

COUNTY GOVERNMENT OF KISUMU



COUNTY ASSEMBLY OF KISUMU

THE HANSARD

Official Report

SECOND ASSEMBLY – FIFTH SESSION

Wednesday, 03rd March, 2021

House met in the Main Chamber at 09:00 a.m.

(The Speaker (Hon. Elisha Jack Oraro) in the Chair)

PRAYERS

The Speaker (Hon. Oraro): Good morning Hon. Members and welcome to this morning session of today Wednesday, 03rd March, 2021. Clerk, kindly take us through the order of the day.

The Speaker (Hon. Oraro): Next order!!

COMMUNICATION FROM THE CHAIR

The Speaker (Hon. Oraro): Hon. Members, I have two communications to make. One, there will be the Unveiling of Katito Town today at 10:00 a.m. by the Governor, Kisumu County. Therefore, we would like to conclude the business of this morning early enough to enable those Members who may wish to attend.

Second. I have received invitation from the Governor of Kisumu County Professor Peter Anyang' Nyong'o who is pleased to invite Hon. Members to the MARWA Solidarity Health Scheme Launch that will be held on Monday, 08th March, 2021 as from 10:00 a.m. at the Siala Resort. He is saying that, your presence will be of great honour. I believe that the programme will be shared in various social media forums.

The Speaker (Hon. Oraro): Next order!!

MOTION.

SELECT COMMITTEE OF BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON
THE KISUMU COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP) FOR
FISCAL YEAR 2019/2020.

BY

HON. STEVE OWITI.

CHAIRPERSON, COUNTY BUDGET AND APPROPRIATIONS COMMITTEE.

The Speaker (Hon. Oraro): Hon. Owiti.

The Speaker (Hon. Oraro): Yes what is it Hon. Khan?

The Speaker (Hon. Oraro): Serjeant-at-Arms, please assist Hon. Khan.

Hon. Khan: Thank you Mr. Speaker. I rise to request that I present this Report on the Kisumu County Budget Review and Outlook Paper FY 2019/2020 on behalf of the Chairperson, Hon. Steve Owiti because he is not feeling well.

The Speaker (Hon. Oraro): Hon. Khan, did he give you the mandate?

Hon. Khan: Yes Mr. Speaker.

The Speaker (Hon. Oraro): Please the floor is yours.

Hon. Khan: Thank you Mr. Speaker.

Mr. Speaker Sir and Hon. Members, the CEC for Finance and Economic Planning forwarded to the Assembly the Kisumu County Budget and Review Outlook Paper FY 2019/2020 pursuant to the provisions of section 118 of the Public Finance and Management Act, 2012. The Kisumu County Budget and Review Outlook Paper FY 2019/2020 was laid before the House on 11th November, 2020 by Hon. Kenneth Onyango, the majority leader of the assembly. The Speaker committed the document to the Select Committee of Budget and Appropriation to interrogate it, conduct public participation and table a report on the same before the House.

This CBROP focuses on the actual fiscal performance for the year ending 30th June 2020 in comparison with the approved budget estimate of FY 2019/2020. It further reflects the budget performance (actual budget utilization/implementation) visa-a-vies the targets set therein.

Mr. Speaker Sir and Hon Members, a critical analysis of the actual fiscal performance and the budget estimates provide information for projection of the subsequent financial years i.e.

2021/2022. This reveals the ability of the County in terms of budgetary absorption and revenue realization.

This therefore a critical document in the budget cycle of a County as it reveals a County Trajectory towards service delivery to its citizenry.

During this period under review, the Counties actual fiscal performance reveals that;

S/NO	ITEM	FY 2019/2020 A Budget Estimate (Kshs.)	FY 2019/2020 B Actual disbursement (Kshs.)	B-A Difference (Kshs.)	Funding level %
a)	Total Share of National Revenue	10,687,479,464	9,422,125,244	(1,265,354,220)	88.1%
b)	Gross Locally Collected Revenue	1,438,478,604	804,387,972	(634,090,632)	(55.9%)
	TOTAL REVENUE	12,125,958,068	10,226,513,216	1,899,444,852	84
	EXPENDITURE				Absorption rate
c)	RECURRENT	8,129,207,638.00	6,827,139,101.00	1,302,068,537.00	83.9
d)	DEVELOPMENT	4,086,750,730.00	2,226,237,562.00	1,860,513,168.00	54.4
	Total Expenditure	12,215,958,368.00	9,053,376,663.00	3,162,581,705.00	74.1

Objects of the Budget and Review Outlook Paper

The Budget Review and Outlook Paper (BROP) is a backward and forward looking paper. It comprises two key elements:

- a) Reviewing the actual/budget performance for the FY 2019/2020.
- b) Outlook for the coming FY 2020/2021.

Each of the above key elements should be accompanied by adequate justifications or explanations on indicative performances with regards to Revenue Performance and justifiable and realistic Projections that are achievable, Expenditure (Absorption rates), Debt Management. We consider the adequacy of the explanations and we should develop the concept further in a forthcoming analysis of the KCBORP.

REVENUE PERFORMANCE

The CBROP provides performance details for the three main sources of revenue:

- a) Equitable Share release from the National Government.
- b) Own Source Revenue – funds that are mainly generated from taxes and fees within the County.
- c) Conditional Grants and Donations from Development partners and international agencies (World Bank, KUSP, ASDSP, KCSAP)

Significance of the CBROP (County Budget Review and Outlook Paper).

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

Composition, Mandate and Functions of the Select Committee of Budget and Appropriations

a) The Committee Composition

The County Budget and Appropriations Committee as currently constituted comprise of the following Hon. Members;

- | | | |
|--------------------------|---|------------------|
| 1. Hon. Steve Owiti | - | Chairperson |
| 2. Hon. Aslam Khan | - | Vice Chairperson |
| 3. Hon. Kenneth Onyango | - | Member |
| 4. Hon. Joachim Oketch | - | Member |
| 5. Hon. Benny Pete Oiko | - | Member |
| 6. Hon. Jacktone Ojwang' | - | Member |
| 7. Hon. Beatrice Odongo | - | Member |
| 8. Hon. Seth Okumu | - | Member |
| 9. Hon. Nancy Owiti | - | Member |
| 10. Hon. Vincent Jagongo | - | Member |
| 11. Hon. Paul Okiri | - | Member |

12. Hon. Seth Kanga	–	Member
13. Hon. Joseph Olale	-	Member
14. Hon. Maurine Otiang'	-	Member
15. Hon. Johnson Guya	-	Member

Secretariat

1. Peter Anditi	-	Senior Clerk Assistant
2. Isaac Omollo	-	Committee Clerk
3. Zablon Otiende	-	Hansard
4. William Ogada	-	Serjeant-at-Arms

Functions and Mandate of the Committee

Pursuant to the Provisions of the Standing Order 189 (2) the functions of the Committee are to-

1. Investigate, inquire into and report on all matters related to coordination, control and monitoring of the of the county budget;
2. Discuss and review the estimates and make recommendations to the county assembly;
3. Examine the county fiscal strategy paper presented to the county assembly;
4. Examine bills related to the county budget, including appropriations bills; and
5. Evaluate tax estimates, economic and budgetary policies and programs with direct budget outlays.

The County Budget and Appropriations Committee constituted by the County Assembly immediately following the general election shall serve for a period of three calendar years and that constituted thereafter shall serve for the remainder of the County Assembly term.

Acknowledgment

The Committee would like to take this opportunity to applaud the Office of the Speaker and that of the Clerk for the invaluable support accorded to us by providing conducive atmosphere and slotting adequate time to ensure that the Committee executes its mandate and that this document is analyzed and presented to the House on time.

Further, the Committee would wish to convey its gratitude to the Members of the Committee who took time out of their busy schedule to honor committee sitting to offer valuable input on this report.

Finally, the Technical staff who worked tirelessly to ensure that logistics were put in place and final report is reduced. We congratulate you all!

The Committee during its Committee sittings adhered to the WHO COVID-19 Containment Measures.

Mr. Speaker Sir and Hon. Members, it is therefore my privilege, on behalf of the County Budget and Appropriations Committee to table the reports on the Kisumu County Budget and Review Outlook Paper for FY 2019/2020 and subsequently implore this House to adopt the recommendations therein.

COMMITTEE MEETINGS

The Committee held seven special meetings during the recess period to analyze the document and be able to generate this report.

The Committee while interrogating the Kisumu County Budget and Review Outlook Paper FY 2019/2020 was guided by the following TORs:

1. Revenue Performances for the year under review 2019/2020;
2. Expenditure Performances (Absorption Rate of MDAs) for the year under review;
3. Justification of Revenue and Expenditure Performance;
4. Debt Management and Deficits;
5. Updates to the Fiscal Expectations and implications for Budget Performance in the current year 2020/2021 and upcoming year 2021/2022;
6. Comparative analysis of sector ceilings in the County Fiscal Strategy Paper (CFSP) 2020/2021 against the Projections for the Estimates for FY 2021/2022.
7. Highlight key findings and make recommendations to the House on the above thematic areas;

COMMITTEE OBSERVATIONS, FINDINGS AND RECOMMENDATIONS ON THE CBROP 2019/2020

COMPLIANCE TO LEGAL FRAMEWORKS.

Mr. Speaker and Hon. Members, the House Committee in interrogating the Kisumu County Budget and Review Outlook Paper based on the provisions of section 118 of the Public Finance and Management Act, 2012 which stipulates the following;

(1) A County Treasury shall—

(a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and

(b) Submit the paper to the County Executive Committee by the 30th September of that year.

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

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

- (b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
- (c) Information on—
- (i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or
- (ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and
- (d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- (3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
- (4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall
- (a) Arrange for the Paper to be laid before the County Assembly; and
- (b) As soon as practicable after having done so, publish and publicize the Paper.

Compliance Matrix

No.	Compliance to Relevant Clauses of Section 118 of the PFM Act, 2012	Remarks (Compliant(<input type="checkbox"/>)/Non-compliance (<input checked="" type="checkbox"/>))
1.	(1). (a) Prepare ‘a County Budget Review and Outlook Paper in respect of the county for each financial year	<input checked="" type="checkbox"/>
2.	(1). (b) Submit the paper to the County Executive Committee by the 30 th September of that year.	<input checked="" type="checkbox"/>
3.	(2). (a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;	<input checked="" type="checkbox"/>
4.	(2). (b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent.	<input type="checkbox"/>
5.	(2). (c) Information on— (i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or	<input type="checkbox"/>

6.	2. (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	<input type="checkbox"/>
7.	(2). (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.	<input type="checkbox"/>
8.	(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.	<input type="checkbox"/>
9.	(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;	x
10.	(4) (b) As soon as practicable after having done so, publish and publicize the Paper.	<input type="checkbox"/>

Committee Finding/Observations

1. The CEC Finance and Economic Planning has continuously failed/ignored or refused to adhere with sections 118 of the PFM Act, 2012.
2. The CEC Finance and Economic Planning failed/ignored or refused to submit the CBROP to the Assembly on due date of 30th, September 2020 as provided by the provisions of the law.
3. In the absence of a comprehensive County MTEF it is difficult to have a holistic analysis of the actual budgetary performance for the previous years cumulatively.

Committee Recommendations

1. The CEC Finance and Economic Planning to adhere with the provisions of sections 118 of the PFM Act, 2012.

2. The CEC Finance and Economic Planning to undertake an MTEF of the County and present to the County Assembly to analyze the Economic performance for the last 3 years

REVIEW OF COUNTY REVENUE PERFORMANCE IN 2019/2020.

Actual Revenue Received by the County

During the year 2019/2020 the County received Kshs. 9,422,125,244 as disbursements from National treasury consisting of equitable share of revenue of Kshs. 6,248,469,600, conditional grants of Kshs. 1,295,703,368, opening balance arising from FY 2019/2020 Budget Kshs. 1,524,076,529 and Transfers from other government entities amounting to Kshs. 194,055,749.

To address the COVID 19 Pandemic, the National Treasury disbursed an additional Kshs. 159,820,000 to the County.

Revenue generated from local sources was Kshs. 804,387,971 against a target of Kshs.1,438,478,604 This resulted in a negative variance of Kshs.634,090,632 (44% of the annual local revenue target).

The actual locally collected revenue reduced as compared to the FY 2018/2019 due to the great effects of the COVID 19 coupled with other reasons as indicated in the subsequent sections in this document.

Revenue Outturn

National Revenue

Table 1.A

ITEM	A Budget Estimate (Kshs.)	B Actual disbursement (Kshs.)	B-A Difference (Kshs.)	Funding level %
Opening Balance to CRF A/C	1,524,076,529	1,524,076,529	-	100
Equitable Share	6,836,400,000	6,248,469,600	(587,930,400)	91.4
DANIDA	20,625,000	28,325,000	7,700,000	137.33
KDSP(World Bank)	30,000,000	30,000,000	-	100
Level 5 conditional Grant (reducing)	369,017,341	369,017,341	-	100
Conditional allocation-development of youth polytechnics	41,673,298	41,673,298	-	100

World bank grant –for transforming health systems	35,000,000	35,082,318	82,318	100.2
User fee forgone	21,299,489	21,299,489	-	100
EU Grant for instrument for devolution advice and support-IDEAS	90,000,000	0	(90,000,000)	0
UHC	274,576,632	0	(274,576,632)	0
UHC Arrears	183,051,088	91,525,545	(91,525,543)	50
Kenya Urban Support Projects KUSP-Urban Development Grant	773,573,000	553,289,634	(220,283,366)	61.3
Kenya Urban Support Projects KUSP-Urban Institutional Grants	8,800,000	8,800,000	-	100
Agriculture sector support project –ASDSP	17,029,227	11,264,613	(5,764,614)	66.1
Kenya Climate Smart Agriculture Project –KCSAP	118,482,110	105,426,127	(13,055,983)	79
Conditional allocations for road maintenance fuel levy Fund	194,055,750	194,055,750	-	100
EU Water Tower protection and Climate Change Mitigation and Adaptation Programme	80,000,000	0	(80,000,000)	0
COVID 19 Fund	159,820,000	159,820,000	-	100
Total Share of National Revenue	10,687,479,464	9,422,125,244	(1,265,354,220)	88.1%

Committee Finding on National Revenue Outturn

That;

1. The County received less actual revenue disbursement from the National Share from the following sources as indicated in the table.

S/NO	ITEM	UNDISBURSED REVENUE
1.	Equitable Share	(587,930,400)
2.	EU Grant for instrument for devolution advice and support-IDEAS	(90,000,000)
3.	UHC	(274,576,632)
4.	UHC Arrears	(91,525,543)
5.	Kenya Urban Support Projects KUSP-Urban Development Grant	(220,283,366)
6.	Agriculture sector support project –ASDSP	(5,764,614)
7.	Kenya Climate Smart Agriculture Project – KCSAP	(13,055,983)
8.	EU Water Tower protection and Climate Change Mitigation and Adaptation Programme	(80,000,000)
9.	Total Share of National Revenue Undisbursed	-1,363,136,538

2. The County received more funding than the budgeted estimates from the National Share from the following sources as indicated in the table;

	ITEM	Extra funding above the budgeted estimates
1.	DANIDA	7,700,000
2.	World bank grant –for transforming health systems	82,318
	TOTAL	7,782,318

Committee Recommendations

1. The CEC Finance and Economic Planning to give explanation to the County Assembly on why a total of Kshs. 1,363,136,538 (12.8% of the total budget estimates) from various sources as outlined were not received by the County from the National Government.
2. The CEC Finance and Economic Planning to give explanation to the County Assembly on why an extra funding above the budgeted estimates totaling to Kshs. 7,782,318 from various sources as outlined were received by the County from the National Government.

County Own Source Revenue

LOCALLY COLLECTED REVENUE	A Budget Estimate (Kshs)	B Actual Revenue (Kshs.)	C Deviation (Kshs.) (B-A)	Deviation % (C/A)
Main Revenue Streams				
Market Fees	118,436,119	56,466,970	(61,969,149)	(52.32)
Parking Fees/Monthly Sticker/Clamping Fee/Buss Park/BodaBoda	305,464,954	166,551,027	(138,913,927)	(45.48)
Rents	43,572,630	19,350,062	(24,222,568)	(55.59)
Trade license fees	140,000,000	122,243,700	(17,756,300)	(12.68)
Proper Income-Land Rates/Building Plans	238,280,539	142,399,103	(95,881,436)	(40.24)
Sign board promotion etc.	82,000,000	48,927,654	(33,072,346)	(40.33)
Other-Cess	55,104,362	6,373,725	(48,730,637)	(88.43)
Public Health and others	3,000,000	3,811,290	811,290	27.04
Sub-total	985,858,604	566,123,531	(419,735,073)	(42.58)
Revenue from other sources				
Health	320,000,000	154,501,933	(165,498,067)	(51.72)
Education, sports and social services/ Liquor license	38,000,000	10,516,800	(27,483,200)	(72.32)
Land, Housing and Physical planning/public works	3,000,000	6,242,659	3,242,659	108.09
Environment	2,000,000	1,939,073	(60,927)	(3.05)
Other Miscellaneous Receipts	89,620,000	65,063,976	(24,556,024)	(27.40)
Sub-total	452,620,000	238,264,441	(214,355,559)	(47.36)
Gross Locally Collected Revenue	1,438,478,604	804,387,972	(634,090,632)	(44.08)

Committee Finding on County Own Source Revenue

That;

1. The County actual own source revenue collection from Public Health and Others and Land, Housing and Physical Planning and Public Works were above the budgeted estimates with extra funding of KSHS. 811,290 and KSHS. 3,242,659 respectively.
2. The County Government collected KSHS. 804,387,972 against a budget estimate of KSHS. 1,438,478,604 resulting into a negative deviation of KSHS. 634,090,632 representing 44.08% under collection.

Committee Recommendations

1. The CEC Finance and Economic Planning to explain to the Assembly why the actual own source revenue from Public Health and Others and Land, Housing and Physical Planning and Public Works was higher than the budgeted estimates.
2. The CEC Finance and Economic Planning to explain to the Assembly why the County under collected KSHS. 634,090,632 Own Source Revenue representing 44.08% under collection.

Challenges in Raising County Own Source Revenue

1. Administrative Challenges e.g.

- a.) The team in the directorate are inadequately facilitated in terms of tools of trade and their allowances not paid promptly. Therefore tools of trade like POS's and vehicles should be sufficient to be unable to collect all revenue streams and even surveillance promoted.
- b.) Demolitions by the Kenya Railways of business set up on their parcels of land.
- c.) Most of the contracted staff had their contracts not renewed hence few staff to man crucial revenue collection points.
- d.) Boda Boda stream proved difficult to implement.
- e.) Inadequate enforcement staff to ensure the traders within the county complied with the County Finance Act 2019.
- f.) Lack of an updated Valuation Roll hinders our collection in terms of rates collection.
- g.) COVID 19 menace did the greater damage to this course of revenue collection. Most traders closed their businesses for more than three months, the County government also gave complete waiver to traders in markets and bus park hence nothing was collected during this period

H). Weak internal audit mechanisms

Inadequate internal audit practices have also led to revenue loss/leakages.

J). Low level automation and non-integration of revenue management systems.

The absence of an integrated and fully automated system leaves us with the challenge of revenue staff handling cash some of which lead to pilferage of funds.

Issues of monitoring and reporting has also been a challenge to the Directorate.

K). Mobility challenges

Currently the directorate has only 7 vehicles covering both the City of Kisumu and the Sub Counties, this have proved to be inadequate due to vastness and the level of activities at the City of Kisumu and Sub Counties.

Achievements

The county government has now acquired 300 POS machines, in July 2020, which would help a great deal in revenue collection. Areas that were not filing returns in terms of revenue will now be able to give us returns and actual collection.

The Valuation Roll once in place will have additional 30,000 rate payers added into the system thus great strides in rates collection. It is in the final stage of being adopted in the County Assembly then subjected to Public participation.

The employment of contracted staff to revenue directorate will also help in bridging the gap in terms of staff deficiency both the revenue collectors and enforcement officers.

The Uhuru market and Chichwa built by the National Government in collaboration with County Government of Kisumu will be able to accommodate traders displaced during the demolitions thus capture the revenue lost during the last financial year.

Policies and Legislations Necessary to Promote Revenue Collection

S/NO.	Revenue Stream	Legislation Required	Department
1.	Agricultural Cess	Agricultural Cess Act	Agriculture, Livestock and Fisheries
2.	Hire of Social halls and Stadium	Public Amenities Act	Education, Youth, Culture and Sports
3.	Land Rates	County Rating Act	Lands, Housing and Physical Planning
4.	Building Plans Approval	Planning and Development Control Act	Lands, Housing and Physical Planning
5.	Sign board Promotions	Outdoor Advertising Act	Lands, Housing and Physical Planning
6.	Trade License	Trade license Act (Amended)	Tourism, Trade and Heritage
7.	Market Fees	Public markets Act	Tourism, Trade and Heritage
8.	Hawkers fee (new)	County Hawking Act	Tourism, Trade and Heritage
9.	Livestock auction Fees	Livestock, Admission Auction and Sales Act	Agriculture, Livestock and Fisheries
10.	Bus park Fees	Omnibus stations and Parking Act	Roads, Transport and Infrastructure
11.	Parking Fees	Designated parking Places Act	Roads, Transport and Infrastructure
12.	BodaBoda Fees	Designated parking Places Act	Roads, Transport and Infrastructure
13.	Sand and Murram Cess	Sand harvesting and Quarrying Act	Environment and Natural Resources
14.	Solid Waste Management	Waste management Act	Environment and Natural Resources
15.	Noise Pollution	General Nuisance Act	Environment and Natural Resources

16.	Plant and Machineries leases Fees	Lease of Equipment Act	Public Works
17.	Hotels and Tourist Levy Fees	Hotels and Tourist Levy Act	Tourism, Trade and Heritage

Committee Findings

That;

1. The County lacks several principle revenue legislations and policies on which to anchor fees and Charges presenting challenges when enforcement is required to be made in courts of law and thus considered illegal.

Committee Recommendations

1. The CECM Finance and Economic Planning, other relevant CECMS and the County Attorney should prepare the necessary bills and present to the County Assembly for approval to enable the Directorate effect revenue collection in the affected streams. The bills should be presented in Categories with the first one coming between April-June, 2nd between July-September, 3rd between October-December and 4th category between January-March for proper action.

REVIEW OF COUNTY FISCAL PERFORMANCE IN 2019/2020 (MDAs) - EXPENDITURE ANALYSIS (ABSOPTION RATE)

Recurrent Expenditure Analysis

S/No.	Department	Revised budget (Kshs) A	Actual Expenditure (Kshs.) B	Approved Budget 2020/2021	deviation btw approved budget (2021) & actual expenditure(2020)	Performance B/A (%)
1.	Governance and Administration	517,673,228	464,167,160	552,284,688.00	88,117,528.00	90
2.	Tourism Trade and Heritage	104,560,663	61,581,287	82,680,463.00	21,099,176.00	59
3.	Health and Sanitation	3,569,181,584	3,186,132,097	3,734,611,276.00	548,479,179.00	89
4.	Roads, Transport and Public Works	176,527,192	122,697,147	321,638,024.00	198,940,877.00	70
5.	Lands, Housing and Physical Planning	25,447,643	24,049,058	81,337,787.00	57,288,729.00	95

6.	Agriculture, Livestock and Fisheries			245,342,416.00	22,501,323.00	94
		237,733,430	222,841,093			
7.	Education, Ict and Human Resource Development			544,546,125.00	376,724,503.00	42
		396,583,660	167,821,622			
8.	Water Services			106,605,635.00	64,688,137.00	54
		78,153,775	41,917,498			
9.	Public Service Board			76,784,043.00	39,309,138.00	79
		47,579,162	37,474,905			
10.	Finance and Economic Planning			1,062,175,312.00	(134,008,291.00)	76
		1,570,454,378	1,196,183,603			
11.	Business Cooperative and Markets			76,120,620.00	54,411,226.00	69
		31,472,602	21,709,394			
	Energy and Industrialization			48,767,391.00	24,075,028.00	48
		51,406,179	24,692,363			

12.	City of Kisumu			390,621,092.00	(168,987,055.00)	90
		620,544,648	559,608,147			
	TOTAL	8,129,207,638	6,827,139,101	7,216,909,248	389,770,147.00	84

COMMITTEE FINDINGS ON RECURRENT EXPENDITURE ANALYSIS

THAT;

1. The County Assembly is not captured in the recurrent expenditure analysis for the various County departments as highlighted in the table below.
2. The Department of Lands, Housing and Physical Planning is leading in recurrent expenditure (absorption rates) with (95%) absorption rate
3. The Education, Ict and Human Resource Development has the least absorption rate of 42%.
4. The County incurred a total recurrent expenditure of KSHS. 6,827,139,101 against a target of KSHS. 8,129,207,638 representing an absorption rate of 84%.

COMMITTEE RECOMMENDATIONS

THAT;

1. The CECM for Finance and Economic Planning to explain to the Assembly why the County Assembly is not captured in the recurrent expenditure analysis for the various County departments.
2. The budgetary allocations for various Departments should be pegged on their absorption rates hence Departments with high absorption rates to get higher allocations and Departments with poor absorption rates to get lower budgetary allocations.
3. The CECM for Finance and Economic Planning to provide explanation to the Assembly why the County did not fully utilize its recurrent expenditure as per revised budget estimates.

Development Expenditure Analysis;

S/No.	Department	Revised budget (Kshs). A	Actual B Expenditure (Kshs.)	Approved Budget 2020/2021(KSHS) C	Performance B/A (%)	DEVIATION D=C-A
	Governance and Administration	34,000,000	0	95,000,000.00	0.00	95,000,000.00
	Tourism Trade and Heritage	35,500,000	4,109,440	133,750,000.00	11.6	129,640,560.00
	Health and Sanitation	234,550,000	117,661,149	318,400,000.00	50.2	200,738,851.00
	Roads, Transport and Public Works	455,905,750	162,539,959	518,104,656.00	36.5	355,564,697.00
	Lands, Housing and Physical Planning	90,226,998	47,380,556	127,000,000.00	52.5	79,619,444.00
	Agriculture, Livestock and Fisheries	167,364,452	102,630,922	504,204,239.00	61.3	401,573,317.00

	Education, ICT and Human Resource Development	225,640,600	88,390,727	361,573,192.00	39.2	273,182,465.00
	Water, Environment and Natural Resources	228,436,566	43,344,681	378,368,974.00	19.0	335,024,293.00
	Public Service Board	0	0	0	0	0
	Finance and Economic Planning	1,731,351,228	1,550,257,212	458,500,000.00	89.5	(1,091,757,212.00)
	Business Cooperative and Markets	156,748,824	32,323,562	161,264,812.00	20.6	128,941,250.00
	Energy and Industrialization	71,300,000	9,741,749	131,650,000.00	13.7	121,908,251.00
	City of Kisumu	635,726,312	55,655,428	1,457,103,512.00	8.8	1,401,448,084.00
	TOTAL	4,066,750,730	2,226,237,562	4,644,919,385.00	54.5	2,418,681,823.00

COMMITTEE FINDINGS ON DEVELOPMENT EXPENDITURE ANALYSIS

THAT;

1. The total development expenditure of Kshs. 2,226,237,562 was incurred on development against a target of Kshs. 4,066,750,730 translating to absorption rate of 54.5%
2. The highest absorption realized was in the department of Finance and Economic Planning with a great portion being payment for pending bills
3. The Departments with the least absorption includes City of Kisumu, Agriculture Livestock and Fisheries and Fisheries and Water Environment and Natural Resources with absorption rates of 8.8%, 11.6% and 19.0 respectively.

COMMITTEE RECOMMENDATIONS

THAT;

1. The CECM for Finance and Economic Planning to provide explanation to the Assembly why the County did not fully utilize its Development expenditure as per revised budget estimates.
2. The budgetary allocations for various Departments should be pegged on their absorption rates hence Departments with high absorption rates to get higher allocations and Departments with poor absorption rates to get lower budgetary allocations.
3. The CECM for Finance and Economic Planning to explain to the Assembly why the County Assembly is not captured in the development expenditure analysis for the various County departments.

IMPLICATIONS OF 2019/2020 FISCAL PERFORMANCE ON FISCAL RESPONSIBILITY PRINCIPLES AND FINANCIAL OBJECTIVES CONTAINED IN THE 2019 COUNTY FISCAL STRATEGY PAPER

Kisumu County faces a number of Fiscal challenges including;

1. Budget deficit,
2. Accrued pending Bill,
3. Under spending on Development projects,
4. Late disbursement of funds from the national government.

COUNTY SPECIFIC OUTLOOK

The economy of Kisumu County for the FY 2020/2021 is likely to be suppressed due to restrained activities in retail trade. In order to remain resilient, the County government of Kisumu has

operationalized Covid-19 Emergency Response Fund and will also focus on implementing interventions towards post-Covid-19 recovery. Such interventions include but not limited to enhancing liquidity to Small and Medium Enterprises by increasing allocation to trade fund; continue supporting implementation of the “Big Four” Agenda and scale up cash transfer funds to vulnerable households. Overall, factors against accelerated growth are likely to outweigh pro-growth aspects by far in 2020.

COMPARATIVE ANALYSIS OF SECTOR CEILINGS IN THE COUNTY FISCAL STRATEGY PAPER (CFSP) 2020/2021 AGAINST THE PROJECTIONS FOR THE ESTIMATES FOR FY 2021/2022.

S/No.	Department	CFSP CEILING 2020/2021(K SHS) MILLIONS (A)	APPROVED BUDGET 2020/2021(KS HS) MILLIONS (B)	DEVIATION C=B-A	ADJUSTED CEILING (C/A*100)(%)
1.	Governance and Administration	566.6	647.3	80.7	14.2
2.	Tourism Trade and Heritage	392.6	216.4	-176.2	-44.9
3.	Health and Sanitation	3635.3	4053.0	417.7	11.5
4.	Roads, Transport and Public Works	630.4	839.7	209.3	33.2
5.	Lands, Housing and Physical Planning	375.7	208.3	-167.4	-44.6

6.	Agriculture, Livestock and Fisheries	661.1	749.5	88.4	13.4
7.	Education, Ict and Human Resource Development	607.3	906.1	298.8	49.2
8.	Water, Environment and Natural Resources	458.1	485.0	26.9	5.9
9.	Public Service Board	71.5	76.8	5.3	7.4
10	Finance and Economic Planning	504.1	1520.7	1016.6	201.7
11.	Business Cooperative and Markets	172.6	237.4	64.8	37.5
12.	Energy and Industrialization	346.7	180.4	-166.3	-47.9
13.	City of Kisumu	1035.4	1847.7	812.3	78.5
14.	County Assembly	691.9	811.9	120	17.3
	TOTAL	10149.3	12780.2	2630.9	25.9

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COMMITTEE FINDINGS

THAT;

1. The Department of Finance and Economic planning got the highest increment in its ceilings between the CFSP 2020/2021 and approved budget 2020/2021 with 201.7% increase.
2. The Department of Energy and Industrialization had the greatest decline in its ceiling with negative deviation of -47.9%.

COMMITTEE RECOMMENDATIONS

THAT;

1. The various Departmental ceilings should be set in consideration of the Departmental absorption rates.
2. The CECM for Finance and Economic Planning should explain to the assembly the criteria used in pegging the ceilings to justify for increased and reduced ceilings for various Departments.

BUDGET FRAMEWORK FOR FY 2020/2021

The delays in exchequer disbursement for the financial year 2019/2020 resulted into an opening balance of 1.524 Billion for the financial year 2019/2020 which was however, factored in the approved budget 2020/2021 Kshs.556 million introduced in the opening balance will be factored for recurrent expenditure and 968 million takes care of development expenditure.

COMPARISON OF REVENUE PROJECTIONS

Proposed Budget Revision and Projections for the MTEF 2020/2021/-2021/2022

REVENUE STREAMS	PROJECTIONS		
REVENUE STREAMS	APPROVED BUDGET 2020/2021	2021/2022	2022/2023

Balance 1.07.2020	b/d	968,038,494	-	-
EQUITABLE SHARE		6,838,321,494	7,385,387,214	7,976,218,191
Level 5 Hospital		408,193,262	440,848,723	476,116,621
Conditional allocation for Road Maintenance, Fuel Levy Fund		305,104,656	329,513,028	355,874,071
Kenya Devolution Support Programme (world bank)		75,545,790	81,589,453	88,116,609
Development of Youth Polytechnic		70,323,192	75,949,047	82,024,971
User Fees Forgone		21,299,489	23,003,448	24,843,724
World Bank for transforming Health Centers		135,297,510	146,121,311	157,811,016
Universal health coverage(UHC)		254,545,521	274,909,163	296,901,896
DANIDA		19,440,000	20,995,200	22,674,816
EU Water Tower Protection &				

Climate Change Mitigation and Adoption Program	34,868,974	37,658,492	40,671,171
Sweden Agricultural Sector Development Program.(ASDSP 11)	20,407,439	22,040,034	23,803,237
IDA World Bank Kenya Urban Support Program (KUSP)	1,351,803,512	1,459,947,793	1,576,743,616
IDA World Bank Kenya Climate Smart Agriculture Project (KCSAP)	323,159,500	349,012,260	376,933,241
Kenya Urban Support Program (KUSP) – Urban institutional Grant	8,800,000	9,504,000	10,264,320
Covid-19 Fund	278,220,000	300,477,600	324,515,808
EU Grant for Instrument For Devolution Advice & Support(IDEAS)	87,814,812	94,839,997	102,427,197
TOTAL SHARE OF NATIONAL REVENUE	11,757,221,680	12,697,799,414.4	13,713,623,367.6
LOCALLY COLLECTED REVENUE			
Market Fees	131,726,647	142,264,779	153,645,961

Parking Fees	131,530,846	142,053,314	153,417,579
Bus Park	168,216,655	181,673,987	196,207,906
Boda Boda Self-Regulating	32,100,000	34,668,000	37,441,440
Rents	46,622,714	50,352,531	54,380,734
Land Rates	231,869,266	250,418,807	270,452,312
Single business PERMIT	159,800,000	172,584,000	186,390,720
Building Plans	33,090,911	35,738,184	38,597,239
Signboard Promotion etc.	87,740,000	94,759,200	102,339,936
Public Health and Others	13,210,000	14,266,800	15,408,144
Liquor Licenses	32,100,000	34,668,000	37,441,440
Cesses & Others	58,961,667	63,678,600	68,772,888
SUB TOTAL MAIN REVENUE STREAMS	1,126,968,706	1,217,126,202	1,314,496,299
OTHER REVENUE SOURCES			
Health	342,400,000	369,792,000	399,375,360

Agriculture, Food, livestock and fisheries	16,050,000	17,334,000	18,720,720
Business, Cooperatives and Markets	1,872,500	2,022,300	2,184,084
Education, Human Resource development and Technology	8,560,000	9,244,800	9,984,384
Physical planning, Lands, Housing and Urban Development	3,210,000	3,466,800	3,744,144
Public Works, Roads and Transport	59,920,000	64,713,600	69,890,688
Water Environment and Natural Resources	10,700,000	11,556,000	12,480,480
Energy & Mining	2,461,000	2,657,880	2,870,510
Green Energy and Mining	4,815,000	5,200,200	5,616,216
Industrialization and Cooperatives	74,900	80,892	87,363
Environment (Pollution Administrative & Restoration charges)	2,140,000	2,311,200	2,496,096
TOTAL REVENUE FROM OTHER SOURCES	452,203,400	488,379,672	527,450,045.8

GROSS LOCALLY COLLECTED REVENUE	1,579,172,106	1,705,505,874	1,841,946,344
GRAND TOTAL	12,780,355,7t51	14,403,305,209	15,555,569,712

COMMITTEE FINDINGS ON THE PROPOSED BUDGET AND PROJECTIONS FOR MTEF 2020/2021-2022/2023

That:

1. The budgetary projections are realistic and achievable with implementation of the required Revenue Policies.

Projections of the 2019/2020 budget with a standard adjustment factor of 10% visa-a-vie the County Projections

REVISED BUDGET 2019/2020	PROJECTION FOR 2020/2021 at 10% INCREAMENT	PROJECTION FOR 2021/2022 at 10% INCREAMENT	PROJECTION FOR 2022/2023 at 10% at INCREAMENT
12,215,958,368.00	13,437,554,204.80	14,781,309,625.28	16,259,440,587.81

2. The MTEF Budgetary Projections by the County are lower compared to the Budgetary Projections at constant adjustment rate of 10% as indicated in the table above.
3. Despite UHC, EU Water Tower Protection & Climate Change Mitigation and Adoption Program and EU Grant for Instrument For Devolution Advice & Support(IDEAS) getting nil funding from the National Share of Revenue in the FY 2019/2020 they have been earmarked as revenue streams for the Projected Financial.

COMMITTEE RECOMMENDATIONS

THAT;

1. The County should acquire enough POS Machines to improve revenue collection, strengthen the internal audit practices to prevent or detect revenue leakages and expedite the development of various revenue legislations and policies in order to achieve the projected revenue targets.

2. The accounting officers should provide realistic budget estimates guided by the review of revenue collection from the previous years

CONCLUSION

Mr. Speaker and Hon. Members, THAT, pursuant to the provision of section 118 of the Public Finance Management Act, 2012 recommends;

THAT, this House adopts the recommendations contained in the Report of the Select Committee on County Budget and Appropriations on the analysis of the Kisumu County Budget Review and Outlook Paper for FY 2019/2020.

I hereby request Hon Seth Okumu to second this report. Thank you.

(Technical hitch encountered by the Recording Devise)

(The entire deliberations was not recorded)

Addendum

Hansard Team

Zablon Otiende - Senior Hansard Reporter (In-charge)

Edward Odanga - Reporter

Fanuel Okode - Reporter

Patrick Okoyo - Reporter

Jesca Otieno - Reporter

Dennis Onyango - Reporter

Jacklyne Otieno - Reporter

