continue with the programme of modernization of markets. To empower the residents of Kericho County, the department will continue to allocate funds to support innovations within the county.

3.2.6 Lands, Housing and Physical Planning

The cost of housing is a heavy burden to majority of Kenyans and is the major factor driving the proliferation of slums. The Government plans to close the housing gap by facilitating delivery of 250,000 houses per year. To realize this, the Government will implement policies and administrative reforms to lower the cost of construction and improve access to affordable housing finance while creating jobs and entrepreneurial opportunities to all Kenyans. In the county front this sector will focus on development of adequate, affordable quality housing through developing and implementing county housing unit, provision of affordable and quality housing units.

As a factor of production, land is critical to economic, social, political and cultural development. Secure access to land and its sustainable use remain significantly important for employment creation, food security and the socio-economic development of the county.

3.2.7 Environment, Water and Natural Resources

The Water, Environment and Natural resources management, and Climate Change sector is one of the devolved sectors with transferred functions to county governments according to Article 185 of the Constitution of Kenya (2010). The constitution also entrenches water and healthy environments as constitutional rights of every citizen.

The water, environment and natural resources sector plays a critical role in our economy, securing, stewarding and sustaining the environment and natural capital of the country. Over the previous years the County Government has invested considerable resources in the provision clean and adequate water supply and promoted water harvesting.

Access to adequate supply of clean water is fundamental for the achievement the pillars of the County Government of Kericho manifesto. Indeed, adequate safe drinking water and sanitation do compliment efforts towards improved primary health care and productivity of labor. In addition, adequate supply of water is essential for increased agricultural production. For this reason, the county will continue to invest in clean water supply, pipe line extension, borehole drilling and repairs and water pans across the county as well as completing the ongoing water projects in urban and rural areas in order to increase the number of people connected to clean water.

3.2.8 Finance, Administration and Intergovernmental Relations

The public administration sector is a fundamental pillar of the county service delivery framework. It provides overall county leadership, oversight and policy direction; prudent public finance management for transparency and accountability; coordinates county and sectoral development planning; management of population policy; ensures effective and efficient county public

service; as well as the development of a sound legislative and regulatory framework.

The County Treasury will shift to a digital revenue collection platform (automation) to curb revenue leakages. The key pillars of automation is to introduce pay-bills for the health facilities and other departmental revenue streams and integrate the County Revenue Management System with the revenue collection banks.

Budget coordination and management- Consolidation and preparation of annual budget estimates; submitting CABEs to the county assembly for approval; preparation of the Appropriation Bills and Acts; Prepare and publish County Budget Review and Outlook Paper; Capacity building of county employees on County Budget Processes through training and sensitization; Enhanced Consultations; Resource mobilization through organizing and participating in County, National and International Conferences.

The department will focus on acquisition of asset register for the entire county; Development of a Risk policy document; development and implementation Asset Management Policy and Payment of Pending Bills, adherence to international and national accounting standards. Debt management is a central part of this CFSP, as the County Government aims at reducing pending bills to nil balances.

To strengthen expenditure control and improve the efficiency of public spending through strengthening of systems and PFM reforms with a view to enhancing transparency and accountability to provide fiscal space for financing priority programmes focus will be to fast track consideration of reports on budget implementation, audited accounts of the county and its agencies/ corporations, digitization of all payments, review of revenue sources, adoption of e-procurement and expanding automation of public service delivery systems. These activities will go a long way in entrenching good

governance and ensuring accountability of public resources. A major focus to all this will be capacity building of our staff with the major area being on budgeting and financial reporting.

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CHAPTER FOUR

4.0 FISCAL POLICY AND BUDGET FRAMEWORK FOR 2023/24 - 2025/26

4.1 Overview

The priorities outlined in the Medium-Term Plan of Kenya Vision 2030 and the Third County Integrated Development Plan will guide the development of sector priorities, policies, plans and monitoring and evaluation processes for FY 2023/24 - 2025/26 County MTEF budget.

4.2 Strategic Priorities and Interventions

The ultimate goal of the county government is to improve the quality of life for the residents of Kericho County. The CFSP's strategic priorities and policy goals have therefore been aligned as follows:

Strategic Priority 1: Enhanced provision of Quality Health Care and implementation of universal health care to residents.

Strategic Priority 2: Promotion of Food Security.

Strategic Priority 3: Countywide promotion of Infrastructural developments.

Strategic Priority 4: Supply and access to quality basic services

Strategic Priority 5: Enhancing efficiency and effectiveness in service delivery.

4.3 Fiscal Responsibility Principles for the County Government

In line with the Constitution, the Public Finance and Management Act, 2012 sets out the fiscal responsibility principle to ensure that prudent and transparent 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 thirty percent of the county government's budget shall be allocated to the development expenditure;
 - (c) the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
 - (d) over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
 - (e) the county debt shall be maintained at a sustainable level as approved by county assembly;
 - (f) the fiscal risks shall be managed prudently; and
 - (g) a reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.
- (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.

4.4 Fiscal Policy Framework

Budget estimates for the FY 2023/2024 and the MTEF shall be based on the priorities that are outlined in the Third County Integrated Development Plan, Budget Policy Statement (BPS 2023), Medium Term Plan (MTP V), and Kenya vision 2030 and the Governor's manifesto.

4.5 Debt Management Strategy

In regard to deficit financing and borrowing, the County Government is aware of the provisions of PFM Act, 2012 and adherence to the requirements of these laws is ensured. Section 107(3) (4) of the PFM Act provides as follows:

- 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.

The County Government will continue to prioritize the payment of all pending bills emanating from the different departments before roll out of new projects and programs in the respective departments.

The County Government has prepared the County Debt Management Strategy Paper 2023 which details the total debts in the County Government. These stocks of debt are categorized into four portfolios; Statutory debts, Loans and Overdraft, Others (Payments to suppliers) and Pending bills. Most of these debts especially the pending bills are projected to be paid in the current financial year.

4.6 Fiscal Risks to the FY 2023/24 Framework

The provisions in PFMA, 2012 S107 2(f) that Fiscal Risks should be managed prudently. Reg 25 (2) provides that, the County Executive Committee Member shall in the County Fiscal Strategy Paper include a statement of fiscal risks outlining the potential policy decisions and key areas of uncertainty that may have a material effect on the fiscal outlook /framework. Further, Regulation S. 25 (3) states that the County Executive Member for finance shall disclose the specific risks that will impact the implementation of the budget framework.

Expenditure pressures have continued with salaries and operational demands from all County departments especially Health, Education and Public Service & Administration. The high wage bill poses a risk to sustainable implementation of the 2023/24 budget in the medium term by limiting funding for capital expenditure.

Settlement of pending bills that exposes the County to litigation and that constrains resources available for new programmes and projects.

The County Government has projected as part of its revenue envelope own source revenue that will be used for budgetary support. Own source revenue generation has continued to face challenges that has resulted in consistent fluctuations in the revenue collected and the failure to achieve the targets in the past.

4.7 FY 2023/24 Budget Framework

The 2023/24 budget framework is set against the background of the medium-term fiscal framework, the county government's strategic objectives and priorities as outlined in the CIDP III and broad development policies in the Governor's manifesto.

4.8 Revenues projections

In FY 2023/24, the County Government targets to raise a total revenue of Kshs. 8.107 billion; Total equitable share of Kshs 6.712 billion, Conditional Grants Kshs 100 million, Donor funds Kshs 377 million and county own source revenue of Kshs 918 million.

The table below provides a summary of all expected sources of revenue and the amounts: -

COUNTY GOVERNMENT OF KERICHO

FINANCIAL YEAR 2023/24	Projected revenue				% Ratio
SOURCES OF REVENUE	2022/23	2023/24	2024/25	2025/26	2023/24
Revenue Description					
1.CRA Equitable share	6,430,664,924	6,712,427,758	6,846,676,313	6,983,609,839	82.79%
2.Local Collections	405,071,600	425,071,600	425,325,180	446,591,439	5.00%
3.Facility Improvement Fund	628,196,453	551,000,000	538,650,000	565,582,500	6.33%
4.CONDITIONAL GRANTS					
4A. Routine Maintenance Fuel Levy	8,916,435				0.00%
4B. User fee Reimbursement	-	-	-	-	0.00%
4C. Development of Youth polytechnics fund	-	-	-	-	0.00%
4D. Aggregated Industrial Parks		100,000,000	100,000,000	100,000,000	1.23%
5. DONOR FUNDS					
5A. DANIDA FUND	17,308,125	17,308,125	11,921,250	11,921,250	0.21%
5B. Agricultural Sector development support Fund(ASDSP II)	43,114,132	43,114,132	43,114,132	43,114,132	0.53%
5C. Transformative health system (world bank)	75,443,658	75,443,658	75,948,635	75,948,635	0.93%
5D. Kenya Devolution Support Project (world bank)	102,491,953	-	-	-	0.00%
5E. Climate Smart Agriculture Project (world bank)	149,190,522	149,190,522	350,000,000	350,000,000	1.84%
5F. Kenya Urban Support Program UDG (SIDA)	1,194,559	-	-	-	
5G. Kenya Urban Support Program UIG (SIDA)	1,145,356	-			
5H. Climate Change Institutional Support (World bank)	22,000,000	22,000,000	11,320,000	11,320,000	0.27%
Insurance compensation	5,678,000	-			
IDA National Agricultural Value Chain Devt Project(NAVCDP)	70,000,000	70,000,000			
UNSPENT FUND	515,165,509				
Total	8,475,581,226	8,165,555,795	8,402,955,510	8,588,087,795	100.00%

4.9 Resource Envelope and Allocation Criteria

The resource envelope available for allocation among the departments is informed by the guiding principles of ensuring fiscal responsibility and resources will be utilized to meet both recurrent and development expenditure in a ratio of 69% and 31% respectively.

The Resource Criteria for Resource Sharing

- i. Non – discretionary expenditure: In the recurrent expenditure category, nondiscretionary expenditures take the first charge and include statutory obligations such as salaries, gratuity and pension.
- ii. Development expenditures are shared out on the basis of CIDP priorities as well as strategic interventions to boost revenue base and stimulate the economic growth as outlined in the National Government Policies and Governor’s Manifesto. The development expenditures are estimated at 31 percent.
- iii. On-going projects: emphasis is given to completion of on-going projects with high impact on poverty reduction, social injustices, employment and wealth creation.
- iv. Infrastructure projects: with the County government’s commitment to improve infrastructure, construction of roads, development of water and sanitation network and construction of community hospitals/health centers among others will be given priority.

4.10 Expenditure Forecast

The County government spending will be guided by the Annual Development Plan 2023/2024 and CIDP III which outlines the proposed projects that will be implemented. The total County expenditure is targeted at Kshs. 8.701 billion. Kshs. 5.603 billion and Kshs. 2.504 billion will be set aside for recurrent and development translating into 69 and 31 percent of recurrent and development expenditures respectively

4.11 Personnel Emoluments

Section 107 of the PFMA, 2012, and Regulations S. 25 sets out the fiscal responsibility principles to be enforced by the County Treasury in managing the county government's public finances. Regulation 25(a) and (b) stipulates that the county government's expenditure on wages and benefits for its public officers shall not exceed 35% of the county's total revenues.

While the County Government has continued to strive to achieve the set ceilings on personnel emoluments, it is worth noting that the huge wage bill was inherited from the defunct local authorities and staff devolved to the County Government. The measures put in place include; freezing of employment for a period of three years, optimizing the current staff levels in cases of exits through natural attrition or retirement and boosting of own source revenues.

Expenditure on personnel emoluments is projected at Kshs. 3.317 billion translating to 41% of Total County Revenues.

4.12 Medium- Term Expenditure Baseline Ceilings

The County is committed to improving the implementation and absorption capacity of projects. Due to the tight fiscal framework involved in budget preparation, the departments will be tasked with rationalizing and prioritizing their expenditures and programmes to ensure that they are in line with the CFSP ceilings

The table below show the ceilings for the 2023/24 budget and projections of the medium term for global, recurrent and development respectively.

1. Global Consolidated Forecast.

COUNTY GOVERNMENT OF KERICHO						
CONSOLIDATED SUMMARY						
	Line Ministries/Departments	TOTAL EXPENDITURE				% OF ALLOCATION
		2022-2023	2023-2024	2024-2025	2025-2026	2023-2024
1	County Assembly Services	979,487,827	823,984,822	847,598,121	847,598,121	10%
2	Public Service & Administration	424,820,597	492,820,597	438,361,801	461,729,798	5%
3	Office of the Governor & Deputy governor	157,379,145	150,301,145	169,366,203	177,834,513	2%
4	County Public Service Board	63,512,544	65,512,544	74,038,171	77,740,080	1%
5	Finance & Economic Planning	1,005,792,886	375,178,235	415,151,180	483,494,507	5%
6	Health Services	3,022,138,518	2,945,263,928	2,922,878,453	2,923,964,530	35%
7	Agriculture, Livestock Development & Co-operative Development	576,780,972	561,498,530	599,620,774	631,267,275	6%
8	Education, Libraries, Culture & Social Services	694,433,693	858,275,213	811,908,736	840,298,385	8%
9	Public Works, Roads & Transport	604,032,002	596,167,142	354,483,097	366,960,173	5%
10	Trade, Innovation, Industrialization, Tourism & Wildlife	101,398,871	233,276,335	241,043,352	244,976,271	3%
11	Water, Energy, Natural Resources & Environment	538,530,833	376,203,678	462,445,562	461,078,541	5%
12	Land, Housing & Physical Planning	147,556,952	126,624,151	174,510,899	173,383,771	2%
13	Information, Communication, Youth Affairs, Gender, Sports & E-Government	95,495,004	109,632,331	118,849,161	122,226,832	1%
	Office of the County Attorney		-	31,500,000	33,075,000	0%
14	Kericho Municipal Board	16,000,000	67,408,572	20,600,000	21,230,000	0%
15	Litein municipal Board	14,500,000	31,408,572	20,600,000	21,230,000	0%
16	STRATEGIC INTERVENTION	33,721,382	157,000,000	-	-	3%
17	STRATEGIC INTERVENTION PHASE 11 PROGRAMS		195,000,000	700,000,000	700,000,000	7%
	TOTAL EXPENDITURE	8,475,581,226	8,107,555,795	8,402,955,510	8,588,087,796	100%

2. Recurrent Expenditure

	Line Ministries/Departments	RECURRENT EXPENDITURE				% OF ALLOCATION
		2022-2023	2023-2024	2024-2025	2025-2026	2023-2024
1	County Assembly Services	933,813,928	733,813,928	833,813,928	833,813,928	15%
2	Public Service & Administration	418,870,257	448,870,257	429,313,769	450,779,458	7%
3	Office of the Governor & Deputy governor	157,379,145	150,301,145	169,366,203	177,834,513	3%
4	County Public Service Board	63,512,544	65,512,544	74,038,171	77,740,080	1%

5	Finance & Economic Planning	438,544,683	300,037,985	330,789,885	394,915,147	6%
6	Health Services	2,571,478,541	2,563,261,107	2,614,911,107	2,641,843,607	46%
7	Agriculture, Livestock Development & Co-operative Development	175,693,542	180,979,671	240,845,061	303,703,721	3%
8	Education, Libraries, Culture & Social Services	530,763,413	646,075,213	567,792,974	596,182,623	10%
9	Public Works, Roads & Transport	83,415,604	86,319,101	90,635,056	95,166,809	2%
10	Trade, Innovation, Industrialization, Tourism & Wildlife	58,595,360	69,912,728	78,658,364	82,591,283	1%
11	Water, Energy, Natural Resources & Environment	154,934,193	159,437,690	172,659,574	181,292,553	3%
12	Land, Housing & Physical Planning	80,122,639	80,626,136	88,857,443	93,300,315	2%
13	Information, Communication, Youth Affairs, Gender, Sports & E-Government	55,833,107	59,336,604	67,553,434	70,931,105	1%
	Office of the County Attorney		-	31,500,000	33,075,000	1%
14	Kericho Municipal Board	7,000,000	11,408,572	12,600,000	13,230,000	0%
15	Litein municipal Board	7,000,000	11,408,572	12,600,000	13,230,000	0%
	TOTAL EXPENDITURE	5,736,956,956	5,567,301,253	5,815,934,969	6,059,630,141	100%

3. Development Expenditure

	Line Ministries/Departments	DEVELOPMENT EXPENDITURE				
		2022-2023	2023-2024	2024-2025	2025-2026	2022-2023
1	County Assembly Services	45,673,899	90,170,894	13,784,193	13,784,193	0%
2	Public Service & Administration	5,950,340	43,950,340	9,048,032	10,950,340	0%
3	Office of the Governor & Deputy governor	-	-	-	-	0%
4	County Public Service Board	-	-	-	-	0%
5	Finance & Economic Planning	567,248,203	75,140,250	84,361,296	88,579,360	3%
6	Health Services	450,659,977	382,002,821	307,967,346	282,120,923	11%
7	Agriculture, Livestock Development & Co-operative Development	401,087,430	380,518,859	358,775,713	327,563,554	14%
8	Education, Libraries, Culture & Social Services	163,670,280	212,200,000	244,115,762	244,115,762	6%
9	Public Works, Roads & Transport	520,616,398	509,848,041	263,848,041	271,793,364	12%
10	Trade, Innovation, Industrialization, Tourism & Wildlife	42,803,511	163,363,607	162,384,988	162,384,988	7%
11	Water, Energy, Natural Resources & Environment	383,596,640	216,765,988	289,785,988	279,785,988	9%
12	Land, Housing & Physical Planning	67,434,313	45,998,015	85,653,456	80,083,456	2%
13	Information, Communication, Youth Affairs, Gender, Sports & E-Government	39,661,897	50,295,727	51,295,727	51,295,727	1%
14	Kericho Municipal Board	9,000,000	56,000,000	8,000,000	8,000,000	0%
15	Litein municipal Board	7,500,000	20,000,000	8,000,000	8,000,000	0%

16	STRATEGIC INTERVENTION	33,721,382	157,000,000			10%
17	STRATEGIC INTERVENTION PHASE 11 PROGRAMS		195,000,000	700,000,000	700,000,000	24%
	TOTAL EXPENDITURE	2,738,624,270	2,598,254,542	2,587,020,541	2,528,457,655	100%

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5.0 CONCLUSION

Public participation was carried out across the County in each of the six Sub counties and specific projects identified by the community. These projects will be streamlined into their respective line ministries for implementation. However, emphasis will be given to the ongoing projects to ensure completion and operationalization of the same.

This County Fiscal Strategy Paper was prepared in line with the National Government Budget Policy Statement 2023.

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