

REPUBLIC OF KENYA



MIGORI COUNTY

BUDGET REVIEW AND OUTLOOK PAPER

FY 2022/2023

October, 2023

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FOREWORD

The Migori County Budget Review and Outlook Paper (CBROP) is prepared in accordance with section 118 of the Public Finance Management Act, 2012. The CBROP 2022, reviews the budget performance for FY 2022/23 and provides the development outlook for FY 2023/24. The paper also highlights the recent economic and financial projections with adequate information that will guide the development of budget proposals for the coming fiscal year.

In analyzing the fiscal performance, this paper reviews the performance of the county revenue in FY 2022/23. The paper has also incorporated the aggregate income collected in contrast with the anticipated sum for the year. The review additionally incorporates the performance of county expenditure for the period under review. This document has additionally given an overview of how the actual performance of the FY 2022/23 has affected the financial objectives as detailed in the County Fiscal Strategy Paper (CFSP), 2023.

The paper is prepared at a time when the world economy was facing three major shocks, among them, the conflict between Russia and Ukraine that disrupted global trade leading to increased fuel, fertilizer and food prices; the lingering effects of the COVID-19 pandemic; and a severe drought witnessed in the region and most parts of the country associated with climate change which gravely impacted on food security. The impact of climate change therefore, created urgency to refocus investments on mitigation, adaptation and firm climate resilience. The drought not only aggravated the inflationary pressures but also subjected millions of homesteads to severe food insecurity, loss of lives, livelihoods and loss of livestock. As a result, activities in the agriculture sector contracted by 1.6 percent in 2022.

The Development outlook for FY 2023/24 focuses on stimulating the growth of the county economy and building resilience amongst the households. The budget will be guided by the priorities under the ADP 2023/24 which include; infrastructure development; enhanced food security and nutrition; climate change mitigation and adaptation; Accelerating post-COVID-19 Pandemic Recovery; Enhanced Access to Universal Healthcare Services and Water Coverage.

The Budget for FY 2024/25 is projected to increase from Kshs 10,036,460,597 in FY 2023/24 to Kshs 11,657,037,521 representing an overall growth of 16.14%. The Recurrent Budget and Development Budget is projected to be Kshs 8,159,926,264.70 (70 Percent) and Kshs 3,497,111,256.30 (31 Percent) respectively.

The Sectors will review programmes not implemented in the period and ensure they are prioritized for Funding in FY 2024/25 and the subsequent budget estimates. The county will continuously enhance our resource mobilization strategies to ensure adequate funds are available to deliver the envisaged socio-economic transformation.

Maurice Otunga

CECM – Finance & Economic Planning

ACKNOWLEDGEMENT

The compilation of the CBROP, 2023 was a coordinated effort of all county departments who provided valuable and credible departmental information for inclusion in this paper. We value their contributions to this noble course that is an essential step in the preparation of the County Fiscal Strategy Paper (CFSP) 2024 and subsequently the FY 2024/25 budget. Exceptional gratitude goes to the Executive Office of the Governor and Deputy Governor, the County Secretary, the County Executive Committee Members, Chief Officers, County Directors and other county authorities who offered their support during the preparation of this document.

Being the County Treasury's responsibility to oversee and ensure timely preparation and submission of the CBROP, a team from the Department of Finance and Economic Planning led by the County Executive Member for Finance and Economic Planning Mr Maurice Otunga spent valuable time to ensure the successful completion of this document.

Finally, I am indebted to express my sincere gratitude Sector Working Groups (SWGs) and technical officers for their invaluable contribution and input to the document. I thank you and assure you that the time spent was not in vain as the CBROP will be of insurmountable importance to the future planning and budgeting process.

Dr. Achuora John Odoyo

Chief Officer – Finance & Economic Planning

SECTION ONE: INTRODUCTION

The County Budget Review and Outlook Paper 2023 (CBROP) is prepared in line section 118 of the Public Finance Management (PFM) Act, 2012. The paper reviews the fiscal performance of the County for the financial year 2022/2023; the updated macro-economic and financial forecasts; and deviations from the approved County Fiscal Strategy Paper (CFSP) 2023 and reasons for such deviations.

1.1 OBJECTIVES OF CBROP

The 2023 County Budget Review and Outlook Paper (CBROP) provides a review of fiscal performance for the FY 2022/23 and how this performance impacts on the financial objectives and fiscal responsibility principles set out in the 2023 County Fiscal Strategy Paper (CFSP). The CBROP provides the following:

- a. Budget performance (estimated expenditure against the actual expenditure for FY 2022/2023)
- b. An analysis of policy shifts in the 2023 CFSP and the implication in the county
- c. Information on any changes in forecasts, compared with the CFSP 2023.
- d. The fiscal and economic outlook for FY 2023/2024.
- e. Indicative sector ceilings for preparation of the FY 2024/25 budget and the MTEF period, guided by the PFM Act, 2012 and ADP 2022/23.

1.2 SIGNIFICANCE OF CBROP

This is a key policy document that links planning with budgeting. It is significant in the budget making process within the Medium-Term Expenditure Framework (MTEF) as it reviews previous fiscal performance for the year and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal responsibility principles were adhered as provided in section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget.

1.3 STRUCTURE OF CBROP

The paper is further organized into four Sections:

Section II provides a review of fiscal performance in FY 2022/23; it has been sub divided into three subsections namely: The Overview of the 2022/23FY budget, Revenue analysis and Overall expenditure review.

Section III studies the recent economic developments and the updated National and County macroeconomic outlook, it has three sub sections namely: Recent macroeconomic and financial developments, domestic economic growth outlook and risks to the domestic economic outlook.

Section IV contains the resource allocation framework which gives the revenue and expenditure projections for the 2024/25FY and the medium term.

Section V contains the conclusion which underscores the purpose and the value of CBROP and the next steps to be taken. Details of the projects undertaken in the previous financial year are then presented.

1.4 Legal Basis for the Publication of the County Budget Review and outlook paper

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

1. The County Treasury shall prepare and submit to County Executive committee for approval, by 30th September in each financial year, a County Budget Review and Outlook Paper which shall include:
 - a) Actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
 - b) Updated 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 latest County Fiscal strategy paper; and
 - d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2. County Executive committee shall consider the County Budget Review and outlook Paper with a view to approving it with or without amendments, not later than fourteen days after its submission.
3. Not later than seven days after the CBROP has been approved by Executive committee, the County Treasury shall:
 - a) Submit the paper to the Budget and appropriation Committee of the County Assembly to be laid before the County assembly; and
 - b) Publish and publicise the paper not later than fifteen days after laying the Paper before County Assembly.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution, the new Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 107(b)) 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 budget shall be allocated to development expenditure
- 3) The County government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government revenue as prescribed by the regulations.
- 4) Over the medium term, the County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) Public debt and obligations shall be maintained at a sustainable level as approved by County Government (CG)
- 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, taking into account any tax reforms that may be made in the future

SECTION TWO: REVIEW OF FISCAL PERFORMANCE IN 2022/2023

2.1 Fiscal Performance of FY 2022/23 Budget

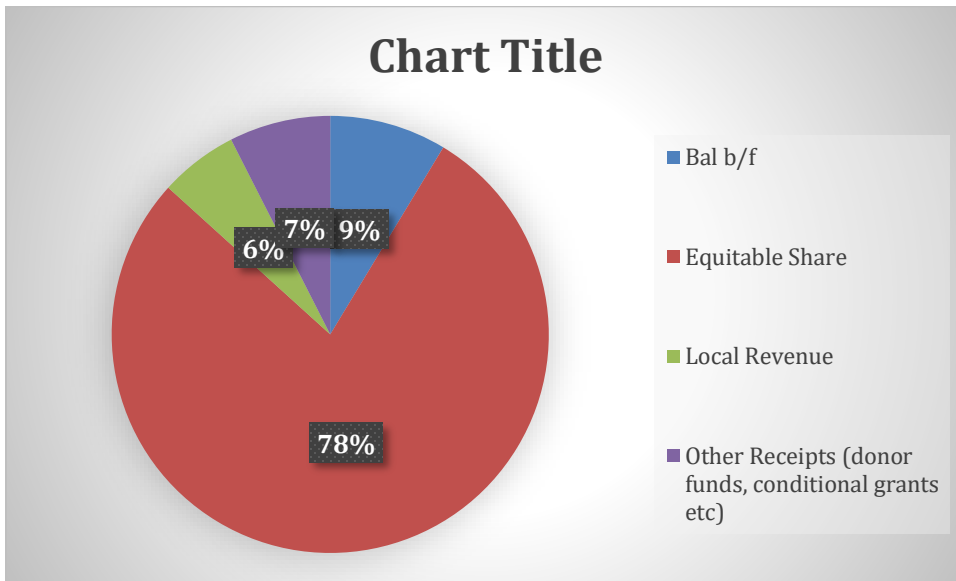
During the period under review the county's approved final supplementary budget was Kshs 10.35 billion out of which Kshs 3.10 billion (30%) and Kshs 7.25 billion (70%) was allocated for development and recurrent expenditure respectively. The total budget was a 0.8% increase from the previous financial year's budget where the total approved supplementary budget was Kshs 10.44 billion.

To finance the budget, the county expected to receive Kshs 8,084,542,825 (78 per cent) as the equitable share of revenue raised nationally, Kshs. 896,594,882 (9 per cent) as the unspent balance from the previous financial year, Kshs. 775,850,035 (7 per cent) as total conditional grants, and donor funds and Kshs 600,000,000 (6 per cent) from own source revenue as summarized in table 1 and figure 1 below.

Table 1: Expected revenue verses receipts

N o	REVENUE STREAM	EXPECTED AMOUNT IN KSHS	ACTUAL AMOUNT KSHS	ACTUAL AMOUNT AS A PERCENTAGE OF EXPECTED REVENUE
1	Bal b/f	896,594,882	896,594,882	100
2	Equitable Share	8,084,542,825	8,005,020,448	99
3	Local Revenue	600,000,000	406,364,909	67.7
4	Other Receipts (donor funds, conditional grants etc)	775,850,035	312,978,686	40.3
	Total	10,356,987,742	9,620,958,925	92.9

Figure 1: Revenue sources



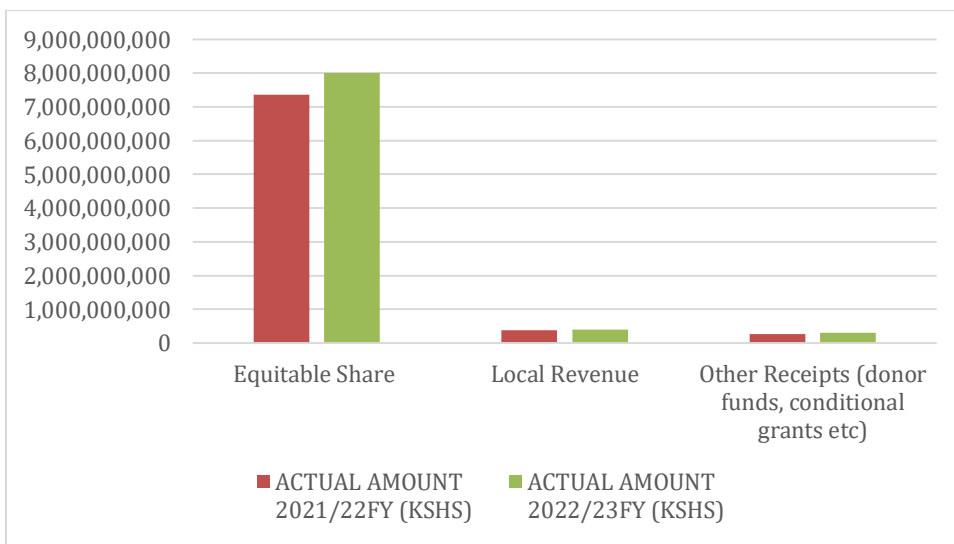
2.2 Actual Revenue Analysis.

During the period under review, total actual revenue received amounted to Ksh.9.62B comprising 8.005B (83.2%) equitable share, 406.364 million (4.2%) as locally collected revenue, 312.979 million (3.3%) as conditional grants/donor funds and 896.59 million (9.3%) as returned issue (bal b/f) as shown in table 2 below.

Table 2: Analysis of revenue receipts

REVENUE STREAM	ACTUAL AMOUNT KSHS	% of Actual Amount to Total Revenue
Bal b/f	896,594,882	9.3%
Equitable Share	8,005,020,448	83.2%
Local Revenue	406,364,909	4.2%
Other Receipts (donor funds, conditional grants etc.)	312,978,686	3.3%
Total	9,620,958,925	100.0%

Figure 2: Comparison of revenue receipts FY 2021/2022 versus FY 2022/2023

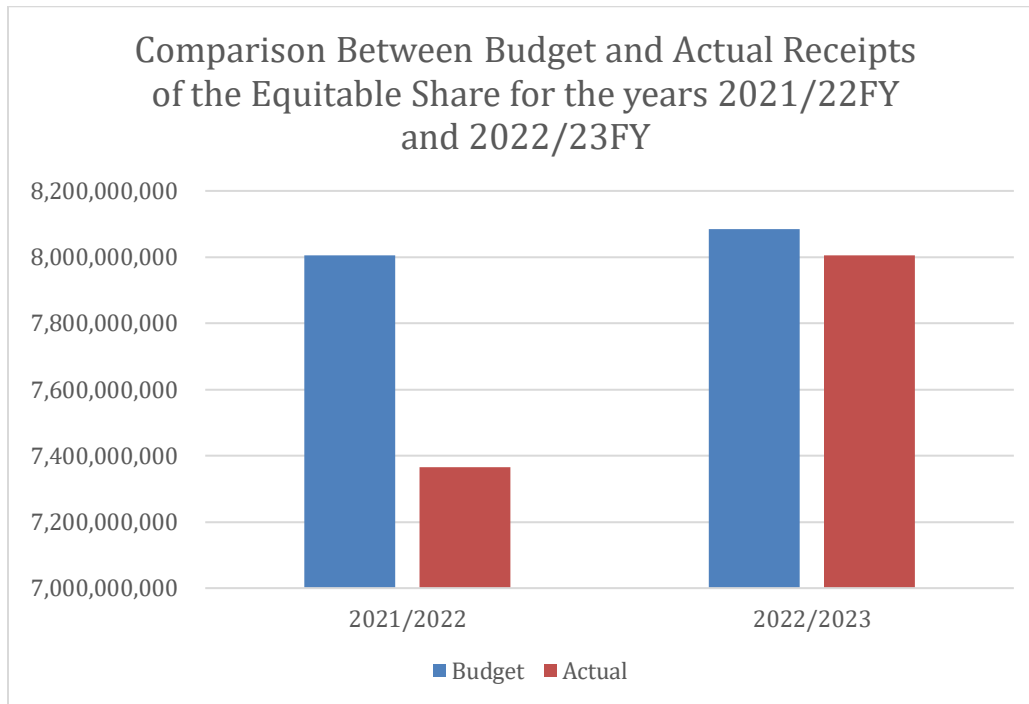


During the period under review there was no significant difference between the actual receipts of the FY 2021/22 and FY 2022/23 except for equitable share. The equitable share received increased by Kshs 640,401,636 an 8.7% increase. This is illustrated in figure 2 above.

2.2.1 Equitable Share

During the FY 2022/23, the County received Kshs. 8,005,020,448 as equitable share of the revenue raised nationally representing 83.2 per cent of the total revenue. This was an increase of Kshs.640,401,636 from the amount received during 2021/22FY representing a 0.1% increase.

Figure 3: Comparison of Equitable share receipts for FY 2021/2022 versus FY 2022/2023:



2.2.2 Conditional Grants/Donor Funds

During the period under review, the county expected to receive Kshs. 775,850,035 as conditional grants and donor funds as shown in table 3 below. However, during the period under review, a total of Kshs 312,978,686 (40.3 per cent) of the Conditional grants and donor funds was received in the CRF as highlighted in Table 3 below.

Table 3: Conditional /donor funds expected versus reviewed.

No	Donor Fund/Grant	Amount allocated as provided in CARA 21/22(Kshs.)	Actual receipt of the Conditional Grants, FY 21/22 (Kshs.)
1	DANIDA Grant (Universal Healthcare in Devolved System Program) for FY2022/23	15,006,750	13,281,375
2	National Agricultural and Rural Inclusive Growth Project (NARIGP)	433,960,288	254,377,711
3	Instrument for Devolution Advice and Support (IDEAS)	15,626,168	0
4	Transforming Health Systems for Universal Care Project	48,944,473	-

No	Donor Fund/Grant	Amount allocated as provided in CARA 21/22(Kshs.)	Actual receipt of the Conditional Grants, FY 21/22 (Kshs.)
5	UNFPA - 9th Country Programme Implementation	4,432,000	-
6	Agricultural Sector Development Support Programme (ASDSP) II	31,009,120	10,084,066
7	Financing Locally Led Climate Change Action Program for FY2022/23	10,000,000	11,000,000
8	County Urban Development Grant	206,871,236	-
9	Urban Institutional Grant	10,000,000	4,729,034
10	DANIDA Grant (Universal Health care in Devolved System Program) for FY2021/22	-	8,506,500
11	Financing Locally Led Climate Change Action Program for FY 2021/22	-	11,000,000
	Subtotal	775,850,035	312,978,686

2.2.3 Own Source Revenue

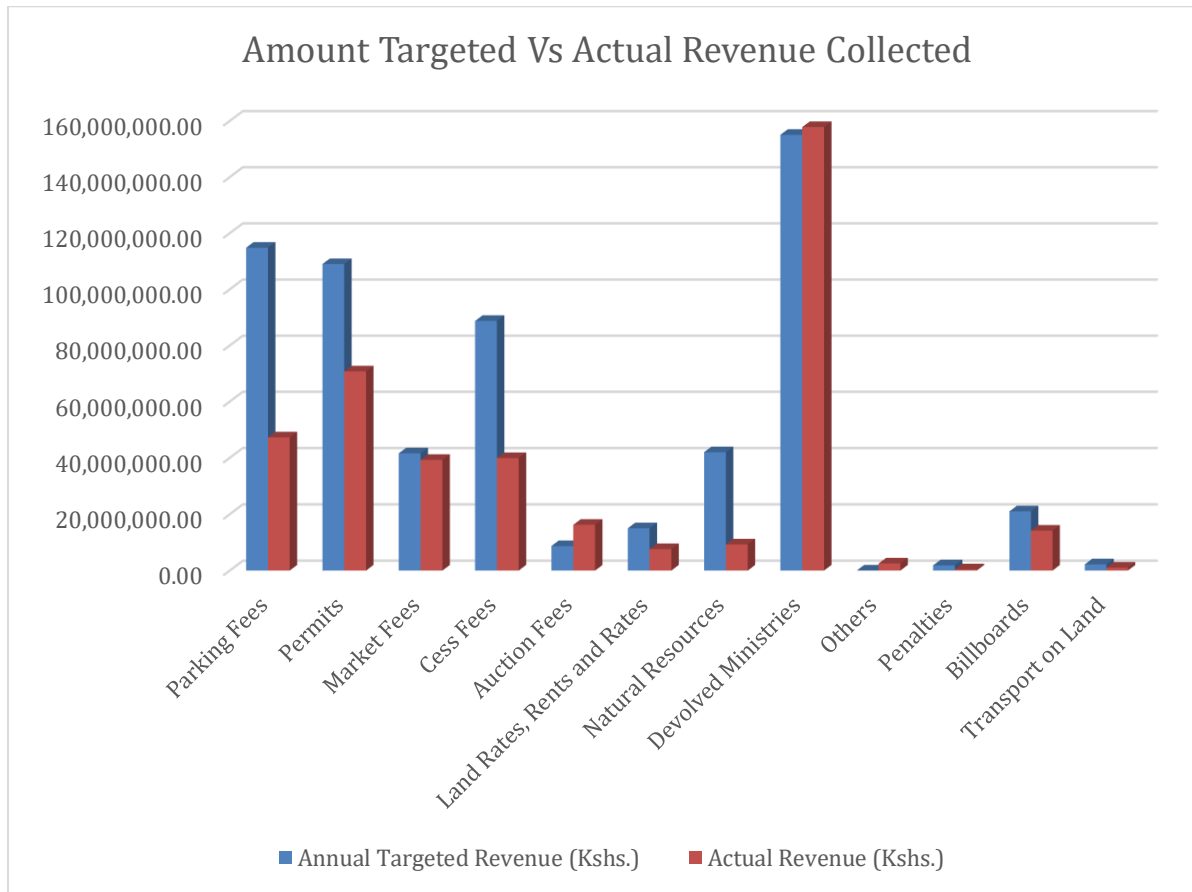
The county was able to raise Kshs 406,364,908.64 against revised target of Kshs. 600,000,000. This was a deficit of 193,635,091.36. However, this was 5% increase in revenue collected from the previous financial years own source revenue collection of 386,686,545.

Revenue sources that fell below their targets included natural resources (22.1%), penalties (24%), cess fees (45%) and Transport on land. Revenue types that surpassed their targets included market fees auction fees (186.6%) and devolved ministries (101.8%) as shown in Table 4 and the graph below.

Table 4: Own source revenue performance for FY 2022/2023

Revenue Stream	Annual Targeted Revenue (Kshs.)	Actual Revenue (Kshs.)	% of Actual Vs Target	Contribution to Total OSR
Parking Fees	114,839,000.00	47,269,296.00	41.2%	11.6%
Permits	109,000,000.00	70,762,200.00	64.9%	17.4%
Market Fees	41,600,000.00	39,291,778.00	94.5%	9.7%
Cess Fees	88,751,000.00	39,924,248.64	45.0%	9.8%
Auction Fees	8,700,000.00	16,232,337.00	186.6%	4.0%
Land Rates, Rents and Rates	15,000,000.00	7,610,962.00	50.7%	1.9%
Natural Resources	42,000,000.00	9,290,455.00	22.1%	2.3%
Devolved Ministries	155,050,000.00	157,827,479.00	101.8%	38.8%
Others	0	-	-	0.6%
Penalties	1,860,000.00	447,350.00	24.1%	0.1%
Billboards	21,000,000.00	14,152,460.00	67.4%	3.5%
Transport on Land	2,200,000.00	1,046,838.00	47.6%	0.3%
GRAND TOTAL	600,000,000.00	406,364,908.64	67.7%	100.0%

Figure 4: Performance of own source revenue



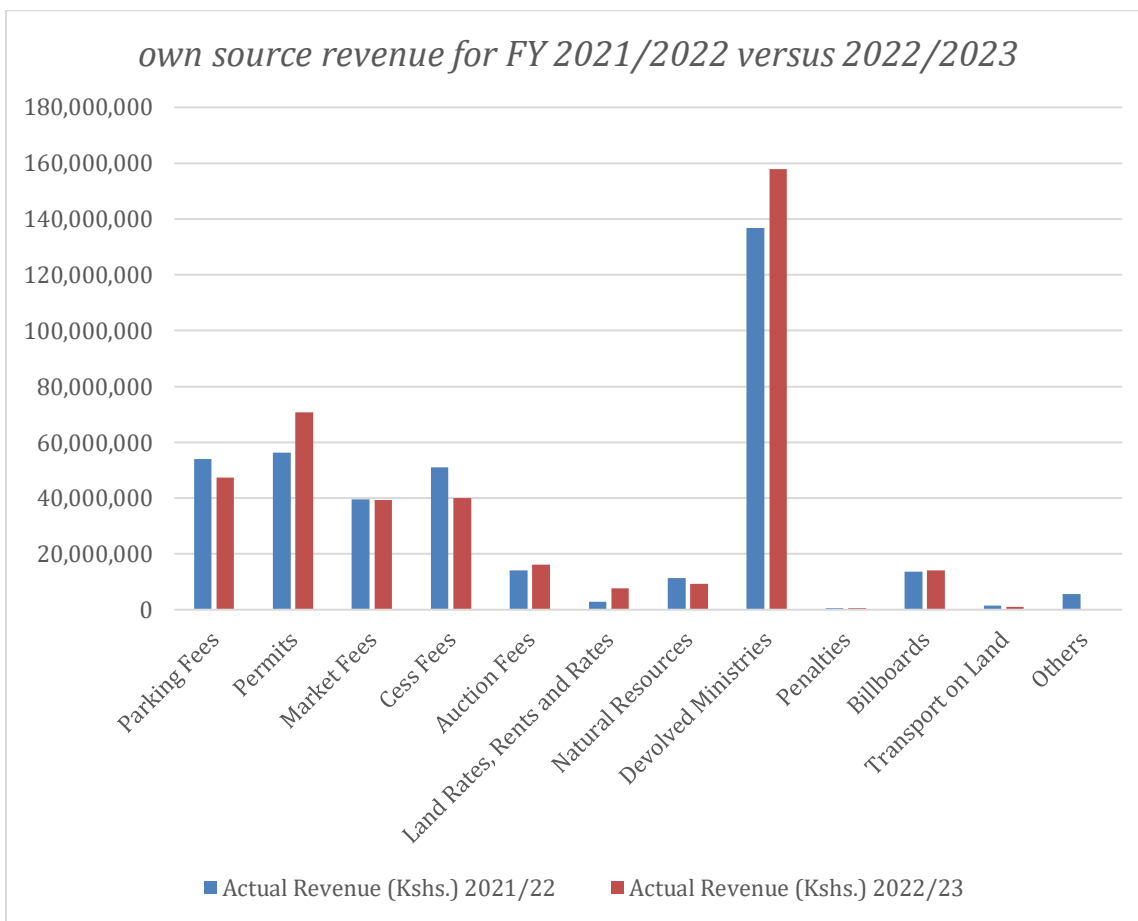
A cross comparison overview of the revenue collected in FY 2021/22 and FY 2022/23 reveals a decline in revenue collection in the following streams Parking Fees, Market Fees, Cess Fees, Natural resources, Penalties and transport on land while with an increase recorded in the streams permits, auction fees, land rates, devolved ministries and billboards. During the 2023/24 period further measures shall be instituted to improve revenue collection in streams with recorded declines.

Table 5: performance of own source revenue for FY 2021/2022 versus 2022/2023

Revenue Stream	Actual Revenue (Kshs.)	
	2021/22	2022/23
Parking Fees	53,942,810	47,269,296.00
Permits	56,329,970	70,762,200.00
Market Fees	39,501,770	39,291,778.00
Cess Fees	50,939,747	39,924,248.64
Auction Fees	14,048,920	16,232,337.00
Land Rates, Rents and Rates	2,736,612	7,610,962.00
Natural Resources	11,273,440	9,290,455.00

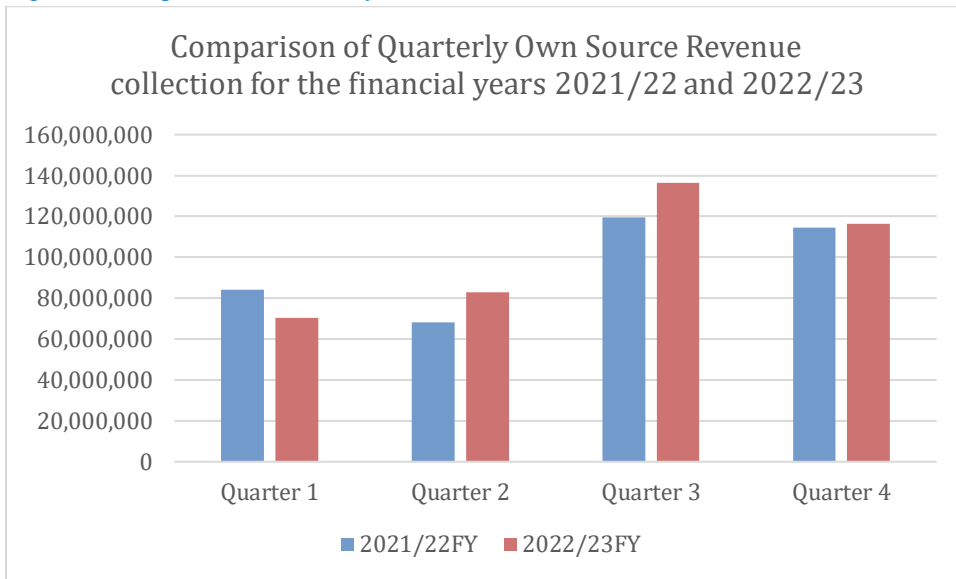
Revenue Stream	Actual Revenue (Kshs.)	
	2021/22	2022/23
Devolved Ministries	136,734,635	157,827,479.00
Penalties	632,430	447,350.00
Billboards	13,694,582	14,152,460.00
Transport on Land	1,364,080	1,046,838.00
Others	5,487,550	-
GRAND TOTAL	386,686,546	406,364,908.64

Figure 5: Performance of own source revenue for FY 2021/2022 versus 2022/2023



During the period under review the county recorded the highest revenue collection during the third quarter (136,510,857) and the first quarter (70,317,399) recorded the least amount of revenue collection. The own source revenue collected during the first quarter was additional lower that the revenue collected during the same period in the previous financial year as shown in figure 6 below.

Figure 6: Comparison of Quarterly Own Source Revenue



2.3 Exchequer Releases and Returned Issue

Table 6: Exchequer releases and returned issues.

Category	REVENUE STREAM	AMOUNT RECEIVED KSHS	AMOUNT RECEIVED AS A PERCENTAGE OF TOTAL REVENUE
Exchequer Releases	Equitable Share	8,005,020,448	83.20%
	Local Revenue	406,364,909	4.22%
	Other Receipts (donor funds, conditional grants etc.)	312,978,686	3.25%
	Subtotal-Exchequer	8,724,364,043	90.68%
Returned Issue	Returned Issue	896,594,882	9.32%
	Total	9,620,958,925	100.00%

During the period under review, total receipts to county amounted to 9.62 billion comprising of exchequer releases of Kshs.8.724B (90.68%) and returned issue of Kshs.896M (9.32%) respectively.

Exchequer Releases

Exchequer releases from the CRF for the period under review totaled Kshs.8.68 billion. The amount comprised Kshs.1.82 billion (20.9 per cent) for development programmes and Kshs.6.86 billion (79.1 per cent) for recurrent programmes. Analysis of the recurrent exchequers released in FY 2022/23 indicates that Kshs.3.31 billion was released towards Employee Compensation, and Kshs.3.56 billion was for Operations and Maintenance expenditure. The available cash balance in the County Revenue Fund Account at the end of the financial year was Kshs. 937.78 million.

Table 7: Exchequer releases

Exchequer Issues	Development	Recurrent	Total Exchequer Issues in FY 2022/23
County Executive	1,778,759,136	6,008,954,823	7,787,713,958
County Assembly	40,000,000	855,459,607	895,459,607
Total	1,818,759,136	6,864,414,430	8,683,173,565
% Exchequer issues	20.9%	79.1%	100.0%

2.4 Overall Expenditure Review

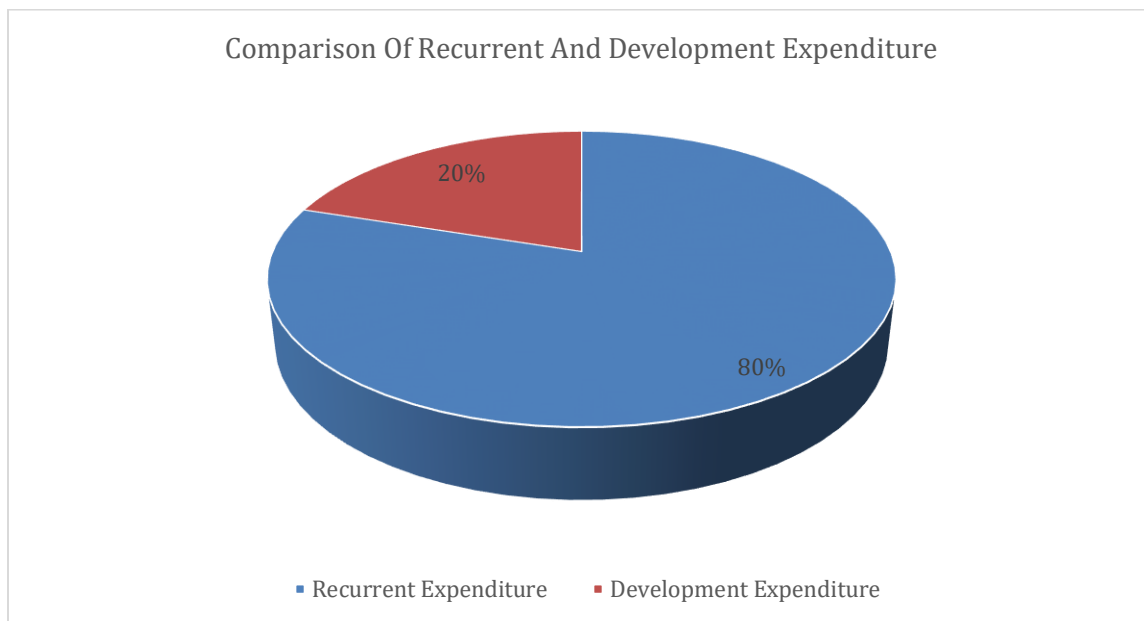
The county spent Kshs.8,498,550,300 on development and recurrent programmes in the reporting period. The expenditure represented 97.4 percent of the total funds released by the controller of budget and comprised of Kshs. 6,808,402,150 and Kshs. 1,690,148,150 on recurrent and development programmes respectively as shown in table 8 below.

Table 8: Expected and actual expenditure by type of expenditure

Type Of Expenditure	Actual Expenditure Kshs.	Revised Target Kshs.	Budget Utilization Difference
Recurrent Expenditure	6,808,402,150	7,253,873,444	445,471,294
Development Expenditure	1,690,148,150	3,103,114,298	1,412,966,148
Total	8,498,550,300	10,356,987,742	1,858,437,442

Figure 7 below gives an overview of the expenditure between recurrent and development as released by the controller of budget during the period under review.

Figure 7: Comparison of recurrent versus development expenditure



2.4.1 Expenditure by economic classification.

Analysis of expenditure by economic classification indicates that the County spent Kshs.3,306,429,940 on employee compensation, Kshs.3,501,972,210 on operations and Maintenance, and Kshs.1.690,148,150 on development activities as shown in table 9 below.

Table 9: Expenditure analysis by economic classification

Economic classification	Amount
Employee compensation	3,306,429,940
Operations and Maintenance	3,501,972,210
Development	1,690,148,150
Total	8,498,550,300.07

2.4.1 Analysis of Recurrent Expenditure

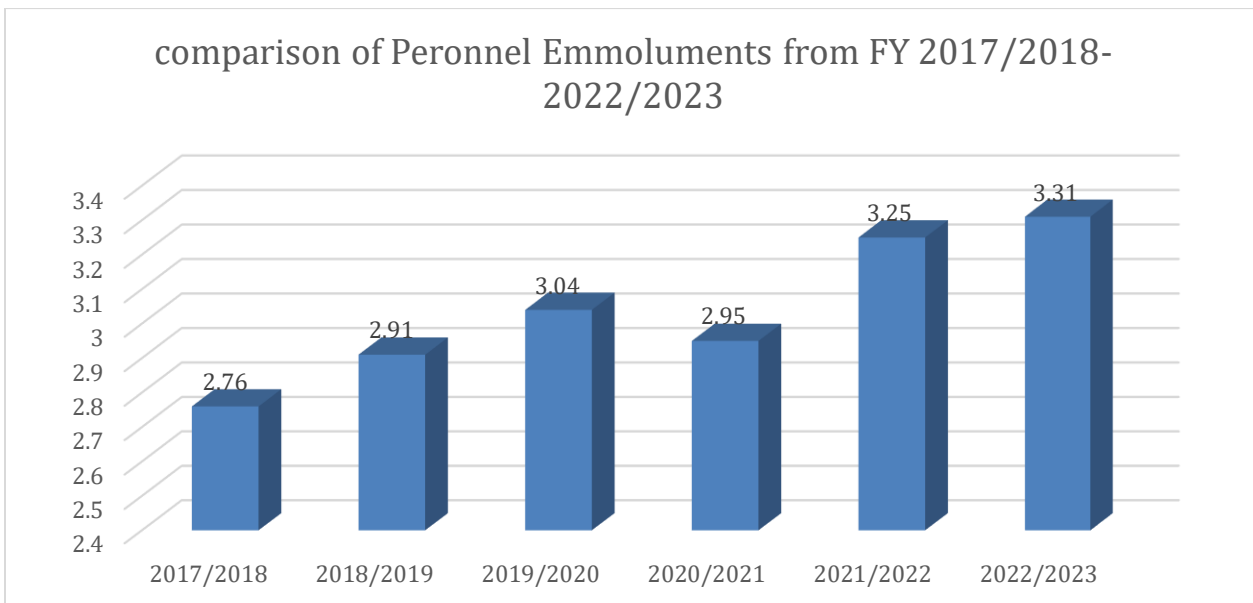
The total recurrent expenditure for FY 2022/2023 was Kshs. 6,808,402,150 representing 99.27 percent of total amount received in the CRF against a budget of Ksh. 7,253,873,444 posting a deviation in appropriation of 6%.

2.4.1.1 compensation of employees

Compensation of employees for FY 2022/2023 stood at Ksh. 3,306,429,940 registering an increase of 12 percent compared to FY 2021/2022 which was at Ksh. 2,964,017,853. Compensation to employees was 38.1 percent of the funds released by the controller of budget.

Figure 8 below shows the trend of personnel emoluments from the FY 2017/2018 -FY 2022/2023. A close review of the personnel emoluments trends reveals an upward trajectory with FY 2022/2023 recording the highest expenditure on personnel emoluments. This could be attributed to promotions and recruitment of new personnel under enforcement.

Figure 8: Comparison of personnel emoluments from FY 2017/2018-FY2022/2023



2.4.1.2 Operations and Maintenance (Use of Goods and Services)

The major O&M categories included Domestic and Subsistence allowance, specialized materials and supplies, Office & general supplies and services, other operating expenses, hospitality supplies and services, training expenses and routine maintenance-other assets. For the FY 2022/2023 the total expenditure on operations and maintenance was **Ksh. 3,501,972,210 (90 percent)** of the budget **Ksh. 3,939,837,550**.

2.4.2 Development Expenditure Analysis.

The development expenditure amounted to Ksh1,690,148,150 representing 19.4 percent and 54 percent of total funds released by the controller of budget and total development budget respectively.

2.5 Sector Expenditure Overview

The total sector expenditure was Kshs. 8,498.55 million against a target of Kshs. 10,356.98 million an absorption rate of 82.06 per cent. Recurrent expenditure was 680.4 against the target of 7,253.87 while development expenditure amounted to Kshs. 1,690.15 against a target of Kshs. 3,103.11. Table 10 below shows a summary of the approved budget allocation, expenditure and absorption rate by departments in FY 2022/23

The percentage of recurrent and development expenditures to the target was 93.86 per cent and 54.47 per cent respectively. The low absorption rate in development could be attributed to delayed procurement process and verification for authenticity of the pending bills.

During the FY 2022/23 all the sectors managed to obtain an expenditure of above 90 per cent in their recurrent apart from the sectors of Trade, Lands, Public Health and Environment.

Analysis of development expenditure indicates that Roads accounted for the largest share of the total development expenditure (99.8 per cent), while the sector of lands and physical planning recorded the lowest expenditure at 16.3 per cent.

Table 10: Analysis of budget performance by sector.

Department	Budget Allocation (Kshs. Million)		Expenditure (Kshs. Million)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock Production, Fisheries, Veterinary Services	246.54	551.5	245.34	255.13	99.5	46.3
County Executive	446.33	126.68	441.85	23.31	99	18.4
Public Service Management	1,066.49	114.28	1,059.13	51.5	99.3	45.1

Department	Budget Allocation (Kshs. Million)		Expenditure (Kshs. Million)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev
Education, Youth Sports, Culture & Social Development	594.6	179.11	574.26	84.83	96.6	47.4
Trade Development and Regulation	116.82	89.02	93.8	67.31	80.3	75.6
Lands, housing, physical planning and urban development.	165.51	349.32	127.34	56.77	76.9	16.3
Finance and Economic Planning	773.66	4	771.53	4	99.7	100
Public Health & Nutrition Services	447.64	177.08	317.85	51.98	71	29.4
Medical Health Services	1,826.56	261.63	1,662.28	87.95	91	33.6
Environment and Disaster Management	141.35	4	117.68	2.4	83.3	60
Roads, Public Works & Transport	223.86	879.84	203.89	877.84	91.1	99.8
County Assembly	855.47	90	855.47	40	100	44.4
Water and Energy	186.56	276.66	177.3	87.12	95	31.5
County Attorney	162.5	-	160.68	-	98.9	0
	7,253.87	3,103.11	6,808.40	1,690.15	93.86	54.47

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

The fiscal performance in the FY 2022/23 is broadly in line with the financial objectives outlined in the PFM Act, 2012.

i. The performance of the revenue streams in FY 2022/23 was below the revised budget targets resulting in a shortfall of Ksh 194 million in ordinary revenue. Given this revenue shortfall, the projections for FY 2023/24 have been downscaled to 480 million from 600 million in the previous budget. However, the County Government has instituted administrative measures aimed at strengthening revenue performance including the roll out of Revenue automation system and sealing of revenue leakages as contained in Finance Bill 2023. Equally projections for the A-I-A (for health and trade) have been factored in the budget during the period 2023/24 FY with the view of increasing revenue.

ii. The overall resource envelope remains largely within the revised 2023 CFSP position. Therefore, the overall baseline expenditure ceilings for spending agencies will largely be retained at the same levels as per the revised 2023 CFSP. Any adjustments would be to reflect changes in priority across sectors. The increase in expenditure from the revised 2023 CFSP position is mainly to cater for carry-over expenditures from FY 2022/23 in form of pending bills.

iii. The under-spending in development budget for the FY 2022/23 can partly be explained by below the target disbursements for externally funded projects and low revenue collection.

2.7 Fiscal Responsibility Principles

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 Government has largely adhered to the fiscal responsibility principles as set out in the statute as follows:

i. The PFM Act, 2012 requires that at least 30 per cent of the budget be allocated for development programmes as per section 107(2b). In FY 2022/23, the allocation to development in the revised budget was 30.4 percent of the total expenditures while the actual expenditures were 19.4 percent.

ii. The PFM Act, 2012 requires that County Government’s recurrent expenditure shall not exceed the County Government’s total revenue. In the FY 2022/23, the total recurrent expenditure was Kshs. 7,253 million while the total revenue for the County was 10,356 million representing 70 per cent of the total revenue. In this regard, the total recurrent expenditure was within the PFM threshold as at the end of the FY 2022/23.

iii. The PFM act, 2012 requires that expenditure on wages should not exceed 35 per cent of the total revenue. In the FY 2022/23 the total county expenditure on wages was 32 per cent which is within the statutory requirement.

iv. The fiscal responsibility principle spelled out in Section 15(2)(c) of the PFM Act, 2012 requires that over the medium term, the County Government’s borrowing shall be used only for financing development expenditure. During the FY 2022/23, the County did not borrow money to finance expenditure.

v. As at 30th June, 2023, the County reported pending bills of Kshs. 1.762 billion consisting of 819 million incurred in the FY 2022/23 and 942 million from the previous FYs. Table 11 below gives a summary of total pending bills per sector.

Table 11: Pending Bills

Sector	2022/23FY			2021/22 Fy and Below			G.T
	Rec	Dev	Total	Rec	Dev	Total	
Public Health Total	100,808,710	17,028,631	117,837,341		33,807,132	33,807,132	151,644,474
Medical Services Total	120,595,346	38,900,562	159,495,908	71,163,087		71,163,087	230,658,995
Environment Total	1,300,000		1,300,000			-	1,300,000
Roads Total	3,000,000	68,769,378	71,769,378		9,672,740	9,672,740	81,442,118
Agriculture Total	2,652,750	2,187,551	4,840,301	10,390,085		10,390,085	15,230,386
PSM Total	10,893,985	30,483,428	41,377,413			-	41,377,413
ICT Total				13,081,213		13,081,213	13,081,213
Water & Energy Total	15,590,921	236,252,007	251,842,928	23,985,079	87,668,982	111,654,061	363,496,989
Education Total		21,863,572	21,863,572	1,300,000	61,909,706	63,209,706	85,073,277
County Executive Total	17,997,109.72		17,997,110	3,269,544	569,249,726	572,519,270	590,516,380
Trade Total	9,795,999.00	28,549,890	38,345,889		48,235,408	48,235,408	86,581,296
Lands Total	897,750	91,920,489	92,818,239		9,000,000	9,000,000	101,818,239
Grand Total	283,532,571	535,955,507	819,488,078	123,189,008	819,543,694	942,732,702	1,762,220,780

SECTION THREE: RECENT ECONOMIC OUTLOOK

3.1 Recent macroeconomic and financial developments

The Kenyan economy demonstrated remarkable resilience and recovery despite the inflation as a result of among others the Russia Ukraine war due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020. 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. 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.

The year-on-year inflation rate eased for the third consecutive month in January 2023 but was still above the 7.5 percent upper bound target. Inflation rate eased to 9.0 percent in January 2023 from 9.1 percent in December 2022 and 9.5 percent in November 2022 due to a decline in food prices as a result of favourable rains and lower global commodity prices particularly for edible oils and wheat with the easing of international supply chain disruptions. However, this inflation rate was higher than the 5.4 percent recorded in January 2022. Overall annual average inflation increased to 7.9 percent in January 2023 compared to the 6.1 percent recorded in January 2022.

3.2 Domestic Economic Growth Outlook

The economy is expected to grow by 5.8 percent in 2023 and recover in 2024 to 6.1 percent and maintain that momentum over the medium-term. This growth will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. From an expenditure perspective, private consumption is expected to support aggregate demand, supported by the ongoing labour market recovery, improved consumer confidence, and resilient remittances.

3.2.1 County Outlook for 2023/2024 FY

As already articulated in the 2023 County Fiscal Strategy Paper and Annual Development Plan 2023/24, the county shall give prominence to the following priorities with the view of improving the economy of the county:

- (i) Completion of the ongoing projects from the previous financial years in order to ensure value for money and the community gets the expected benefits from the projects in their areas.
- (ii) Investing in infrastructure expansion through construction and opening of access roads, bridges and improvement of major county roads including upgrading to bitumen standard in rural and urban market centers
- iii) Investing in food security related interventions through increasing agricultural productivity and; promoting market access; promoting credit and input uptake and entrepreneurial culture; promoting sustainable land use and environmental conservation; enhancing institutional efficiency and effectiveness; increasing livestock production

and productivity; enhancing livestock extension delivery services; creating an enabling environment for county specific capture and farm fish development and enhance fisheries extension delivery services.

(iv) Socio-economic transformation to focus on improvement of the health care systems and structures through provision of drugs, operationalization of universal health care (UHC) and refurbishment of health facilities. Further measures including upgrading of key health facilities and modernization of level four hospital shall be explored.

3.3 Risks to the Economic Outlook

There are down side risks to this macroeconomic outlook emanating from domestic sources which include;

- Risks emanating from climate change resulting in unfavourable weather conditions. This could affect agricultural production and result to domestic inflationary pressures.
- Lingering effects of COVID-19 pandemic would increase volatility in the local market
- Lower agricultural output due to potential adverse weather conditions, which could potentially reduce production of food crops and animal feeds.
- Increased public expenditure pressures, particularly wage and other recurrent expenditures would put a strain to the fiscal space.
- Own source shortfalls and delayed exchequer releases resulting into low liquidity consequently undermining implementation of county projects.
- Technology failure particularly in IFMIS resulting to delayed transactions in the system.

On the external front, uncertainties in the global economic outlook stemming from the current geopolitical tension in Russia-Ukraine and the middle-east could result in higher commodity prices and slowdown the global economic recovery which could impact on the domestic economy.

SECTION FOUR: RESOURCE ALLOCATION FRAMEWORK

Implementation of the FY 2023/2024 budget

The current supplementary budget stands at Ksh 11,657,037,521 against the approved budget of Ksh. 10,036,460,597. This is equivalent to 16.15% percent increase in projected revenues. The budget was revised to cater for emerging expenditures and to factor in other unforeseen revenues. In the first quarter of 2023/24, total OSR amounted to Ksh. 91,282,890.46 equivalent to 19.02% of the revised target of Ksh 480,000,000.

Mid-term fiscal projections

Over the medium term, the total revenue is projected to rise from 11,657,037,521 in FY 2024/2025 to 12,184,713,962 in FY 2025/2026 and further to 12,738,774,225 in FY 2026/27. The county government will optimize OSR by broadening county government's revenue base while enhancing its revenue administrative capacity. This will be achieved through; automation of revenue collection, development of revenue management capacity by training qualified personnel, training staff in efficient budgetary and financial management, revenue enforcement and implementation of fiscal policy measures among others. The county government will also endeavor to provide quality services to the people. This would motivate taxpayers to pay taxes where there is tangible evidence of tax usage.

On the other hand, the county government will sustain efforts to improve efficiency in spending and ensure value for money by; eliminating non-priority expenditures, continuous auditing of the payroll for proper payroll management.

FY 2024/25 Fiscal Projections

IN FY 2024/25 total revenue including A-I-A is projected at Ksh. 11,657,037,521 Of this, equitable share is projected at 8.341 billion (72%), external funding is projected at 1.426 billion (12%), own source revenue (OSR) is projected at Ksh. 480 million (4.12%). The county government will put in place strategies to generate substantial revenue. This will allow the departments to operate more cohesively and make impactful changes within the community.

FY 2024/25 and medium-term budget framework

The FY 2024/25 and the Medium-Term Framework will focus on the implementation of 2023-2027 CIDP, 2024/25 ADP, Governors Manifesto and Bottom-Up Economic Transformation Agenda.

The resource allocation for the priority programme will be done using the following criteria: -

- Completion of on-going projects, viable stalled projects and payment of verified pending bills
- Linkage of the programmes that support mitigation and adaptation climate change
- Degree to which the programme addresses the core challenges of poverty and unemployment in Migori County
- Degree to which the programme addresses the core mandate of the spending entity
- Expected outputs and outcomes from the programme
- Linkage of the programme with other programmes
- Cost-effectiveness and sustainability of the programme

In order to maximize the budget, departments will be encouraged to set realistic goals, include specific action items in the budget and monitor key performance indicators frequently. There will be Stakeholder engagement to make sure that issues that matter most to the citizens are taken into consideration.

Table 11 below shows projected allocations per sector over the medium term.

Table 12: Projected allocations by sector

Sector	Approved Budget Estimates FY 2023/24	Projection For FY 2024/25	Projection For FY 2025/26	Projection For FY 2026/27
Agriculture, Livestock and Veterinary Services, Fisheries and Blue Economy	800,611,968	966,909,000	1,015,254,450	1,066,017,173
County Assembly	1,037,472,209	1,103,508,709	1,103,508,709	1,103,508,709
Office Of the County Attorney	180,970,205	168,269,400	176,682,870	185,517,014
Education, Gender Inclusivity, Social Services, Youth and Sports	681,339,269	676,444,351	710,266,569	745,779,897
Natural Resources, Climate Change and Disaster Management	591,227,339	901,256,912	946,319,758	993,635,745
Finance And Economic Planning	865,354,142	996,975,784	1,046,824,573	1,099,165,802
Health Services and Sanitation	2,332,350,490	2,701,985,561	2,837,084,839	2,978,939,081
Lands, Housing, Physical Planning and Urban Development	234,617,509	289,440,981	303,913,030	319,108,682
Governor's Office	641,620,000	750,413,057	787,933,710	827,330,395
Public Service Management and Devolution	769,438,274	838,078,205	879,982,115	923,981,221
Roads, Transport, Public Works and Infrastructural Development	759,091,998	906,793,407	952,133,077	999,739,731
Trade, Tourism, Industry, Marketing and Cooperative Development	727,314,406	752,686,080	790,320,384	829,836,403
Water and Energy	415,052,788	604,276,074	634,489,878	666,214,372
Total	10,036,460,597	11,657,037,521	12,184,713,962	12,738,774,225

Public participation and involvement of stakeholders.

This County Budget Review and Outlook Paper has been shared with various stakeholders for comments before its finalization. This is in line with the constitution of Kenya 2010 and the PFM Act 2012.

SECTION FIVE: CONCLUSION

1. All entities and departments should ensure all projects are complete and sustainability mechanisms put in place. Where additional resources are required for completion of programs and projects the same should be prioritized for consideration in the Budget for FY 2024/25.
 2. With the increasing demand for enhanced service delivery concerted efforts from all Departments is required to diversify and seek for funding from development partners. The County Treasury together with other relevant departments will continuously support and enhance the capacity of Departments and Entities in drafting concepts and proposals and engaging potential development partners. In addition, we will continuously market the county and implement strategies to attract Private investors through PPPs.
 3. We will continue to enhance our transparency and open government initiative in order to prevent corruption and ensure value for money for all programs and projects. All departments should be committed towards ensuring this is achieved. We will continuously embrace the E-procurement and publishing all our tenders through the Open Government Partnership.
- Departments and entities should be aware of the risks that may affect budget implementation of the FY 2023/24 and the medium term. These includes Risks emanating from climate change resulting in unfavourable weather conditions. This could affect agricultural production and result to domestic inflationary pressures; Lingering effects of COVID-19 pandemic would increase volatility in the local market; Lower agricultural output due to potential adverse weather conditions, which could potentially reduce production of food crops and animal feeds and ; Increased public expenditure pressures, particularly wage and other recurrent expenditures would put a strain to the fiscal space.

4. We therefore need to develop mitigation measures against these risks through the various Sector working groups to ensure delivery of Government services are not derailed and we achieve our desired socio economic transformation.
5. Sector Working Groups remains an important constituent in the County Budgeting process. We will continuously engage the sectors to strengthen the linkage between planning and Budgeting. The sectors should ensure they advance the priorities in the CBROP while preparing the Sector Working Group reports that will guide the preparation of the County Fiscal Strategy Paper to be finalized by 30th November 2021.
6. All accounting officers should ensure they adhere and take part in the budget-making process as outlined in the budget circular issued on 30th August 2021.