



REPUBLIC OF KENYA



COUNTY GOVERNMENT OF HOMA BAY

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

September, 2023

FOREWORD

The 2023 County Budget Review and Outlook Paper (CBROP) for Homa Bay County has been prepared in accordance with Chapter 11 of the Constitution of Kenya, 2010; County Government Act, 2012; Sections 102, 105, and 118(1) of Public Finance Management Act, 2012; and Section 30(1-4) of FPM Regulations, 2015. This document presents a comprehensive overview of Homa Bay County's fiscal and economic outcomes for the FY 2022/23 in line with the fiscal responsibility principles and the financial objectives as outlined in Section 107 of the PFM Act, 2012. Also, it presents macroeconomic projections and the sectors' budget ceilings for the FY 2024/25 and the medium-term budget as well as information on variations from the projections outlined in the FY 2023 County Government of Homa Bay Budget Circular.

Ultimately, the document sets the tone for the review of FY 2023/2024 budget estimates as well as the preparation of the FY 2024/2025 budget estimates. This means the document assesses the rate of revenue collection and sector program spending for the county government with a view to recommending measures to correct any major deviations and that may affect the fiscal performance of the county government for the upcoming year and over the medium term.

By the end of the FY 2022/2023, the County Government of Homa Bay had received funds amounting to KSh. **9,911,227,440**. Against the final revised estimates of KSh. **10,079,114,198** this represented an average revenue performance of 98%. Out of those total receipts, KSh. **9,415,580,275** was spent, representing 93.0% of the county's total actual revenue in that financial year.

In terms of votes, absorption of the budget stood at 93%. The overall absorption fell short of the 100% target largely because of the delays in receipts of funds from the national treasury with 25.5% of equitable shareable revenue made available only in the last quarter of the year, while 76.9% of the expected loans and conditional grants were received only at the close of the financial year.

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

Hon. Solomon Obiero

CEC Member Finance & Economic Planning

County Government of Homa Bay

ACKNOWLEDGEMENT

The 2023 CBROP has been prepared in accordance with the PFM Act, 2012 and its regulations of 2015. The document provides an analysis of the county's fiscal performance including how the actual financial performance for the FY 2022/23 may have affected compliance with the fiscal responsibility principles and the county financial objectives for the FY 2023/24. The document also provides a reflection of the previous fiscal effort and highlights the need for charting a new path towards fiscal discipline and enhanced fiscal effort under the new administration. In this CBROP the County is therefore re-emphasizing the County Government's fiscal policy objectives, which are mostly ensuring a strong revenue effort and shifting focus to reigning in on the ballooning wage bill, improving factor productivity and creating a conducive environment for investment in the county.

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

Further, my appreciation goes to the technical team drawn from the County Directorate of Budget and Planning for their tireless efforts, commitment, and contribution towards ensuring that this comprehensive document was finalized in time. I also wish to express my gratitude to the other technical officers from accounts, finance, reporting, and revenue directorates for their cooperation and providing our team with relevant data.



Mr. Wilson Juma Ochola

Chief Officer – Economic Planning & Budget
County Government of Homa Bay

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ABBREVIATIONS AND ACRONYMS

A-I-A	Appropriation in Aid
APR	Annual Percentage Rate
ARUD	Agriculture Rural and Urban Development
CBROP	County Budget Review and Outlook Paper
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPI	Consumer Price Index
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish Development Agency
DUAs	Departments, Units and Agencies
EAC	East African Community
ECD	Early Childhood Development
FY	Financial Year
GDP	Gross Domestic Product
HIV	Human Immuno-Deficiency Virus
ICT	Information and Communications Technology
IFMIS	Integrated Financial Management Information Systems
IPSAS	International Public Sector Accounting Standards
KBRR	Kenya Bank's Reference Rates
KNBS	Kenya National Bureau of Statistics
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NDA	Net Domestic Asset
NFA	Net Foreign Asset
PFM	Public Financial Management
PPP	Public Private Partnership
WASH	Water and Sanitation Hygiene
SACCO	Savings and Credit Cooperatives
SDGs	Sustainable Development Goals
SNA	System of National Accounts
SSA	Sub- Saharan Africa
TSA	Treasury Single Account
USD	United States Dollar

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Legal Basis for the Publication of the Homa Bay CBROP 2023

The 2023 Homa Bay CBROP has been prepared in accordance Chapter 11 of the Constitution of Kenya, 2010; County Government Act, 2012; Sections 118(1) of Public Finance Management Act, 2012; and Section 30(1-4) of FPM Regulations, 2015. In particular, Section 118 (1) of the PFM Act, 2012, which states that: a County Treasury shall:

Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
Submit the paper to the County Executive Committee by the 30th September of that year.

(2) In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify:

(a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;

(b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

(c) Information on:

(i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or

(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

(d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

(3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

(4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall:

(a) Arrange for the Paper to be laid before the County Assembly; and

(b) As soon as practicable after having done so, publish and publicize the Paper.

Fiscal Responsibility Principles in the Public Financial Management Act, 2012

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

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

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

(1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.

(3) For the purposes of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.

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

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

- The County Executive Committee member with the approval of the County Assembly shall set a limit on the County Government's expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the PFM Act;
- The limit set under paragraph (a) above, shall not exceed thirty-five (35) percent of the County Government's total revenue at any one time;
- For the avoidance of doubt, the revenue referred to in paragraph (b) shall not include revenue that accrue from extractive natural resources including as oil and coal;
- The county public debt shall never exceed twenty (20%) percent of the county government total revenue at any one time;
- The county annual fiscal primary balance shall be consistent with the debt target in paragraph (d);
- The approved expenditures of a county assembly shall not exceed seven per cent of the total revenue of the county government or twice the personnel emoluments of that county assembly, whichever is lower;
- Pursuant to section 107(5) of the PFM Act, if the county government actual expenditure on development shall be at least 30% in conformity with the requirement under section 107(2)(a) of the Act;
- If the county government does not achieve, the requirement of regulations 25(1)(f) above at the end of the financial year, the County Executive Committee member for finance shall submit a responsibility statement to the County Assembly explaining the reasons for the deviation and provide a plan on how to ensure annual actual expenditure outturns as well as the medium-term allocation comply with the provisions of section 107(2)(a) of the Act and these regulations in the subsequent year; and
- The compliance plan above shall be binding and the County Executive Committee member for finance shall ensure implementation.

1.0 INTRODUCTION

1.1 Background

The CBROP is usually prepared pursuant to Section 118(1) of the Public Finance Management Act, 2012 submitted to the County Assembly by October 21st even as it's made available to the public. The CBROP functions as a year-end report, providing an assessment of budget performance over the last financial year. Coming almost three months after the end of the financial year, it provides a good sense of the successes and challenges in implementing the previous year's budget. Usually, it also provides an update on the government's fiscal position for the first quarter of the running financial year.

In February every year, the County Government is expected to provide a financial projection for the coming year in its County Fiscal Strategy Paper. Six months later, the CBROP is prepared to indicate whether the government's projections have turned out to be correct or not. Consequently, the CBROP summarizes revenue collection performance and sector program spending for the county government for the FY 2022/23. That way, the County government is able to recommend corrections for any major deviations and present financial forecasts to come up with the fiscal framework for the upcoming year and the medium term.

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

The 2023 CBROP contains a review of the fiscal performance for the FY 2022/23, updated national macroeconomic and fiscal forecast which informs the county fiscal framework, deviations from the CFSP 2023 and indicative sector ceilings for the FY 2024/25 budget and the medium term. Those indicative ceilings are expected to set in motion the budget preparation process for the FY 2024/25 even as they will be revised and firmed in the CFSP 2024.

1.2 Objectives of the 2023 CBROP

This CBROP will serve the following purposes;

- ❖ Providing an assessment of actual budget performance for the FY 2022/23 compared to the budgetary appropriation for that financial year and how this has affected the economic performance of the county;
- ❖ Providing an updated economic and financial forecast with sufficient information to show changes from the forecasts in the 2023 County Fiscal Strategy Paper and giving reasons for any deviation from the county's financial objectives as set out in that CFSP together with the proposals to address the deviation and the time estimated for doing so;

- ❖ Providing an update on the government's fiscal position for the first quarter of the current financial year 2023/2024 which provides the basis for revising the current budget and fiscal framework as contained in the 2023 CFSP; and
- ❖ Setting indicative budget ceilings that will be distributed to different sectors for the next financial year 2024/25.

The county's updated outlook will be firmed up in the 2024 CFSP, to reflect any foreseeable changes in economic and financial conditions. In accordance with section 117 of the Public Finance Management Act 2012, that CFSP will be submitted to the County Assembly by 28th February 2024.

Through this CBROP, the County Government has been able to review its performance in the FY 2022 and make forecasts for the FY 2024/25 and the medium term based on both the county and national economic outlook and the likely impact of that outlook on the level of future revenues and expenditures which have prompted the County Government to set preliminary sector ceilings for the FY 2024/25.

1.3 Significance of CBROP

The paper is a policy document that links planning with budgeting. It is significant in the budget making process within the Medium-Term Expenditure Framework (MTEF). It ensures that the County Government reviews its previous year's performance as it also guarantees that the County Government makes forecasts based on both the County and the national economic outlook and their likely impact on the level of future revenues and prompts the County Government to set preliminary sector ceilings in light of this review of revenue.

1.4 Structure of the 2023 CBROP

This 2023 CBROP has been organized into five sections, namely;

- ❖ Section one that provides the background information on CBROP, explains the objectives of the CBROP and expounds on the structure of the document;
- ❖ Section two that provides a review of the county's fiscal performance during the FY 2022/23 and the effect of that performance on the financial objectives of the county set out in the CFSP 2023;
- ❖ Section three that provides a brief highlight of the recent economic developments and the county's updated macroeconomic outlook;
- ❖ Section four that provides the medium-term fiscal framework including the resource allocation framework, the need to revise the current budget; and
- ❖ Section five that provides the conclusion and recommends the next steps towards achieving the financial objectives of FY 2024/25.

2.0 REVIEW OF THE FY 2022/23 FISCAL PERFORMANCE

2.1 Overview of the budget FY 2022/23

During the financial year under review, the County Government had an overall revised budget of **KSh.10,079,114,198** compared to **KSh.9,684,356,474** for the **FY 2021/22**, representing a **3.9%** growth. In order to finance the budget for **FY 2022/23**, the County expected to receive **KSh. 7,805,353,300 (77.4%)** as Equitable Share of revenue raised nationally, generate **KSh. 818,315,812 (8.1%)** from its own sources of revenue, and use a cash balance of **KSh. 765,121,092 (7.6%)** from **FY 2021/22**. The County also expected to receive **KSh.690,323,994 (6.8%)** in loans and conditional grants from various development partners.

2.2 County Revenue Performance Review

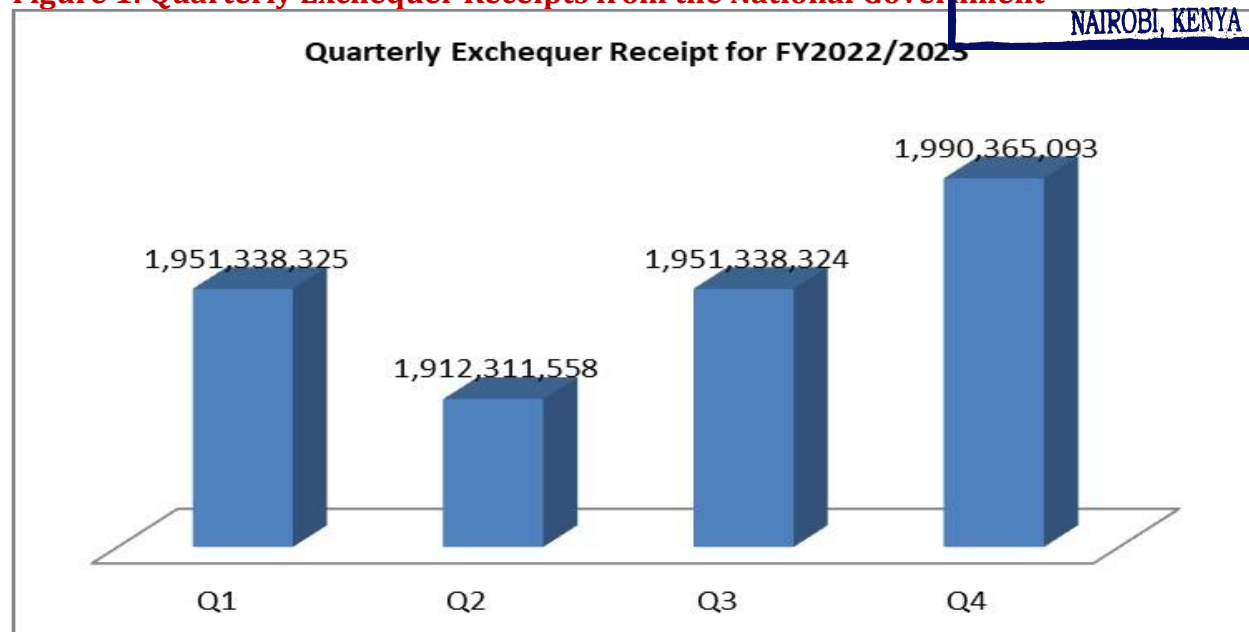
2.2.1 Equitable Share of Revenue

The County Government of Homa Bay received **KSh. 7,805,353,300** being the Equitable share of Revenue for 2022/23 (CARA, 2022) representing **77.4%** of the total resource envelope. This allocation was the same as the one allocated to the County Government of Homa Bay in the previous financial year, **2021/2022**, following the review of allocations to county governments.

As at the close of the financial year **2022/23**, **KSh. 9,911,227,440** had been received representing a **98.3%** performance. This was an improvement from the previous financial year where exchequer receipts by the County totaled to **KSh. 8,919,235,382** including a balance brought forward from **FY 2021/22 of KSh. 765,121,092**.

The County Government continues to record an overreliance on exchequer releases, a trend that is being addressed through enhancement of own source revenue collections. The bulk of the receipts (33%) came in the final quarter of the year (Q4) while **KSh. 167,886,757** was not received in time. These delays in disbursement of exchequer continue to negatively impact service delivery and county government operations including payment of staff salaries as well as execution of county development agenda.

Figure 1: Quarterly Exchequer Receipts from the National Government



Source: County Treasury, 2023

2.2.2 Own Source Revenue (OSR)

The County realized an actual total collection of **KSh.859,454,023** from its internal revenue sources against a revised budget of **KSh. 818,315,812**. This actual collection included Appropriation-In-Aid of **KSh. 626,646,993** generated by the Health Services department. A comparison of the revised target for **FY 2022/23** against the original budgeted OSR collection shows an impressive performance of **95.2%** collection efficiency, while compared to actual collections for the previous financial year, there was a growth in collections by **33.4%**. Table 2.1 below provides a summary of Own Source Revenue performance against the revised targets, by stream.

Table 2.1: Own Source Revenue Performance by Stream

Revenue Stream/Income Source	Revised Target	Actual Collection
Land Rates	6,214,539	5,996,073
Land transfers	139,530	138,530
Lease Charges (Consent/Transfers)	1,898,552	1,598,552
Land/Ground rents	2,363,625	2,444,825
Single Business Permits	59,501,806	61,770,496
Market Dues	24,712,400	24,995,898
Approval of plans /transfers/ certificates	2,357,834	2,449,634
Housing Fees (Rents)	1,406,709	1,582,609
Fish Cess	6,788,095	7,004,275
Other Cess Income	22,903,982	24,331,008
Taxi/Motorbike Fees	1,672,375	1,838,575
Site Value Rate	4,090	4,090
House/Kiosk Rents	3,991,230	4,614,290
Slaughter House Fees	1,566,484	1,686,094
Stock Auction Fees (Cattle/Goat/Sheep)	3,837,850	4,063,130

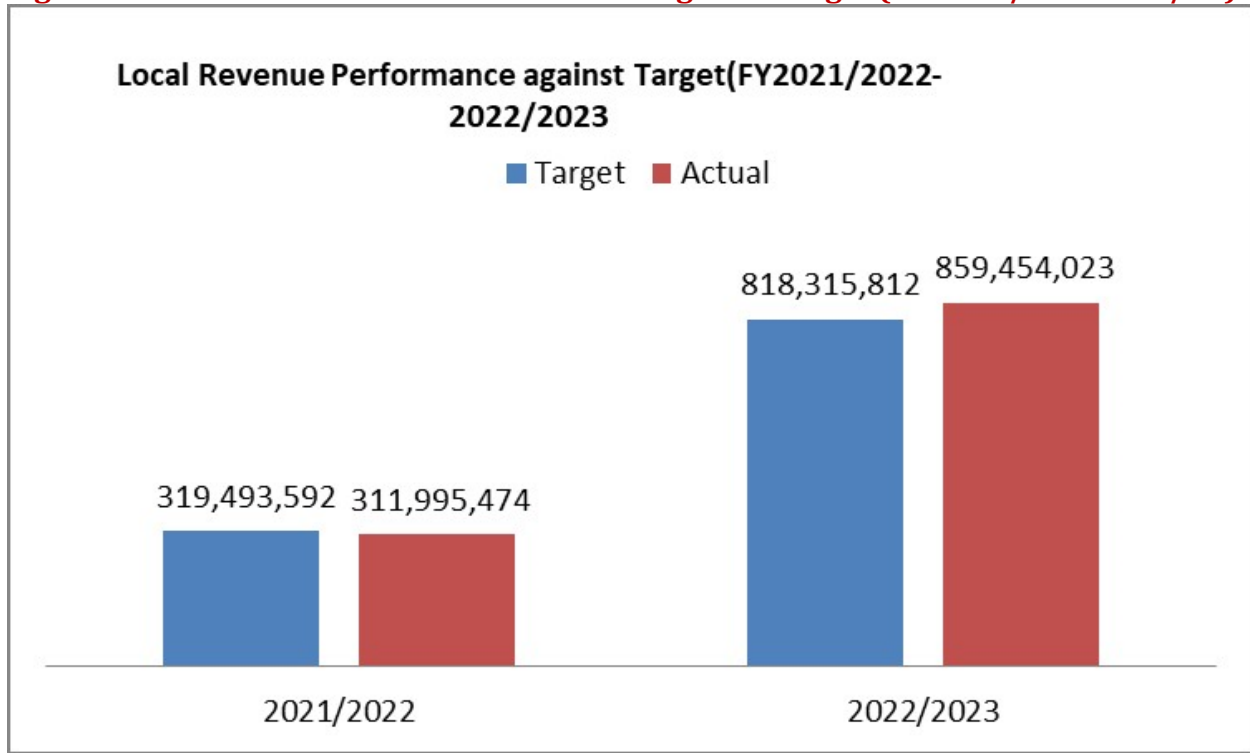
Stock Movement Fees	329,910	353,900
Veterinary Charges	229,975	229,975
Advertising/Billboards	9,156,836	9,313,232
Landing Fees (Boats, Planes, etc.)	92,185	53,285
Bus Park Fees/Parking Fees	27,962,436	29,359,416
Liquor Licensing	300,500	350,500
Search and clearance certificates	53,800	23,600
Noise pollution permit fees	270,760	193,490
Fire Inspection Fees	340,310	361,060
Tractor hire services	96,750	121,250
Hire of Machinery & Equipment	364,500	186,000
Conservancy Fees/ Wildlife Grants	127,860	144,060
Water Charges	-	20,885
Fines and Penalties	2,976,494	2,974,124
Survey/Sub-Division Fees	359,620	359,620
Weights and Measures Fee	501,310	501,310
Bricks/Sand/Murram/Stones	33,515,143	31,579,853
Miscellaneous Collections	6,588,243	12,143,630
Health Sector Charges (A-I-A)	222,624,233	232,807,029
Total Local Revenue	818,315,811	859,454,023

Source: County Treasury, 2023

The Local Own Source revenue collection has recorded great improvement compared to the same period in the last financial year, 2021/2022 in which the County managed to collect **KSh. 311,995,474** against a target of **KSh. 319,493,592**. The new administration has specifically embarked on Own Source Revenue generation and collection as a key priority area and a Revenue Management Board has already been formed to review systems and processes in this area to ensure optimal collections and address all revenue collections related challenges.

One of the major reforms the County Government of Homa Bay will continue to embrace in revenue collection is the cashless collection through the use of technologically enhanced methods of revenue collection while also ensuring minimal downtimes in the collection machines (POS), use of mobile telephone Applications and enhanced supervision of collectors which has also been a major challenge. Similarly, the recruitment of more than 300 enforcement officers across the entire County is expected to enhance compliance and boost collections. Additionally, the mobile telephone applications will ensure improvement in intact banking of all revenues collected since they are directly linked to the county collection accounts. Figure 2 below gives a summary of own source revenue growth between FY 2021/22 and 2022/23.

Figure 2: Own Source Revenue Performance against Target (FY 2021/22 - 2022/23)



Source: County Treasury, 2023

2.2.3 Conditional Grants

In the year under review actual loans and conditional grants received amounted to **Ksh.401,676,856** compared to the Budgeted figure of **Ksh.690,323,994** resulting in a deficit of **Ksh.288,647,137**.

Table 2.2: Conditional Grants Performance

Conditional Grants/Loans	Budget Amount (Kshs)	Actual Receipt (Kshs)	Balance Not Yet Received (Kshs)
Kenya Informal Settlement Improvement Project	150,000,000	2,339,914	147,660,085
Leasing of Medical Equipment	110,638,298	-	110,638,298
Total Grants	260,638,298	2,339,914	258,298,383
Loans and Grants			
DANIDA	29,354,063	21,686,063	7,668,000
National Value Chain Project	70,000,000	67,192,729	2,807,271
Transforming Health Care Project	12,294,839	-	12,294,839
National Agric. For Growth Inc. Project (NARIGP)	264,521,931	264,521,930	-
Agricultural Sector Development Support Programme. (ASDSP II)	37,514,863	29,936,219	7,578,644
Financing Locally Led Climate Actions Programme.	16,000,000	16,000,000	-
Total Grants and Loans	429,685,696	399,336,941	30,348,754
GRAND TOTAL	690,323,994	401,676,856	288,647,137

Source: County Treasury, 2023

The County Government is setting up the Debt Management and External resource mobilization unit in efforts aimed at raising funds from the Stock market and bringing on board additional donor funds and grants. Efforts will be made to ensure strict compliance with donor funding conditions such as enhancing allocations towards counterpart funding to facilitate disbursements by development partners. More importantly, the new administration will work to ensure ease of doing business and prudent utilization of conditional grants and loans and proper implementation of donor funded projects.

2.2.4 Other Receipts

During the financial year under review, the County had budgeted with a cash balance of **KSh. 765,121,092** from the previous financial year **2021/2022**, being late exchequer receipts. This cash balance brought forward was appropriated in the supplementary budget and approved for expenditure by the County Assembly.

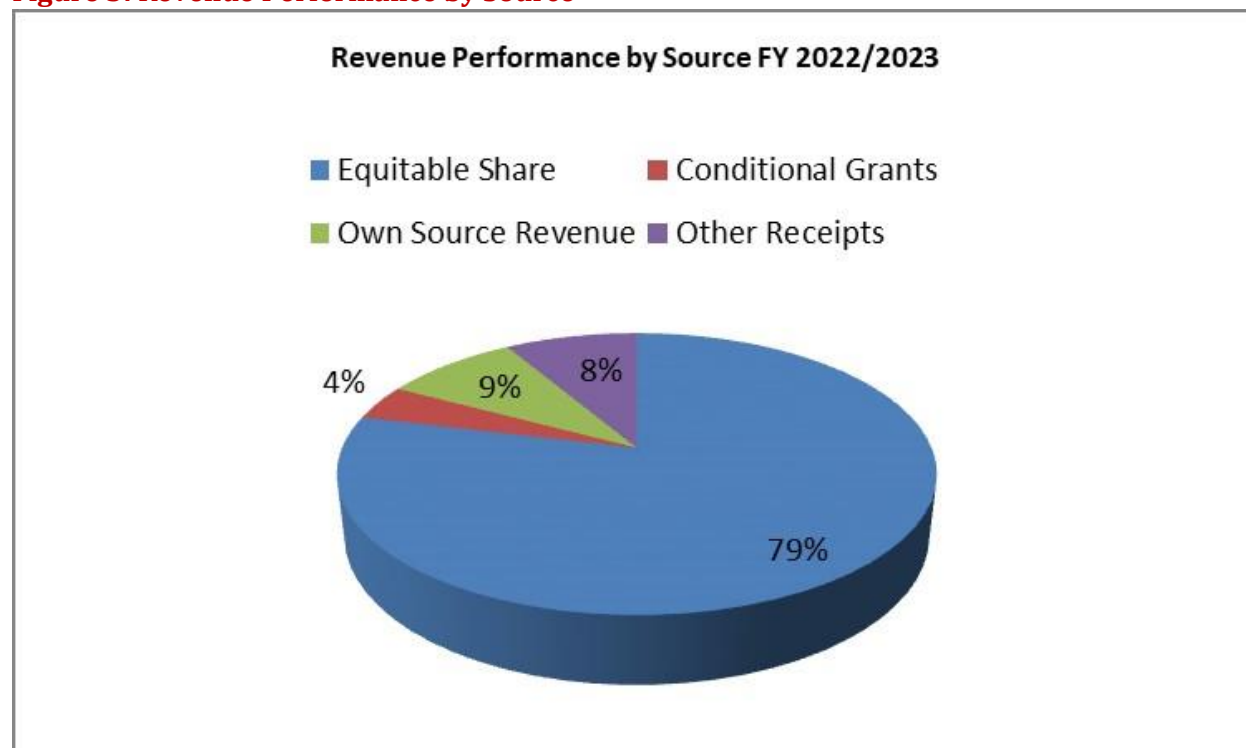
Table 2.3 below summarizes revenue performance against the revised target for the financial year 2022/2023.

Table 2.3: Revenue Performance Analysis FY 2022/23

Revenue Stream	Revised Budget II	Actual Receipt	Variance
Equitable Share	7,805,353,300	7,805,353,300	-
Conditional Grants	690,323,994	401,676,856	288,647,137
Own Source Revenue	818,315,811	859,454,023	41,138,212
Other Receipts	765,121,092	844,743,261	(79,622,169)
Total	10,079,114,197	9,911,227,440	(167,886,757)

Source: County Treasury, 2023

Figure 3: Revenue Performance by Source



Source: County Treasury, 2023

2.3 County Expenditure Performance Review.

The actual expenditure during the FY 2022/23 amounted to KSh. **9,415,580,275** which represented 93% of the total revised expenditure target of KSh. **10,079,114,197** for the year under review.

This total expenditure included KSh. **1,126,681,959** transferred to the County Assembly Service Board. Out of this total, the county spent KSh. **6,981,140,272** (74.14%) on its recurrent activities and a further KSh. **2,434,440,003** (25.86%) on development related activities. On comparable terms, there was an increase in the overall expenditure with KSh. **9,108,130,477** spent in the previous financial year. This under absorption of the budget was attributable to delays in receipts of funds from the national treasury with 33% of equitable shareable revenue disbursed in the last quarter of the year, while 41.9% of expected loans

and conditional grants not received by the close of the financial year. Such delays continue to put fiscal pressures on county expenditure.

Table 2.4 below provides a summary of total expenditure against target for the year under review.

Table 2.4: Summary of Total Expenditure against Target for the Year Under Review

	FY 2021/2022	FY 2022/2023	REVISED BUDGET	VARIANCE	PERCENTAGE ABSORPTION
RECURRENT	6,185,616,951	6,981,140,272	6,983,692,013	2,551,741	99.96346143
DEVELOPMENT	2,922,513,526	2,434,440,003	3,095,422,185	660,982,182	78.64646105
TOTAL	9,108,130,477	9,415,580,275	10,079,114,198	663,533,923	93.41674367

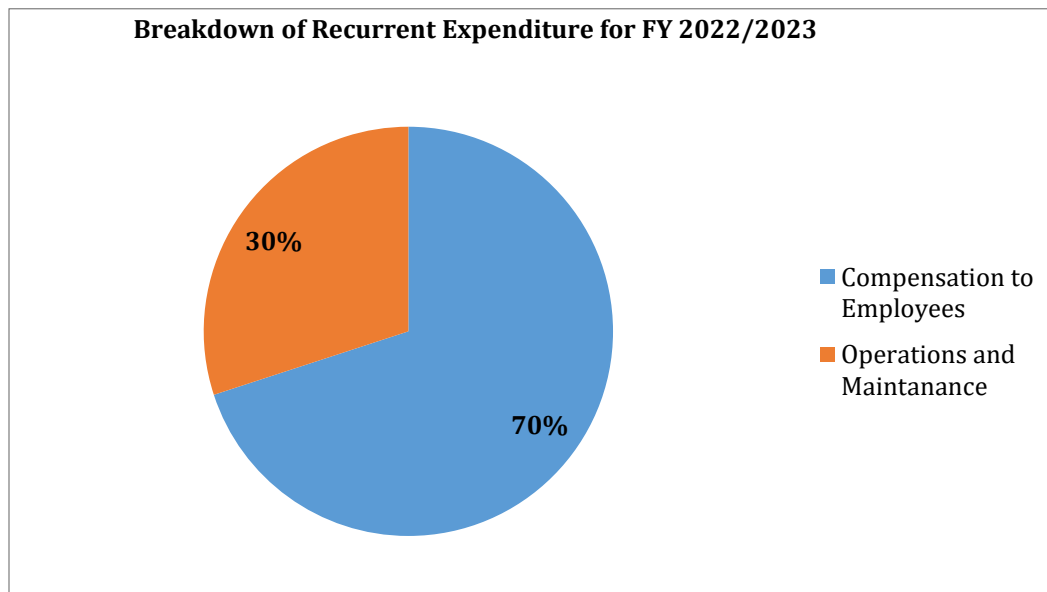
Source: County Treasury, 2023

2.3.1 Recurrent Expenditure.

The County Government continued to observe fiscal discipline by keeping its recurrent expenditure for the financial year under review under 70% of all revenues available for operations. Out of the recurrent expenditure of KSh **6,981,140,272** compensations to employees took the biggest share with KSh. **4,885,512,734** (70%) used to pay salaries and other benefits while KSh. **2,481,071,876** (30%) was utilized for the procurement of goods and services. In comparison to the previous financial year, recurrent expenditure grew by 12.86% up from KSh. **6,185,616,951** spent in 2021/2022. Managing the county staff wage bill remains a key priority in compliance with the provisions of the PFM Act, 2012 that requires this expenditure item to be below 35% of all total county expenditure. The new County administration has already started implementing the human resource and payroll audit report in order to rein in on the ballooning wage bill.

Figure 4 below gives a summary of the breakdown of the recurrent expenditure for the financial year under review.

Figure 4: Breakdown of Recurrent Expenditure

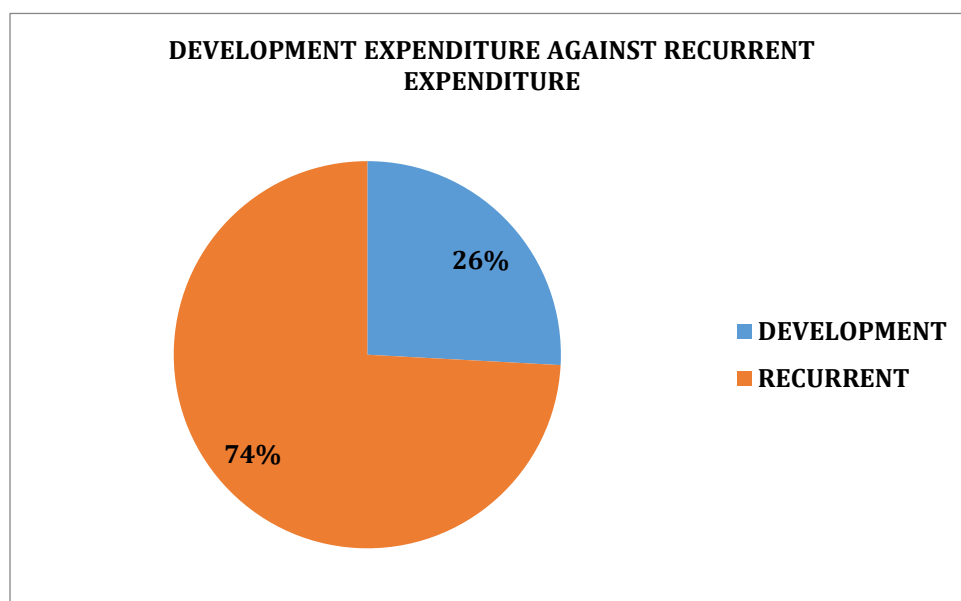


Source: County Treasury, 2023

2.3.2 Development Expenditure.

The County Government in the FY 2022/23 spent a total of KSh. **2,434,440,003** on its development activities, against a revised budget of KSh. **3,095,422,185** representing an absorption rate of 78.6%. This was a significant decrease in development expenditure absorption compared to FY 2021/22 which stood at 87%. Of this development expenditure, acquisition of assets took the biggest bulk with **KSh. 1.7B** spent on various capital projects for the period under review.

Figure 5: Breakdown of Development Expenditure



Source: County Treasury, 2023

2.3.3 Summary of Expenditure by Broad Economic Classification.

During the FY 2022/23, the County Government of Homa Bay had a total budget absorption rate of 93.4% against the **third revised** budget estimates. This represented a marginal improvement from the FY 2020/21 when 93.0% of the revised budget was absorbed. The improvement in the absorption rate was largely attributable to the ongoing projects under the Ward Based Development and other Rapid Response Initiatives under the executive orders by H.E, the Governor. Absorption of the recurrent budget stood at 99.9% as highlighted in table 2.5 below, with the County Assembly receiving KSh. **1,109,367,122** for its recurrent operations. Compensation to employees was absorbed fully as budgeted for in the **third** supplementary budget estimates.

Table 2.5: Breakdown of Expenditure by Economic Classification

	Actual Expenditure 2021/2022	Printed Estimates 2022/2023	Revised Estimates 2022/2023	III	Actual Expenditure 2022/2023
Compensation to Employees.	4,053,831,546	3,759,991,230	4,593,085,754		4,885,512,734
Recurrent operations & Maintenance Services.	1,420,666,750	1,976,169,666	2,390,606,259		2,095,627,538
Transfers to Other Government Units (HBCA).	1,109,367,122	1,151,678,005	1,197,878,114		1,126,681,959
Development	292,251,352	2,929,600,301	3,095,422,185		2,434,440,003
TOTAL	8,397,011,822	8,665,761,197	10,079,114,198		9,415,580,275

Source: County Treasury, 2023

2.4 Budget Out-turn for the FY 2022/2023.

As table 2.6 below further indicates, the total actual expenditure is below total revised budgetary allocation for the FY 2022/23 by KSh. **660,982,182** representing an overall budget outturn of 93.4%.

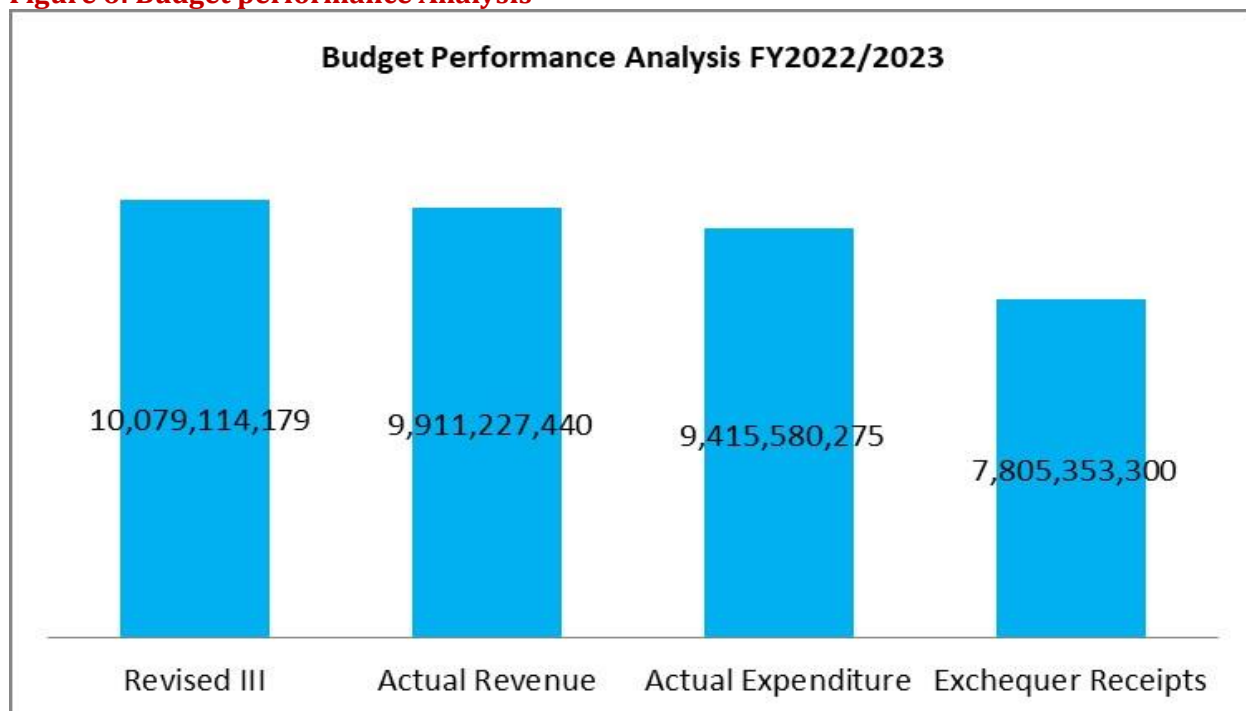
Table 2.6: Summary of the budget outturn

Receipt/ Expense Item	Original Budget	Adjustment s	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	B	C= A+B	D	E= C-D	F= D/C %
RECEIPTS						
Exchequer Releases	7,805,353,300	0	7,805,353,300	7,805,353,300	0	100
Internal Revenue	191,080,752	627,235,060	818,315,812	859,454,023	(41,138,211)	105.0271803
Loans and Grants	607,761,293	82,562,701	690,323,994	401,676,856	288,647,138	58.18671515
Other receipts	0	765,121,092	765,121,092	844,743,261	79,622,169	110.4064794
Total Receipts	8,604,195,345	1,474,918,853	10,079,114,198	9,911,227,440	167,886,758	98.33431039
PAYMENTS						
Compensation of Employees	3,759,991,230	833,094,524	4,593,085,754	4,885,512,734	-292,426,980	106.366678
Other Operations	1,976,169,666	418,436,593	2,390,606,259	2,095,627,538	294,978,721	87.66092409
Recurrent Payments	5,674,595,044	1,309,096,969	6,983,692,013	6,981,140,272	-	-
Development Payments	2,929,600,301	165,821,884	3,095,422,185	2,434,440,003	2,551,741	99.96346143
Total Payments	8,604,195,345	1,474,918,853	10,079,114,198	9,415,580,275	660,982,182	93.64646105

Source: County Treasury, 2023

Figure 6 below gives a summary of the budget performance for the FY 2022/23 which shows that actual receipts for the period which stood at KSh. **9,911,227,440** against an expected revenue of KSh. **10,079,114,179** due to late exchequer receipt for the financial year 2022/23. Actual revenue receipts however fell short of the target by KSh. **167,886,758**. This is represented in figure 6 below.

Figure 6: Budget performance Analysis



Source: County Treasury, 2023

Resource consumption by spending entities indicates that for the actual expenditure returns for FY 2022/23, the Departments of Health and the County Assembly Service Board were the biggest spenders accounting for 30.5% and 11.1% of the actual total spending respectively, a trend similar to what was reported in the FY 2021/2022. The department of Roads, Transport and Public Works followed closely at 9.1%. The Office of the Governor rounded off the top four highest spenders at 7.9%. On the other hand, the lowest spending entities included Homa Bay Municipal Board (0.43%), department of Blue Economy (0.75%). Other lowest spenders included the County Public Service Board (0.95%) and the department of Land, Housing, and Physical Planning (1.56%).

In terms of overall absorption rate, the top three for the FY 2022/23 included the County Public Service Board (99.9%), department of Finance and Economic Planning (99.0%) and the department of public health and medical services (98.5%). Others that came close to the three included the Office of the Governor (98.4%), department of Education and ICT (95.3%), Water and Natural Resources (94.3%) and the County Assembly Service Board (94.1%).

Overall, spending entities absorbed 93.4% of their budgets. Table 2.7 below gives a summary of the absorption rates by the county spending entities.

Table 2.7: Summary of the absorption rates by the county spending entities

ABSORPTION OF RECURRENT AND DEVELOPMENT EXPENDITURE BY SPENDING ENTITIES			
VOTE HEAD	ANALYSIS OF FY 2022/2023		
	ALLOCATED EXPENDITURE	ACTUAL EXPENDITURE	RATE OF ABSORPTION
Agriculture, Livestock and Fisheries	689,111,111	612,350,837	88.86
Water, Environment, Energy and Natural Resources	302,070,429	284,999,170	94.35
Education and ICT	994,009,766	947,277,101	95.30
Land, Housing and Physical Planning	248,726,055	156,924,193	63.09
Trade, Industry, Investments, Cooperatives, Tourism and Culture	399,570,415	329,889,568	82.56
Finance and Economic Planning	756,045,563	748,210,544	98.96
Office of the Governor	815,231,646	802,489,837	98.44
Public Service Board	96,159,828	96,099,544	99.94
County Assembly Service Board	1,197,878,114	1,126,681,959	94.06
Homa Bay Municipal Board	57,594,679	43,110,468	74.85
Gender, Equality, inclusivity	220,059,599	191,375,978	86.97
Public Health and Medical Services	3,126,643,508	3,078,888,645	98.47
Blue Economy, Fishery, Mining and Digital Economy	100,628,111	75,581,031	75.11
Roads, Transport, Public Work and Infrastructure	1,075,385,374	921,701,400	85.71
GRAND TOTAL	10,079,114,198	9,415,580,275	93.42

Source: County Treasury, 2023

2.5 Fiscal Pressures, Debts and Deficits/Surplus.

The County Government continues to operate within the confines of the provisions of the law, and adhering to the fiscal responsibility principles. The county wage bill continues to put pressure on resource allocation and utilization. While this wage bill included gratuity payments for CECMs and Chief Officers, it is imperative for the government to manage and contain payments for salaries and other benefits based on the human resource audit recommendations to contain it within a sustainable level.

The County however continues to operationalize a balanced budget without any projected borrowings in the MTEF period of 2023/24 – 2025/26. However, due to irregular release of funds by the National Treasury, the County Treasury through the CECM – Finance and Economic Planning, may engage local commercial banks for short-term lending in the form of overdraft facilities to bridge delays in payment of salaries. As and when such need arises, this short-term lending will be approved and ratified by the County Assembly.

Finally, the government has ended the financial year with a stock of pending bills worth KSh. **567,683,611.12**. This is expected to put pressure on new development expenditure, as part of new development allocations will be spared to clear verifiable pending bills. Table 2.8 below provides a summary of the outstanding pending bills for the financial year 2022/23.

Table 2.8: Stock of Pending Bills for FY 2022/2023

Supplier of Goods or Services	Outstanding Balance 2021/2022	Additions for the Year 2022/2023	Amount Paid To-Date	Outstanding Balance 2022/2023
	A	B	C	D=A+B-C
	KSh.	KSh.	KSh.	KSh.
1. Supply of goods and Services	18,905,570.00	55,498,354.56	18,905,570.00	55,498,354.56
2. Construction of civil works	863,422,866.46	512,185,256.56	863,422,866.46	512,185,256.56
Grand Total	882,328,436	567,683,611.12	882,328,436.46	567,683,611.12

Source: County Treasury, 2023

2.6 Analysis of Departmental Performance

Department of Finance and Economic Planning

Achievements

For the financial year 2022/23, the department was allocated a total of KSh. **756,045,563** and was able to absorb KSh. **748,210,544** representing an absorption rate of 99.0%. Out of that allocation, the department was able to realize a number of outputs as follows:

- ❖ Under financial management: The department was able to develop and implement all relevant policies and procedures, successfully manage the budget process, and ensure more effective use of financial resources. Presently, all procurement and expenditure are processed through IFMIS and this has reduced resource misallocation by more than 50%.
- ❖ Under economic planning and development: The department successfully developed the CIDP 2023-2027 and CADP 2023/24, with sector plans for each of the 8 MTEF Sectors currently being finalized.
- ❖ Under revenue generation: The government has instituted a new regime for collecting and managing own source revenues, developing revenue-generating programs, and pursuing partnerships with private sector entities. These initiatives have resulted in doubling of revenue collections.

County Public Service Board

Performance Overview:

The board was allocated KSh.**96,159,828** of which it absorbed KSh.**96,099,544** resulting in a 99.9% absorption.

The County Public Service Board continued to fulfill its mandate of managing the county public service; promoting national values and principles; enhancing staff productivity and morale, and attracting and retaining the best talent in the County Public Service during the FY 2022/23. Consequently, the Board has made significant progress in the following areas:

- ❖ **Recruitment and Selection:** The Board has made significant strides in ensuring that recruitment and selection processes are fair, transparent, and competitive. In this respect, the Board has been able to approved the establishment of 7 new offices in the County Public Service; competitively fill 31 senior positions in the public service, including those for chief officers and directors; approve the appointment of 86 health personnel and filling of 7 offices under the Office of the Governor and 3 offices under the Department of Finance and Economic Planning.
- ❖ **Performance Management:** The Board has put in place a robust performance management system to evaluate employee performance, identify their development needs, and offer rewards and recognition for high performance. In this respect, the Board has been able to subjected 7 senior officers to disciplinary proceedings according to established rules, leading to dismissal of 3; promote a total 81 officers, following the due process; facilitate re-designation of 23 officers, inter-government transfer of 3 officers and exit of 306 officers; confirm a total of 1736 EYE teachers, 163 health workers and 1390 casual workers from various departments from contract to permanent and pensionable terms of service as well as the 35 officers who had completed their mandatory six (6) months' probation period.
- ❖ **HR Information Management:** The Board has invested in HR information management systems to enhance the accuracy and efficiency of data management. In this respect, the Board is finalizing verification of details of each employee as confirmed through the payroll audit.

County Assembly Service Board

County Assembly Mandate

The County Assembly is mandated to create avenues for representation of residents of respective wards, making of laws and policies necessary for the effective performance of county functions and oversight of the County Executive. This includes approval of plans and policies, vetting and approval of nominees for appointment to county offices, considering budget estimates and approval of borrowings by the County Government.

Performance Overview

In the FY 2022/2023, the County Assembly was allocated a total of **KSh. 1,197,878,113** (KSh. 1,115,623,279 for recurrent and KSh. 82,254,279 for development expenditure). Out of the recurrent allocation, KSh. 130,000,000 was set aside for MCAs car loan and KSh. 112,780,461 for their mortgage scheme. In terms of absorption, the county assembly absorbed a total of **KSh. 1,126,681,959**, representing an absorption rate of 94.1%.

Some of the achievements for the FY 2022/23 include:

- ❖ Inducted, trained and built the capacity of all the 54 members of the county assembly of the 3rd assembly, including equipping them with modern tablets to aid in legislation.
- ❖ Renovated the plenary hall, refurbished the existing committee rooms, renovated the drainage works in the assembly, commenced the construction of Speaker's official residence, started the construction of new committee rooms and offices, and furnished all the 40 ward offices with computers and furniture for the MCAs ease of duty.
- ❖ Regarding legislations, the County Assembly passed various bills into law, among them are (i) The Homa Bay County Climate Change Act, 2022; (ii) The Homa Bay County Revenue Administration Act, 2022; (iii) The Homa Bay County Revenue Administration Board Act, 2022; (iv) Homa Bay County Finance Bill, 2023; (v) The Homa Bay County Lake Front Development Act, 2023; (vi) Homa Bay County Sexual Gender Based Violence Policy; (vii) Municipalities Charters for Kendu Bay, Oyugis, Ndhiwa, and Mbita Municipalities.
- ❖ Additionally, the County Assembly is in the process of enacting the following bills; (i) The Facility Improvement Fund (FIF) Bill, 2023; (ii) Fisheries and Aquaculture Management Bill, 2023.

Homa Bay Municipal Board

The Board was established in compliance with Article 184 of the Constitution of Kenya, which provides for the classification, governance and management of urban areas and cities. Ultimately, the board was set up and mandated to make Homa Bay Municipality more attractive and sustainable through effective policy formulation and implementation. During the FY 2022/23, the board was allocated KSh. **57,594,679** with an absorption of KSh. **43,110,468** which was 74.9% absorption rate.

Some of the highlighted achievements over the review period include:

- ❖ Completion of the construction of ABSA bank Junction to Health Head Quarters to St Paul's Hospital Road. Moreover.
- ❖ Continued renovation of the Homa Bay bus park.
- ❖ Fencing Homa Bay Municipal Market.
- ❖ The construction of a Canopy to improve the Homa Bay Municipal Market by providing a much-needed shade for the traders.

Office of The Deputy Governor and Department of Agriculture and Livestock

Performance Overview

During the **FY 2022/23** the department was allocated a total of **KSh. 689,111,111** out of which it absorbed **KSh. 612,350,837** representing an 88.9% absorption rate.

The department has been able to:

- ❖ Complete the construction of Post-Harvest Grain Handling store at Kigoto;

- ❖ Increase agricultural productivity and food security through modernized farming techniques and technologies; strengthen animal health and disease control measures leading to improved livestock productivity;
- ❖ Enhance access to markets and value chains for smallholder farmers;
- ❖ Promote sustainable land use practices and natural resource management, reducing environmental degradation;
- ❖ Support research and development to enhance the competitiveness and resilience of the agriculture and livestock sectors;
- ❖ Support registration of 140,000 farmers for the government subsidized fertilizer programme;
- ❖ Distribute 183 tons of seeds to 75,000 beneficiaries and procure 4 tractors to provide subsidized ploughing.

Department of Gender Equality and Inclusivity, Youth, Sports, Talent Development, Cultural Heritage and Social Services

The allocation of the department as per the Revised Estimates budget for the FY 2022/23 was KSh. **220,059,599** for both development and recurrent votes. Of which, the department absorbed KSh. **191,375,978**, equivalent to 87.0%.

- ❖ In Culture and Creative Sector, the department is promoting cultural practices and initiate the development of a Cultural Center at Ndiru Kagan.
- ❖ Under the section of Social Services and Women Empowerment, the department undertakes teenage pregnancy campaigns in the county, Sensitize the public on Sexual Gender Based Violence (SGBV), undertaking women empowerment programs and the Launch of SGBV Policy.
- ❖ Under Management and Development of Sports and Sports Facilities programme, the department has seen the construction of the Homa Bay County Stadium to 95% completion status and sports talent development programs.
- ❖ Additionally, the department managed to facilitate 15 teams that visited and participated in the cultural site and also formulated policies, regulations, laws and procedures that was enacted.
- ❖ As well, the department managed to empower women groups writing fundable proposal. 300 youths were train to Mainstreamed to Employment Opportunity.

Department of Roads, Public Works, Transport and Infrastructure.

Summary of Achievements

The department was allocated **KSh.1,075,385,374** out of which it absorbed **KSh.921,701,400** representing an absorption rate of **85.7%** in implementing its priorities. In the FY 2022/23 the department:

- ❖ Managed to develop and operationalize Roads and Transport policy framework
- ❖ Opened 155km of new ward roads, maintained 418km of existing county roads,
- ❖ Rehabilitated 162km rural access roads and undertook surface improvement of 369km of road network;
- ❖ Installed drainage structures including 280 linear meters of piped culverts and three (3) new box culverts;
- ❖ Maintained plant and equipment including (1 No. motor grader, 1 No. excavator, 2 No. steel wheeled rollers and 2 No. Tipper) to enhance emergency road maintenance works, enhance sub-sector performance in revenue generation (A-In-A) and enable citizens access public utilities such as markets, health facilities, and schools and
- ❖ The department also provided technical support services to other departments including design and approval of plans.

Department of Blue Economy, Fisheries, Mining and Digital Economy

Achievements

The department was allocated KSh. **100,628,111** and realized an absorption of 75.1% which was KSh. **75,581,031** appropriated across its key priorities. The Department was instituted in the FY 2022/23 and over the period it has:

- ❖ Improved management and protection of lake resources through promotion sustainable fishing practices in partnership with Beach Management Units;
- ❖ Identified policies and regulations to support the growth of the fisheries, mining, and digital sectors;
- ❖ Encouraged innovation and technology adoption in all government sectors, leading to increased efficiency and productivity;
- ❖ Facilitated equitable access to aquaculture opportunities, thus reducing pressure on the capture fisheries resources;
- ❖ Promoted inter-county and international cooperation and partnerships across the Lake Basin to address shared challenges and opportunities in Lake Victoria.
- ❖ In the Fisheries sector; (i) the department constructed and completed one pit latrine at Kendu Bay fish landing site; (ii) purchased and distributed 100 legal fishing gears, conducted 250 monitoring control and surveillance missions; (iii) supplied 40 fish farmers with pond liners provided under ABDP; (iv) held 2022 world fisheries day celebration and distributed 2500 fingerlings to fish farmers;
- ❖ The mining sector mapped 3 mineral sites;
- ❖ The ICT sector developed a functional website and renewed certification.

Department of Education, Human Capital Development and Vocational Training

In the FY 2022/23, the department had an allocation of **KSh. 994,009,766** and absorbed **KSh. 947,277,101** spent on various programmes, which represents 95.3% absorption rate.

During the period, the department has been able to:

- ❖ Improve infrastructure in learning centers and ICT hubs,
- ❖ Provide the capitation fees for trainees in the Vocational Training Centers,
- ❖ Disbursed scholarships and bursary funds for needy and vulnerable students and provision of teaching and learning materials to both EYE and VET centers.
- ❖ Engaged with many partners to realize more infrastructure development in the learning centers.
- ❖ Has been undertaking EYE and VTC field assessments in all learning institutions while pursuing their ongoing ward-based projects and settling pending payments.

Department of Public Health and Medical Services

Summary of Achievements:

The department realized an allocation of KSh. **3,126,643,508** and absorbed KSh. **3,078,888,645** representing a 98.5% absorption rate. The department achieved the following:

- ❖ **Expanded access to healthcare services:** This has been achieved by ensuring constant supply of drugs to all health facilities in the county; completion and operationalization of OPDs at the Homa Bay County Teaching and Referral Hospital (HBCTRH) and Rachuonyo South Level 4 Hospital; completion and operationalization of theatres at Rangwe Hospital and Sena Health Centre; completion and operationalization of Renal, Eye and Dental Units at the HBCTRH; purchase and installation of a 40-Slide CT Scan at the HBCTRH; completion and operationalization of Kibuogi Dispensary, Aoch Muga Dispensary and Lieta Kamser HC; and operationalization of telemedicine equipment at Suba South Level 4 Hospital (Sindo). The department has also commenced construction of an Accidents and Emergencies Centre, a Comprehensive Cancer Unit and a 112-Body Funeral Parlour at the HBCTRH.
- ❖ **Promoted healthy behaviors:** The department has launched several initiatives to promote healthy behaviors in the community, including a campaign to encourage regular exercise and healthy eating, and providing educational resources to promote mental health and stress reduction. Towards this goal, the department has paid up stipends for 2,964 CHVs and enrolled them on NHIF.
- ❖ **Improved maternal and child health:** The department has implemented programs to improve maternal and child health outcomes, including renovation and full operationalization of the Maternity and New Born Units at the HBCTRH; and completion and operationalization of the Maternity Wing at Ndhiwa Hospital.
- ❖ **Strengthened partnerships:** The department has fostered strong partnerships with international organizations, national government agencies and local CSOs to improve health outcomes and reduce health disparities especially in the area of malaria, HIV and TB control and treatment.

Department of Lands, Housing, Urban Development and Physical Planning

Summary of Achievements

During the FY 2022/23, the department was allocated a total of KSh. **248,726,055** and was able to absorb KSh.**156,924,193** representing a 63.1% absorption.

- ❖ This allocation was directed towards construction of an Ablution Block at the Lands Office; Preparation of an inventory of all public lands and a valuation roll for Homa Bay Municipality; settle pending bills related to the GIS Lab and Symbio City Change Project; and improvement of informal settlements.
- ❖ The department has been able to process land ownership for the affordable housing project in Homa- Bay Municipality, the proposed Tom Mboya TTC in Rusinga Island, the proposed Sports Talent Centre in Ndhiwa, the proposed Cultural Centre in Kagan, the renewable Energy Centre in Marindi and the industrial Park in Riwa-Karachuonyo. The department has also been able to grant charters to additional four municipalities in the county.
- ❖ Under Lands and Physical Planning Programme; the subsector established a functional GIS lab, procured 8 satellite imageries (base maps), surveyed and demarcated 12 markets within the county.
- ❖ Under Housing and Urban Development; 80% works completed on the ABTC centre in Ndhiwa, 5 urban boundaries delineated awaiting approval and 13 slum areas identified for consideration under KISIP II programme (Kenya Informal Settlement Improvement Programme).

Department of Trade, Industry, Tourism, Cooperative Development and Marketing

Performance Overview

- ❖ The department was allocated a total of **KSh. 399,570,415** FY 2022/23, out of which **KSh. 329,889,568** was absorbed resulting in 82.6%. During the year, the department made the following achievements:
- ❖ **Trade, Cooperatives and Entrepreneurship Development Services:** The Department has been able to complete and operationalize Kigoto maize milling plant; purchase and deliver a 9-ton per hour animal feeds processing plant awaiting installation once the factory house is complete.
- ❖ **Co-operatives development Services:** The department has been able to register 9 cooperative societies including 1 Boda Boda Sacco, 5 agricultural cooperatives and 3-trader based SACCOs; completed financial and management audits in 20 cooperative societies; trained 8 cooperative societies on financial management, leadership, marketing and group dynamics; and technically supported 18 cooperative management committee meetings and advise them on cooperative society best practices and governance.

- ❖ Under **NARIG Project**, the department has revival three Cotton societies in Rangwe, Karachuonyo and Homa Bay town; started poultry cooperative societies in all the sub-counties; and sensitized Boda Boda operators to form cooperatives; initiated operationalization of the Homa Bay County Liquor and Licensing Act of 2015 and the Homa bay County Investment Development and Corporation Act of 2020.
- ❖ **Tourism, Industrial and Investment Promotion Services:** The Department has been able to initiate the development of Lake Simbi Nyaima which is currently on the tendering process; successfully organize the Inaugural Roan Antelope Half Marathon at Ruma National Park and completed mapping out of all tourism attraction sites in Homa bay.
- ❖ **Planning and Administrative Services:** The department was able to provide the necessary emoluments to all personnel and facilitate departmental operations throughout the year.

Department of Water, Sanitation, Irrigation, Environment, Energy and Climate Change

In the FY 2022/23, the department was allocated KSh. **302,070,429** to cover for development and current expenditures at KSh. **177,380,940** and KSh. **124,689,489** respectively. During the year, the department managed to absorb at total of KSh. **284,999,170**; which represents an absorption rate of 94.3%.

Some of the achievements during the FY 2022/23 include:

- ❖ Through the environment protection and management services programme, department managed to initiate the process to acquiring land in readiness for the development of a dumpsite, acquired and distributed 15 skips in different designated towns, established 1 green space and supplied 14 public schools with different tree seedlings as part of the strategy to contribute towards the realization forest cover.
- ❖ In addressing climate change impacts through the Financing Locally Led Climate Actions (FLLOCA) programme and counterpart funding from the County, the department managed to establish and operationalize 40 ward climate change governance structures, conducted 1 No. Trainer of Trainees training session, conducted ward level Participatory climate risk assessment sessions that led to the preparation of 40 Participatory Climate Risk Assessment (PCRA) reports and developed a 5 year County Climate Change Action Plan 2023-2027 consultation geared towards.
- ❖ Under Water Supply Services Program, the focus was to increase access to safe and sustainable water from 40% to 60% to the people of Homa Bay County by 2024 by the end implementing prioritized projects, the programme managed to rehabilitate

and expand 2 urban water and 26 rural water infrastructure projects, installed 1000 catchment tanks in 3 public schools and rehabilitated 1 spring.

The Executive Office of the Governor

The department's mandate is to provide coordination, leadership and track results for each devolved entity for purposes of ensuring effective service delivery. In the FY 2022/2023, the entity was allocated a total of KSh. **815,231,646** out of which KSh. **802,489,837** was absorbed resulting in a 98.4% absorption rate. Under the Governance and Executive Coordination Programme, the KSh. **213,819,105** allocated shall be directed towards development of the county's office complex at KSh. **70,000,000**, KSh. **20,000,000** for pending bills for the governor's new office KSh. **10,000,000** installation of a lift and facilitating operations of the Executive Office of Governor. Some of the key achievements include the completion of the construction of the Executive Office of the Governor.

3.0 MACROECONOMIC DEVELOPMENTS AND OUTLOOK

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

3.1 Overview

The 2023 CBROP has been prepared against a background of global economic slowdown reflecting the impact of the ongoing Russia-Ukraine conflict, prevailing COVID-19 containment measures across Europe; higher-than-expected inflation globally caused by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial conditions. As a result, according to the IMF's World Economic Outlook 25th April 2023, Global economic growth slowed to 3.5 percent in 2022 from a growth of 6.3 percent in 2021 as high global inflation, energy and value chain disruptions, and the impact of monetary policy tightening in most world economies weighed on economic activity. The growth is projected to slow down further to 3.0 percent in 2023 and 2024 due to the impact of ongoing monetary policy tightening to address inflationary pressures. Global inflationary pressures have responded to policy tightening but inflation exceeds central bank targets in most countries.

Figure 7: IMF World Economic Outlook

Economy	Growth (%)			
	Actual		Projected	
	2021	2022	2023	2024
World	6.3	3.5	3.0	3.0
Advanced Economies	5.4	2.7	1.5	1.4
<i>Of which: USA</i>	5.9	2.1	1.8	1.0
<i>Euro Area</i>	5.3	3.5	0.9	1.5
Emerging and Developing Economies	6.8	4.0	4.0	4.1
<i>Of which: China</i>	8.4	3.0	5.2	4.5
<i>India</i>	9.1	7.2	6.1	6.3
Sub-Saharan Africa	4.7	3.9	3.5	4.1
<i>Of which: South Africa</i>	4.7	1.9	0.3	1.7
Nigeria	3.6	3.3	3.2	3.0
Kenya*	7.6	4.8	5.5	5.6

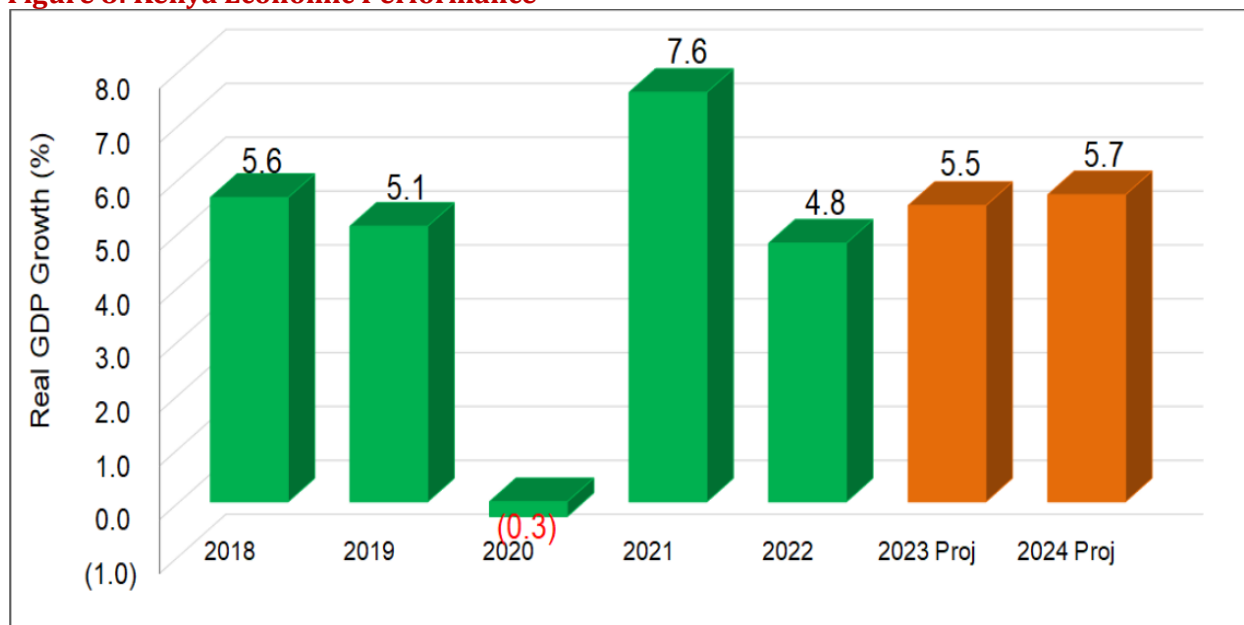
Source: IMF World Economic Outlook, July 2023. *National Treasury Projection

As a result of weaker-than-expected growth in the United States and the Eurozone, advanced economies are the most affected in international trade. Growth in the United States decreased due to much less momentum in private spending, while growth in the Eurozone slowed due to spillovers from the Ukrainian conflict as well as the assumption of tighter financial conditions. expansion in emerging markets and developing economies is expected

to weaken as a result of China's slowing economy and India's moderated economic expansion. In the sub-Saharan Africa region, growth is projected too. The slowdown is a result of domestic price pressures, partly induced by supply disruptions owing to the war in Ukraine reducing food affordability, and real incomes as well as surging fuel prices across the region.

Kenya's economic performance is projected to remain strong and resilient over the medium term. The economy grew by 5.3 percent in the first quarter, indicating a solid rebound in agriculture and a thriving services sector that included finance and insurance, technology and communication, wholesale and retail trade, and transportation and storage. The economy is predicted to grow at a 5.5 percent annual rate in 2023 (5.6 percent in FY 2023/24) and 5.7 percent in 2024 (5.9 percent in FY 2024/25).

Figure 8: Kenya Economic Performance



Source of Data: Kenya National Bureau of Statistics

The growth of the economy will be aided by a solid rebound in agriculture and a resilient services sector, both of which fuel the industrial sector. The appropriate rainfall during the extended rain season in most parts of the country, as well as the expected heavy showers (El Nino) later in 2023, will continue to support agricultural, electrical, and water supply activities. The increased availability of raw materials as a result of agricultural recovery and a drop in global commodity prices will benefit food processing in the manufacturing sector. Additionally, the affordable housing initiative will stimulate development activity. Resilient operations in finance and insurance, information and communication, wholesale and retail trade, and transportation and storage, among others, will assist the services industry. Domestic demand is projected to be supported by lower global commodity prices and supply chain restrictions, as well as healthy private sector investment.

The development spending in the budget will be retained at an average of 5.6 percent of GDP so as not to impact on growth momentum. This will enhance Government investment in the nine priority value chains (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials). Additionally, it will support investments in key projects under the Bottom-Up Economic Transformation Agenda (BETA) including construction of dams, improvement of road networks and ports and laying of additional National Fiber Optic network. Enhanced digitalization is expected to improve efficiency and productivity in the economy. In particular, investment in digital superhighways will result in enhanced connectivity and access to broadband services which will lower the cost of doing business, enhance efficiency and create employment opportunities.

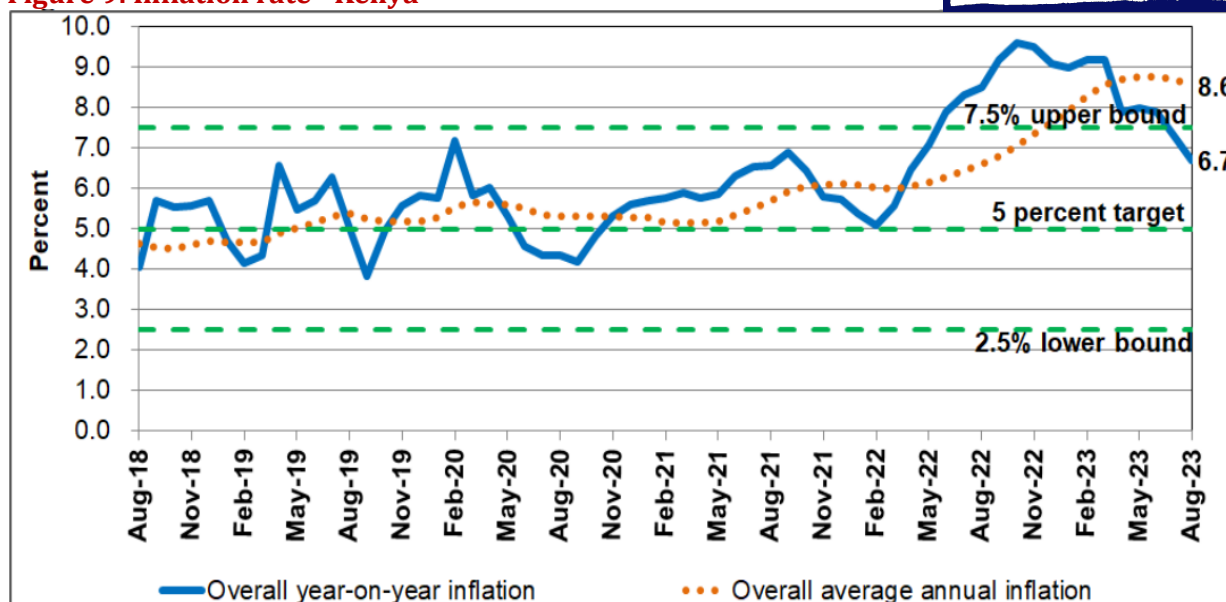
Domestically, Homa Bay County's economic performance has been strong and resilient too and most economic indicators show a rise in the GCP. Just like the National Government, the Agricultural sector has performed well due to both the National Government intervention and the County Intervention in providing subsidized farm inputs to farmers and this growth is expected to continue into the remainder of the year. Rapid Response Initiative Projects done by the GENOWA Government to finalize key pending projects from the last regime such as the Completion of Phase I of Raila Odinga Stadium and the construction of access roads to key public institutions among others have not only ensured citizens receive the timely services but also ease mobility of goods hence boosting trade linking farmers to market. Additionally, partnership and alignment with the NG programme have grown strong with projects such as Affordable housing already started with several modern markets under procurement process, with more such as the EPZ to be initiated soon; projects that would continue to spur growth and development to the local populace.

3.2 Fundamental Economic Developments

3.2.1 Inflation Rate

The year-on-year inflation rate decreased to 6.73 percent in August 2023 above the 7.5 percent upper bound by CBK. The result was a food price decrease from a 13-month low. This decrease was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices. Additionally, the waiver of import duties and levies on white maize and the reduction in value added tax on liquid petroleum gas will further moderate domestic prices.

Figure 9: Inflation rate - Kenya



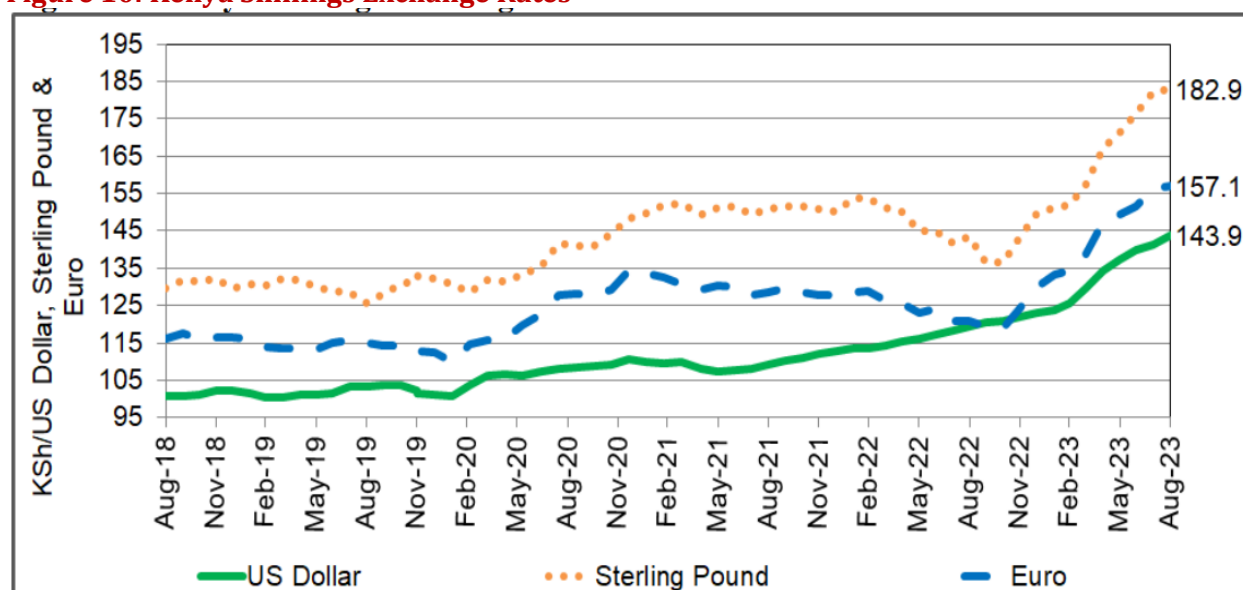
Source of Data: Kenya National Bureau of Statistics

Food inflation remains the main driver of overall year-on-year inflation in September 2022. The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items, particularly maize flour (loose), sugar, maize grain (loose), carrots, white rice, Irish potatoes and onions. Fuel inflation remained generally stable contributing to 1.6 percentage points year-on-year. This was mainly due to the effect of Government measures to stabilize fuel prices and lower electricity tariffs. However, there was a notable increase in the prices of kerosene/paraffin, petrol and diesel in September 2023 compared to September 2022.

3.2.2 Kenya Shilling Exchange Rate

The foreign exchange market has largely remained stable despite the tight global financial conditions and the high demand for the US Dollar in the international market. The Kenya Shilling to the US Dollar is exchanged at KSh. 145 in September 2023 compared to KSh. 123 in September 2022. Over the same period, the Kenyan Shilling weakened against other major international currencies. The Euro exchanged at KSh. 156 in September 2023 compared to KSh. 143 in September 2022 while the Sterling Pound was exchanged at KSh. 182 compared to KSh. 171 over the same period.

Figure 10: Kenya Shillings Exchange Rates



Source of Data: Central Bank of Kenya

In comparison to most Sub-Saharan African currencies, the Kenya Shilling has remained relatively stable. The depreciation rate of the Kenya Shilling was lower than that of the Namibian Dollar, Botswana pula South African Rand and Malawi Kwacha. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports.

3.2.3 Domestic Employment

The peaceful post-election period and relaxation of various containment measures, coupled with the rollout of COVID-19 vaccination had a positive impact on economic activities. This provided an environment that fostered economic recovery and growth in 2023. There was a general decline in unemployment and inactivity levels. The unemployment rate decreased to 4.9% in the fourth quarter of 2022 from 5.3% in the third quarter of 2022 with total employment surpassing the pre-pandemic level. Wage employment in the formal sector recorded a growth surpassing most countries in sub-Saharan Africa. The unemployment rate in Egypt stood at 7% during the same period. This was supported by a partial resumption of international travel, and a broad-based recovery in the manufacturing sector. The number of self-employed and unpaid family workers engaged in the formal sector increased to 18 million as per world bank most of the jobs sustained by the informal sector outside of small-scale agriculture and pastoralist activities. The share of private sector employment was 3.1 million, which was slightly higher than the previous year. The top three industries providing wage employment in the private sector were Manufacturing, Agriculture, Forestry and Fishing and Wholesale and retail trade. The increase was mainly attributed to recruitment in the civil service for essential services. Public administration and defense; compulsory social security registered the highest growth. Other economic activities in the public sector

that realized growth in employment were Human health and social work activities, Education and Transportation and Storage.

3.3 Economic Outlook

3.3.1 National Economic Outlook

Leading indicators of economic activity in the country continued to indicate excellent performance in the first quarter of 2023, supported by strong activity in transportation and storage, wholesale and retail trade, construction, information and communication, and lodging and food services. As a result, despite the downside risks to global GDP, the economy is likely to remain solid, with the services sector continuing to perform well. Growth in FY 2023/24 is predicted to be resilient, averaging 6.2 percent throughout the medium term. This will be underpinned by broad-based private sector growth, particularly agricultural recoveries, while the public sector consolidates. This view will be strengthened by the continuous implementation of the government's strategic initiatives under the "BETA" Agenda and the Vision 2030 Strategy. In addition, the government is putting the third phase of the Economic Stimulus Programs into action, which will target key interventions in agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental protection. The economic growth projections over the medium term are aligned to those of the fourth Medium Term Plan (2023-2027) of the Vision 2030.

3.3.2 County Economic Outlook

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

Infrastructure development plays an important role in driving the economic growth of the county and its people in general and being one of the economic enablers it enhances mobility, access to public amenities, boosts local income levels, safety, and productivity. The county directed efforts towards opening of 250 km of new roads within the county 7 bridges were also constructed across the county.

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

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

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

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

3.4 Fiscal Policy

The County is fueling its obligation under planning, in implementing the County Integrated Development Plan (CIDP 2023-2027) as a 5-year planning framework that forms the basis of project identification, sequencing and allocation of budgets for the effective implementation of desired County projects meant to improve quality of life and service delivery. The fiscal policy objective of the County Government of Homa Bay is focused on unlocking the county's endless potential and GENOWA agenda. The fiscal policy over the medium term will focus on Increasing County resources through enhanced resource mobilization (both internal and external resources).

3.4.1 Revenue Policy

Out of the 23 County Governments that recorded an increase in their OSR over the last financial years, Homa Bay County had the highest growth rate of 128.5%, followed closely by Narok County at 122.5% and then Elgeyo Marakwet at 84.4% respectively. The County shall continue to broaden the tax base in order to grow revenue to finance priority development and strengthen revenue administration capacity through organizational and modernization reforms and automation of revenue collection processes in order to enhance revenue collection. More specifically, the revenue targets for the FY 2023/24 and the medium term will be achieved through: Improving revenue intake by applying readily available data mining and analytic techniques and by billing appropriately and collecting effectively; Making County government physical and digital assets work harder for

taxpayers: sell, rent or lease the assets; and offer premium, value-added services related to the asset for which customers will readily pay.

3.4.2 Expenditure Policy

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

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

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

3.4.3 Deficit Financing Policy

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

3.5 Risks to Economic Outlook

There are downside risks to this macroeconomic outlook emanating from the County level, Nationally and Even Globally. At the County and National front, risks relate to unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural production and result in domestic inflationary pressures and food insecurity. At the Global level, uncertainties in the global economic outlook stemming from the current geopolitical tension could result in higher commodity prices and a slowdown in the global economic recovery which could impact the domestic economy. Weaker global demand could adversely affect Kenya’s exports, foreign direct investments and remittances. Additionally, high international commodity prices pose a risk to global and domestic inflation outcomes which could lead to further tightening of financial conditions. Continued strengthening of the US dollar against other global currencies arising from aggressive monetary policy tightening

presents significant risks to financial flows and puts pressure on the exchange rate with implications for growth and inflation.

Upside risks are mostly linked to the early easing of global financing conditions and lower international fuel and food prices, which would strengthen Kenya's external balances. This will be reinforced by a faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. Optimal coordination between monetary and fiscal policies is expected to result in stable macroeconomic conditions which is a necessary condition for investment and savings thereby promoting economic growth.

4.0 RESOURCE ALLOCATION FRAMEWORK

4.1 Implementation of the FY 2023/24 Budget

Budget implementation during the first two months of the FY 2023/24 has progressed well. Total revenues amounted to

Total revenues for the FY 2023/24 are projected at KSh. **12,125.3** million with Equitable Share of national revenues estimated at KSh. **8,128.4** million; Own Source Revenue at KSh. **2,378.9** million; Conditional Grants at KSh. **1,014.8** million; Equalization Funds at KSh. **131.6** million and Incomes from Other Sources (including balances b/f) at KSh. **420.1** million. Total expenditures are projected at KSh. **12,125.3** million with recurrent expenditures projected at KSh. **7,723.7** million and development expenditures are projected at KSh. **4,401.5** million.

4.2 Fiscal Policy for the FY 2023/24 and the Medium Term

The fiscal policy stance of the County Government of Homa Bay for the financial year 2024/25 and the medium term is aimed at achieving sustainable economic growth, fiscal responsibility, and the overall well-being of county residents. This means not only supporting priority programmes of the County Government as captured in the County Integrated Development Plan 2023-2027 but also pursuing a growth-friendly fiscal consolidation plan designed to implement a more effective liability management strategy, without compromising service delivery to citizens.

4.2.1 Incentivizing Economic Growth

For purposes of fostering economic growth, the County government will allocate a significant proportion of the budget to high-growth-potential sectors such as agriculture, tourism, and fisheries.

- **Agriculture:** The County government will accelerate investment in modern farming techniques, irrigation, and agribusiness to increase agricultural productivity.
- **Tourism:** The County government will promote Homa Bay's rich cultural heritage and natural attractions to attract tourists and create employment opportunities.
- **Fisheries:** The County government will support sustainable fishing practices and value addition to boost the fishing industry.
- **Infrastructure Development:** The County government will accelerate investment in the development and maintenance of roads, energy, and ICT infrastructure to facilitate trade and connectivity within the county.
- **Private Sector Support:** The County government will provide incentives for small and medium-sized enterprises (SMEs), encourage investment, and streamline the business registration process.

4.2.2 Upholding Fiscal Responsibility

For purposes of reinforcing fiscal discipline and ensuring fiscal sustainability, the County government will ensure all county expenditures are aligned with revenue projections. This will mean strict monitoring and evaluation mechanisms will be in place to prevent overspending. Again, effort will be focused on debt reduction, optimizing debt servicing costs, and prioritizing investments that generate revenue and employment.

4.2.3 Enhancing Revenue Mobilization

For purposes of growing the county resource envelope, the County government will review and update its revenue policies, exploring options for broadening the tax base while keeping the tax environment business-friendly. The County government will actively seek partnerships with the private sector to develop and finance some infrastructure projects, reducing the burden on the county's finances. The County government will also proactively seek grants from government agencies, development partners, and philanthropic organizations to fund specific development projects and programs.

4.2.4 Improving Risk Management

For purposes of preparing for unforeseen events and unplanned expenditure of emergency nature, the County government will have a reserve fund of KSh. **50** million to mitigate the impact of unforeseen economic challenges or disasters, ensuring continuity in service delivery. The plan will undergo regular review and adaptation to respond to changing economic conditions and policy environments.

Homa Bay County's fiscal consolidation plan is designed to strike a balance between promoting economic growth and maintaining fiscal responsibility. We are committed to transparent and accountable governance, and we believe that by implementing these strategies, our county will thrive, providing a better quality of life for our residents.

4.3 FY 2024/25 Fiscal Projections

In the FY 2024/25, the county's total revenue including Appropriation-in-Aid (A-i-A) is projected at KSh. **12,665.3** million. Of this, Equitable Share of national revenues is estimated at KSh. **8,534.8** million; Own Source Revenue is estimated at KSh. **2,491.1** million; Conditional Grants are estimated at KSh. **1,095.6** million; Equalization Funds are estimated at KSh. **143.4** million and Incomes from Other Sources (including funds mobilized through PPP) is estimated at KSh. **400** million. This revenue performance will be underpinned by the on-going reforms in policy and revenue administration.

The overall expenditure and net lending are projected at KSh. **12,665.3** million, comprising: recurrent expenditure of at KSh. **8,022.1** million; and development expenditure of at KSh. **4,663.2** million. Over the medium term, the County Government's total revenue including A-in-A is projected to grow by at least eight (8) percent annually, until Own Source Revenue is at least 2 percent of the Gross County Product. Total expenditure is projected at 100 percent

of the Total County Revenue (TCR) in the FY 2024/25. Of the total expenditures, recurrent expenditure is projected at 65 percent of TCR in the FY 2024/25; 66 percent of TCR in the FY 2025/26 and 67 percent of TCR in the FY 2026/27.

4.4 FY 2024/25 and Medium-Term Budget Framework

The FY 2024/25 and the Medium-Term Framework will focus on the implementation of the GENOWA Agenda as prioritized in the CIDP 2023-2027. The agenda is geared towards good governance and service delivery excellence: enhanced food security and development of agri-food value chains; nurturing environments for children and other disadvantaged groups; optimum development of the blue, creative, digital and enterprise economies; world-class infrastructure and tooling for enhanced economic competitiveness; and access to quality and affordable healthcare services. To achieve these objectives, the County Government will implement strategic interventions under the following key enablers: Infrastructure; Manufacturing; Blue Economy; the Services Economy, Environment and Climate Change; Education and Training; Women Agenda; Youth Empowerment and Development Agenda; Social Protection; Sports, Culture and Arts; and Governance.

The fiscal framework for achieving these objectives is as captured in the table 4.1 below:

Table 4.1: Summary of the FY 2024/25 Medium-Term Budget Framework

Revenue/ Expenditure Category	Revised Estimates FY 2023/24	Projected Estimates FY 2024/25	Projected Estimates FY 2025/26	Projected Estimates FY 2026/27
Total Revenue	12,125,325,230	12,665,305,097	13,450,339,522	14,278,165,409
Equitable Share	8,128,387,250	8,534,806,613	8,876,198,878	9,231,246,833
Conditional Grants	1,066,272,554	1,095,954,358	1,128,832,989	1,173,986,308
Own Source Revenue	2,378,948,918	2,491,096,525	2,690,384,247	2,905,614,987
Share of Equalization Funds	131,603,304	143,447,601	154,923,409	167,317,282
Other Sources (including PPP arrangements)	-	400,000,000	600,000,000	800,000,000
Total Expenditure	12,125,325,230	12,665,305,097	13,450,339,522	14,278,165,409
Recurrent Expenditure	7,723,762,386	8,022,084,276	8,608,217,294	8,995,244,208
Personnel Emoluments	5,315,608,780	5,714,367,591	5,914,370,457	6,091,801,570
Operations and Maintenance	2,408,153,606	2,307,716,685	2,693,846,838	2,903,442,638
Development Expenditure	4,401,562,844	4,633,299,254	4,842,122,228	5,282,921,202

Source: County Treasury, 2023

4.4.1 Equitable Share

Equitable share is the portion of a country's total government revenue that is allocated to counties, in a fair and just manner. It enables the county to have access to the necessary funds to provide essential public services and promote balanced development across the entire country. According to the County Allocation of Revenue Act of 2023, the County Government of Homa Bay expects to receive KSh. **8,128.4** million in equitable share out of the KSh. **385** billion allocated to county governments in the FY 2023/24. This amount is projected to increase to KSh. **8,534.8** million in FY 2024/25, KSh. **8,876.2** million in FY 2025/26 and KSh. **9,231.3** million in FY 2026/27. Overall, the County Government projects a growth rate of about 4 percent per annum over the medium term.

4.4.2 Conditional Grants

Conditional grants are financial resources provided by the national government and/or other development partners for specific purposes or projects. They are typically accompanied by conditions or requirements that must be met before the funds can be disbursed or used. These conditions can include meeting certain performance targets, implementing certain policies or reforms, or complying with specific regulations. According to the County Additional Allocations Bill of 2023, the County Government of Homa Bay expects to receive KSh. **1,014.7** million in conditional grants in the FY 2023/2024. This amount is projected to increase to KSh. **1,095.9** million in FY 2024/25, KSh. **1,128.8** million in FY 2025/26 and KSh. **1,174.0** million in FY 2026/27. Overall, the County Government projects a growth rate of just about 3 percent per annum over the medium term.

4.4.3 Own Source Revenue

The county's own-source revenue (OSR) refers to the income generated by the county government from the various sources within its jurisdiction as dictated by acts of parliament. This revenue is collected and managed by the county and it is distinct from funds received from the national government or other external sources. According to the County Additional Allocations Bill of 2023, the County Government of Homa Bay expects to collect KSh. **2,378.9** million in OSR in the FY 2023/2024. This amount is projected to increase to KSh. **2,491.1** million in FY 2024/25, KSh. **2,491.4** million in FY 2025/26 and KSh. **2,905.4** million in FY 2026/27. Overall, the County Government projects a growth rate of over 8 percent per annum over the medium term.

4.5 Resource Allocation Criteria

Allocating budget resources among county spending entities often requires a thoughtful and transparent process to ensure that funds are distributed efficiently and effectively to meet the needs and priorities of the county. The allocation criteria usually reflect the county's strategic objectives, development goals, and the principles of fairness and equity. Here are

some key criteria county structures shall consider when allocating budget resources among county spending entities:

- **Needs Assessment:** The County government will conduct a comprehensive needs assessment to identify the most pressing needs and priorities of the county. This assessment will consider factors such as assets and deficits in each unit and their implication on the county's development agenda.
- **Strategic Objectives:** The County government will align budget allocations with the county's strategic objectives and long-term development plans and ensure resources are allocated only for activities that contribute to the achievement of these goals.
- **Equity and Fairness:** The County government will prioritize equity in resource allocation to address internal disparities and promote fairness. Factors like the economic conditions of different areas within the county will be taken into consideration to ensure that underserved areas receive their fair share of resources.
- **Service Delivery:** The County government will assess the capacity and performance of each spending entity in delivering essential services. That way, entities that have a track record of efficient service delivery and the ability to use funds effectively will receive more resources.
- **Cost of Service Delivery:** The County government will evaluate the cost of delivering services in different sectors and locations. Some services, such as healthcare and education will be funded at a level that reflect their cost differences.
- **Revenue Generation:** The County government will consider the revenue generation capacity of each spending entity. Entities that can generate more revenue may require less funding from the county budget but their fiscal effort will be incentivized.
- **Infrastructure and Capital Projects:** The County government will allocate resources for critical infrastructure projects and capital investments that have a long-term impact on the county's development and economic growth. Hosts of such projects will definitely receive greater budgetary allocations.
- **Emergency Preparedness:** The County government will set aside a portion of the budget for emergency funds to address unforeseen events or crises, ensuring that the county can respond effectively to emergencies.
- **Public Participation:** The County government will involve the public in the budget allocation process through consultations, town hall meetings, and feedback mechanisms. Through such processes, some entities will receive greater budgetary allocation due to popular demands.
- **Legal and Regulatory Requirements:** The County government will ensure compliance with legal and regulatory requirements for budget allocation, including any mandated allocations to specific sectors or programs.

Overall, the County's policy of expenditure prioritization will be aimed at achieving the GENOWA agenda. In allocating resources among the competing budgetary users, the following factors will be given prominence:

- i. Linkage of programmes with the priority pillars of the GENOWA Agenda
- ii. Linkage of the programme with the priorities captured in the County Integrated Development Plan 2023-2027
- iii. Linkage of programmes that support mitigation and adaptation of climate change;
- iv. Completion of ongoing projects, viable stalled projects and payment of verified pending bills;
- v. Degree to which a programme addresses challenges of job creation and poverty reduction in the county;
- vi. Degree to which a programme addresses the core mandate of the spending entity in question
- vii. Cost effectiveness, efficiency and sustainability of the programme; and
- viii. Requirements for furtherance and implementation of the Constitution.

4.5 Expenditure Allocation by Spending Entity

The different departments, boards and corporations of the County Government of Homa will be allocated funds to fulfill their mandates, meet specific objectives and address the needs of Homa Bay County. The allocation process involved meticulous analysis and thoughtful consideration of various factors, including economic priorities, social welfare, infrastructure development, and public service delivery. Ultimately, the allocative choices have reflected the county government's policy direction, vision for development, and commitment to equitable resource distribution.

For the FY 2024/25, the indicative ceilings by entity are as follows in table 4.2:

Table 4.2: Expenditure Allocation by Spending Entity

Vote Number	Name of Spending Entity	RECURRENT		DEVELOPMENT	
		Approved Estimates FY 2023/2024	Draft Estimates FY 2024/2025	Approved Estimates FY 2023/2024	Draft Estimates FY 2024/2025
5120	Department of Finance and Economic Planning	695,412,358	758,556,272	49,232,066	51,693,669
5122	County Public Service Board	92,033,555	94,176,562	4,000,000	4,200,000
5123	County Assembly Service Board	1,053,468,687	1,085,072,747	122,283,800	128,397,990
5124	Homa Bay Municipal Board	28,808,993	29,673,263	19,250,000	25,712,509
5125	Office the Deputy Governor and Department of	218,133,168	224,677,163	473,466,625	497,139,959

	Agriculture and Livestock				
5126	Department of Gender Equality and Inclusivity, Youth, Sports, Talent Development, Cultural Heritage and Social Services	152,824,776	157,409,519	76,474,966	78,769,215
5127	Department of Roads, Public Works, Transport and Infrastructure	163,377,863	168,279,199	955,031,538	1,002,783,115
5128	Department of Blue Economy, Fisheries, Mining and Digital Economy	96,286,892	98,969,499	103,950,000	109,147,500
5129	Department of Education, Human Capital Development and Vocational Training	1,218,293,589	1,254,842,397	263,590,000	271,497,700
5130	Department of Public Health and Medical Services	2,531,816,248	2,721,573,976	604,902,012	688,559,483
5131	Department of Lands, Physical Planning, Housing and Urban Development	53,085,062	54,893,141	261,858,615	284,535,304
5132	Department of Trade, Industry, Tourism, Cooperative Development and Marketing	166,447,292	171,440,103	388,815,570	397,256,349
5133	Department of Water, Sanitation, Irrigation, Environment, Energy and Climate Change	274,482,343	291,632,585	470,482,343	494,006,461
5134	Department of Governance, Administration, Communication and Devolution	373,033,698	384,224,709	32,000,000	33,600,000
5135	Executive Office of the Governor	463,898,971	477,215,941	100,000,000	106,000,000
5136	Kendu Bay Municipal Board	10,060,000	12,361,800	10,000,000	15,000,000
5137	Mbita Municipal Board	10,060,000	12,361,800	10,000,000	15,000,000
5138	Ndhiwa Municipal Board	10,060,000	12,361,800	10,891,972	15,000,000
5139	Oyugis Municipal Board	10,060,000	12,361,800	10,000,000	15,000,000
-----	Other Sources (including PPP arrangements)	--	--	--	400,000,000

EXPENDITURE BY ECONOMIC CLASSIFICATION	7,621,643,495	8,022,084,276	3,966,223,507	4,055,239,234
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4.6 Public Participation and Stakeholder Involvement in Budget Making

As required by the PFM Act 2012, involving the public and stakeholders in the budget-making process for the fiscal year 2024/25 will be essential for promoting transparency, accountability, and ensuring that the budget reflects the needs and priorities of the county's residents. Consequently, the County Government of Homa Bay will involve citizens at all stages, including:

- a) **Pre-Budget Preparation and Planning:** The County Government of Homa Bay has developed and communicated a clear budget calendar that outlines key dates and milestones in the budget-making process, including deadlines for public input. Already the County Government of Homa Bay has created a comprehensive list of stakeholders, including community groups, civil society organizations, business associations, and government agencies, that should be involved in the process.
- b) **Public Awareness Campaign:** The County Government of Homa Bay will use local media outlets, social media, and county websites to inform the public about the upcoming budget-making process and the importance of their involvement. It will also organize public meetings, town hall sessions, and awareness campaigns in different sub-counties and wards to educate residents about the budget process and the role they can play.
- c) **Consultation and Participation:** The County Government of Homa Bay will hold community-level consultations where residents can express their priorities, concerns, and suggestions regarding budget allocation. These meetings can be facilitated by county officials and attended by local leaders. It will also conduct workshops and focus group discussions with key stakeholders, including representatives from civil society, business associations, and vulnerable groups, to gather input on specific budgetary issues.
- d) **Online Platforms:** The County Government of Homa Bay will create online surveys and platforms where residents and stakeholders can submit their budget-related suggestions and feedback. It will also establish dedicated email addresses and social media channels for budget-related inquiries and feedback.
- e) **Budget Review and Input Gathering:** The County Government of Homa Bay will ensure that budget documents and information are easily accessible to the public, including plain-language summaries of key budget components. The County government will also organize public hearings or sessions where residents and stakeholders can present their proposals directly to the county assembly or budget committee.
- f) **Analysis and Integration:** The County Government of Homa Bay will analyze the input received from the public and stakeholders to identify common themes, concerns, and

priorities. Thereafter, it will integrate feasible and relevant proposals from the public and stakeholders into the budget, ensuring that the budget aligns with community needs and priorities.

g) **Feedback Mechanisms:** The County Government of Homa Bay will provide timely and clear feedback to the public and stakeholders on how their input has been considered and incorporated into the budget. It will encourage ongoing public and stakeholder engagement in monitoring and evaluating budget implementation to ensure that allocated funds are used as intended. It will also publish regular budget performance reports that are easily accessible to the public and stakeholders.

5.0 CONCLUSION AND NEXT STEPS

The County Government of Homa Bay, under the leadership of H.E. Governor, Gladys Wanga and H.E. the Deputy Governor, Hon. Joseph Magwanga remain committed to unlocking the “Endless Potential” of the Homa Bay to transform it into the best county to live, work, and invest. The realization of this vision is anchored on the collective efforts and responsibilities of all stakeholders, hence contributing to the general improvement in socio-economic well-being and livelihood for over 1.2 million residents of Homa Bay County. All the sectors of the county are charged with responsibilities of transforming lives by implementing various projects/programmes while also ensuring environmental sustainability. The Executive Office of the Governor, has initiated a number of flagship projects aimed at inspiring economic growth through investment attraction, employment creation, and income generation; thus, improving the county’s gross domestic product. More importantly, the CGHB and the entire leadership is committed to quality service delivery to the people of Homa Bay county through promotion of equitable resource distribution, public participation, integrity, accountability, transparency, and dignified public service among other core values.

To fulfill the aspirations of the people of Homa Bay County for accelerated and inclusive development, the CGHB is continuously taking stock of its development agendas, by reviewing budget performance for the FY 2022/24 and quarter one of the FY 2023/24. In particular, the 2023 CBROP has reviewed how the county has performed in the previous financial year (FY 2022/23) by evaluating the achievements against the targeted outcomes for the period. As reported, the county has performed exemplarily and outperformed the set targets in most areas, including OSR collection. Despite these countless achievements, the implementation of the planned projects was affected by some challenges, key among them being inadequate financial resources, lean workforce, and unpredictable economic fluctuations, unfavorable climatic conditions, and delays in disbursement of funds from various sources. Adequate measures are being enforced to mitigate against such challenges in the FY 2023/24. Among them include increased workforce, strengthening the relationship/partnership with the National Government and development partners, conditional and regulatory compliances, budgetary allocation, early preparedness for climatic changes like El Nino, and proper planning.

To finance county operations and development agendas as projected in the MTEF and MTP, all the departments are expected to significantly contribute to the OSR by meeting their targets over the period FY 2023/24 - FY 2025/26. This will be key in complying with the fiscal responsibilities and principles as outlined in the PFM Act, 2012. Besides, the cashless revenue management system will continue to play a significant role in ensuring prudence, accountability, and efficiency in the realization of our OSR targets.

Whereas this CBROP provides provisional ceilings, the indicative ceilings and priorities for the FY 2024/25 will be documented in County Fiscal Strategy Paper, which shall be finalized by February 2024 as guided by the PFM Act, 2012.