

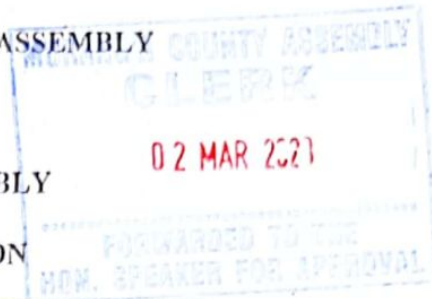


REPUBLIC OF KENYA


MURANG'A COUNTY ASSEMBLY

THIRD ASSEMBLY

FIRST SESSION



THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON THE COUNTY  
BUDGET AND REVIEW OUTLOOK PAPER 2022

CA HBRC  
List in the OP  
  
2/3/23

Clerk's Chambers,  
Murang'a County Assembly Buildings,  
MURANG'A.

DECEMBER 2022

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## 1.0 PREFACE

Mr. Speaker, on behalf of the Budget and Appropriations Committee, it is my pleasure and duty to present to the County Assembly, the report of the Committee on the County Budget and Review Outlook Paper (CBROP) 2022. Mr. Speaker the CBROP 2022 was submitted to the County Assembly on September 2022 and was tabled before the House on where it was committed to the Budget and Appropriations Committee for scrutiny and reporting.

Mr. Speaker, the Budget and Appropriations committee has held various sittings to discuss the CBROP as well as a workshop dated 23<sup>rd</sup> to 26<sup>th</sup> February 2023 in Nairobi. After lengthy discussion and analysis the committee has come up with observations and recommendations that could promote fiscal discipline going forward.

The findings of the committee and the recommendations are as contained in this report.

### 1.1 Committee Mandate

Mr. Speaker, pursuant to Standing Order 200(3), the County Budget and Appropriation Committee is mandated among other functions to:-

- a) Investigate, inquire into and report on all matters related to coordination, control and monitoring of the County budget,
- b) Discuss and review the estimates and make recommendations to the House; and;
- c) Examine Bills related to the County budget, including Appropriations Bills

### 1.2 Committee Membership

The County Budget and Appropriation Committee as currently constituted, comprises of the following Members:-


- |                                  |                    |
|----------------------------------|--------------------|
| 1. Hon. Charles Machigo Karina   | - Chairperson      |
| 2. Hon. Julian Njiiri            | - Vice Chairperson |
| 3. Hon. Francis Kamau            | - Member           |
| 4. Hon. Liz Muthoni              | - Member           |
| 5. Hon. Gerald Wambugu           | - Member           |
| 6. Hon. Grace Sharleen Wambui    | - Member           |
| 7. Hon. Caroline Wairimu Njoroge | - Member           |
| 8. Hon. James Karanja Kabera     | -Member            |
| 9. Hon. Jeremiah Gichobe         | - Member           |
| 10. Hon. Naomi Nyambura Maina    | - Member           |
| 11. Hon. John Mwangi Kamau       | - Member           |
| 12. Hon. John Ngugi Kibaiya      | - Member           |
| 13. Hon. Dinah Muthoni Kagiri    | - Member           |
| 14. Hon. Samson Mukora Ngigi     | - Member           |
| 15. Hon. Edwin Mwangi Wairagu    | - Member           |
| 16. Hon. Peter Murigi Ngugi      | - Member           |

**1.3 Acknowledgements**

- a. The Committee wishes to sincerely thank the offices of the Speaker and the Clerk to the County Assembly for the support extended to it in the execution of its mandate.
- b. The Chairman further takes this opportunity to thank all the members for their participation and dedication during the scrutiny of the County Budget and Review Outlook Paper 2022.
- c. The Committee also applauds the efforts of the County Executive Committee Member for Finance and Economic Planning and all the County Executive Committee Members for their effort in providing required information during the scrutiny of the CBROP.
- d. Finally, the Committee wishes to extend special acknowledgement to the members of the secretariat for their fiscal analysis and technical support during the exercise.

It is now my pleasant duty on behalf of the Budget and Appropriations Committee to present this report for adoption by the Assembly.

Thank you,

Signed.....

Date.....

HON. CHARLES MACHIGO KARINA .

CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE.



## 2.0 INTRODUCTION

Mr. Speaker, the County Budget and Review Outlook Paper (CBROP) is prepared in line with Section 118 of the Public Finance Management Act 2012 where the county treasury is required to prepare a County Budget and Review Outlook Paper in respect of the county for each financial year and submit the paper to the County Executive Committee by the 30<sup>th</sup> September of that year. The paper reviews the fiscal performance of the county for the financial year 2021-22, the updated macroeconomic and financial forecasts and deviations from the approved County Fiscal Strategy Paper (CFSP) 2021 and reasons for that deviations.

### 2.1 Contents of CBROP

- i. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year
- ii. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper
- iii. Information on any changes in the forecasts compared with the County Fiscal Strategy Paper
- iv. Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year
- v. 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

### 2.2 Consideration of the CBROP

The CBROP should be submitted to the County Assembly not later than seven days after its approval by the Executive Committee. The law does not oblige the county assembly on the CBROP but as a parliamentary practice any legal document laid before the assembly should be considered by the relevant committee and approved with recommendations.

### 2.3 Significance of the CBROP

CBROP is a policy paper that links planning with budgeting. It is significant in the budget making process within the Medium Term Expenditure Framework (MTEF), as it reviews previous year's fiscal performance and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming financial year. It also assesses how fiscal responsibility principles were adhered to as provided for in Section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative ceilings for the FY 2022-23 budget and in the medium term to guide Sector Working Groups (SWGs) before being affirmed in the CFSP 2022.

## 3.0 REVIEW OF COUNTY FISCAL PERFORMANCE FY 2021-22

The revised estimates for the FY 2021-22 amounted to Kshs. 10,656,671,244 where the development budget amounted to Kshs. 3,316,193,009 and the recurrent budget amounted Kshs.

7,372,371,261. Out of the approved estimates the county expended Kshs. 6,685,907,815 on recurrent while Kshs. 1,374,406,247 that comprises an absorption of 76%.

The FY 2021-22 was an electioneering period that posed a great challenge in terms of revenue realisation for both local and National exchequer.

#### Performance of Specific Revenue Types FY 2021-22

NO.	Revenue Type	Approved	Actual	Absorption Rate
1	Unspent	907,020,780	725,349,818	80 %
2	Equitable Share	7,180,155,855	6,454,806,037	90 %
3	Local Revenue	1,580,000,000	520,317,425	33 %
4	Grants (Total)	1,001,387,635	359,840,782	36 %
	<b>Total</b>	<b>10,668,564,270</b>	<b>8,060,314,062</b>	<b>76 %</b>

#### Absorption Rate of Development and Recurrent Expenditure FY 2021-22

No.	Expenditure	Approved	Actual	Absorption Rate
1	Recurrent	7,372,371,261	6,685,907,815	91 %
2	Development	3,296,193,009	1,374,406,247	42 %
	<b>Total</b>	<b>10,668,564,270</b>	<b>8,060,314,062</b>	<b>76 %</b>

### 3.1 Performance of Local Revenue FY 2021-22

During the FY 2021-22 the county government collected Kshs. 520, 317,425 against a target of Kshs. 1,580,000,000. The actual collection was decline of 17% from the previous FY 2020-21 which amounted to Kshs. 627,164,598. The low performance is attributed to the following reasons;

- Harsh economic environment in the country caused by high inflation of basic commodities and the prevailing drought situation
- The spread effect of the Russia Ukraine war
- Political Interference through incitements to the public not to pay tax
- Low and poor enforcement mechanisms due to an inadequate legislative framework

#### Performance of Revenue for the last five years

No.	Financial Year	Actual Amount
1	2017-18	423,996,982



2	2018-19	702,332,003
3	2019-20	551,677,222
4	2020-21	627,164,598
5	2021-22	520,317,425
	<b>TOTAL</b>	<b>2,825,488,230</b>

#### 4.0 IMPLICATIONS OF THE FY 2022-23 BUDGET PERFORMANCE

The fiscal year 2022-23 will be the first year of a new government that will come into power after the general elections of 2022. The budget of the FY 2022-23 will therefore be amended so as to align with a new governor's manifesto and priorities of a new government. Additionally, the county government must align its priorities with the National agenda and new international agreements of various sectors.

The committee notes that during the FY 2022-23, the following macroeconomic factors might affect effective budget implementation and full realization of revenue;

- a) Inadequate forex due to strains in the international trade commodities
- b) Increased fuel prices
- c) Drought and famine due to delayed rains

Despite the forecasted challenges the current regime is addressing local revenue performance through automation and enforcement in efforts to curb leakages and wastages. The local revenue is expected to rise during the FY 2022-23 and the County Assembly will be strengthening its role in oversight.

Recurrent expenditure will be streamlined through control of the wage bill which have been a challenge to the county resources.

Staff productivity shall be enhanced through motivation of the workforce and career development strategies.

The budget process will be strictly adhered to by ensuring proper planning and monitoring at all levels. The county assembly is expecting to get budget documents on time as well as implementation reports.

The county government shall mitigate accumulation of pending bills that have prevented effective budget implementation.

#### 5.0 PROPOSED BUDGET FRAMEWORK FY 2023-24

##### Projected Revenues

No.	Revenue	FY 2022-23	FY 2023-24	FY 2024-25
1	Equitable Share	7,180,155,855	7,180,155,855	7,251,957,414
2	Equitable share CF	600,000,000	600,000,000	600,000,000

3	Local Revenue	1,000,000,000	1,100,000,000	1,200,000,000
4	Donor Grants	400,000,000	400,000,000	400,000,000
5	Grants form National Government	173,436,473	173,436,473	173,436,473
	<b>TOTAL</b>	<b>9,353,592,328</b>	<b>9,453,592,328</b>	<b>9,625,393,887</b>

The county government in estimating revenue has used past history where it is expected that equitable share is not fully realised as at 30<sup>th</sup> June every financial year and thus Kshs. 600 million is estimated as the balance to be carried forward every financial year.

It is expected that local revenue will be realised at Kshs. 1 billion given the measures that the county government has undertaken such as automation and stringent enforcement rules.

Donor grants have performed greatly and it's expected that they will be renewed during the FY 2023-24 so as to reduce county government allocation to some sectors. The National Rural Inclusive Growth Project (NARIGP), the Agriculture Sector Deepening Support Program (ASDSP) and the Danish Development Agency (DANIDA) are some of the donor agencies expected to partner with the county government during the FY 2022-23 and over the medium term.

#### 6.0 COMMITTEE OBSERVATIONS ON THE CBROP

That budget implementation for the FY 2021-22 was absorbed to a tune of 76%. Development budget had a low absorption rate of 41% while recurrent was absorbed to a tune of 91%.

That local revenue affected greatly budget implementation as only 33% of the budgeted was realised. This low performance resulted to neglect on some of the development programs and projects that were crucial in improving the livelihood of the county residents.

The county government has pledged to improve local revenue collection during the FY 2022-23 and over the medium term. The revenue shall be realised due to automation of the collection system and enforcement measures.

The county government is also focusing on controlling the wage bill that has surpassed the provided threshold of 35% of the total county government revenues.

The budget of the FY 2023-24 is forecasted with considerations of macroeconomic factors that could affect the country economy and trickle down to county governments. Inadequate forex, international conflicts and the existing drought consist some of the factors to affect realisation of revenues.

Grants and donor funds will continue to supplement county government revenues and counter funding shall be realised accordingly.



The county planning and budgeting process shall be strictly followed and adhered to enable achievement effective budget implementation and efficient release of funds by the National Treasury.




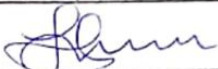



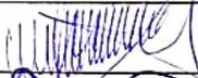
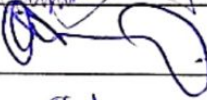

The County Assembly shall perform its role to ensure proper legislation, oversight and representation on all matters of public resources as mandated by the constitution and other laws.

**7.0 COMMITTEE RECOMMENDATIONS**

- a) That the County Executive Committee Member in charge of Finance should fully implement the Murang'a County Revenue Collection and Management Act, 2022;
- b) That the County Executive Committee Member in charge of Finance should submit regulations and policies relating to revenue collection to the County Assembly for consideration;
- c) That the County Assembly should enact the following revenue legislation laws to support and facilitate enhance of local revenue:
  - Rating Bill and Valuation Roll;
  - Trade Licensing Bill;
  - Entertainment Bill;
  - Finance Bill;
  - Revenue Administration Bill
- d) That the County Treasury should set realistic revenue targets so to ensure realistic budgets and avoid pending bills;
- e) That the County Treasury should consider widening the revenue base by exploring new revenue streams;
- f) That the County Treasury should ensure that programmes that are budgeted for by various county departments and in respect of which requisitions are done, are anchored on policies and relevant legislation to increase the absorption rate by departments

## 8.0 ADOPTION OF THE REPORT

Mr. Speaker the following Members adopted the report;

No.	NAME	SIGNATURE
1	Hon. Charles Machigo Karina	
2	Hon. Julian Njiri	
3	Hon. Francis Kibe Kamau	
4	Hon. Gerald Wambugu	
5	Hon. Caroline Wairimu Njoroge	
6	Hon. James Karanja Kabera	
7	Hon. Grace Sharleen Wambui	
8	Hon. Jeremiah Gichobe	
9	Hon. Naomi Nyambura Maina	
10	Hon. Dinah Muthoni Kagiri	
11	Hon. John Mwangi Kamau	
12	Hon. Samson Mukora Ngigi	
13	Hon. John Ngugi Kibaiya	
14	Hon. Edwin Mwangi Wairagu	
15	Hon. Liz Muthoni	
16	Hon. Peter Murigi Ngugi	