

COUNTY GOVERNMENT OF ISIOLO



2021 COUNTY FISCAL STRATEGY PAPER(CFSP)

**HARNESSING SUSTAINABLE & RESILIENT COUNTY
ECONOMIC RECOVERY**

FEB 2021

FOREWORD

The 2021 County Fiscal Strategy Paper (CFSP) is prepared against a background of a contracting Kenyan economy occasioned by the outbreak and rapid spread of the Covid-19 Pandemic. The Pandemic and the ensuing containment measures have devastated the economy disrupting businesses and livelihoods.

On the domestic scene, the County has not been spared of the negative impact of the Pandemic coupled up with the 2013-17 Pending Bills payables. The Pandemic and the resultant containment measures have adversely affected businesses and economic activities. As a result, our Local revenue has declined sharply due to effects of the pandemic. Over the first half of the financial year (FY) we have only managed 38% of the projected estimates largely due to significant contractions in the tourism revenue stream which is the main source. Consequently, revenue growth is projected to bounce back in the fourth quarter of FY 2020/2021 and FY 2021/2022.

To further reinforce this growth outlook, the policy measures outlined in the 2021 CFSP aims at stimulating County Economic Recovery. Building on the gains made by the County will mitigate the adverse impacts of the Pandemic on the economy and further re-position the economy on a steady and sustainable growth trajectory. The policies in this document have also been anchored on the 2020 Annual Development Plan (ADP) and 2018-2022 CIDP. The focus of the policies is to continue providing an enabling environment for economic recovery to safeguard livelihoods, jobs and businesses. In this respect, the County Government will strengthen implementation of programmes and measures that ensure a more inclusive growth, foster macroeconomic stability, and avail liquidity to the citizen through initiating innovative measures such as revolving loans and grants to boost credit to Micro & Small Enterprises.

As we finalize preparation of the budget for the FY 2021/22, we are cognizant of prevailing unfavorable macroeconomic conditions which have adversely affected County own source revenue performance. At the same time, additional expenditure requests for FY 2020/21 budget are at unprecedented level which necessitates alignment of expenditures to the available fiscal space. Thus, we have to critically review our existing programmes and policies to ensure that they are not only consistent with our development agenda but also informed by emerging realities brought about by the emergence of the Covid-19 Pandemic.

Going forward, we expect County own revenue collection in the FY 2021/22 to spring back buoyed by the improving economic environment, local revenue policy and revenue administration measures that we have put in place. The enhanced revenue will enable implementation of the 2020 ADP Programs as well as the Post Covid-19 County Economic Recovery Strategy. Together with expenditure rationalization measures that we have instituted, we expect the funding pressures to ease and create fiscal space for priority programmes in the FY2021/22 and the Medium Term Budget. The policy intentions outlined in this CFSP have benefited from wide consultations. I would like to thank H.E. the Governor for his guidance while developing this document. Much appreciation goes to the County Executive Committee Members (CECM), staff of the Economic Planning Department, Stakeholders and the general public for their valuable contributions.

Mr Abdi Haji Daud
County Executive Committee Member
Finance And Economic Planning

ACKNOWLEDGEMENT

The 2021 CFSP has been prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the current County Economy Macro-Fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of the County Government spending plans, as a basis for the FY 2021/22 budget. This publication is expected to improve the public's understanding of the County's public finances and guide debate on economic and development matters.

As we finalize the budget for the FY 2021/22 and the medium term, I wish to emphasize that resources are limited while at the same time, the County is confronted with significant expenditure demands including financing the County Annual Development Plan (CADP) and the Post Covid-19 Economic recovery Programs implementations. This calls for proper prioritization to ensure that we focus on critical expenditures with the highest positive impact on the well-being of the people of Isiolo. For this reason, the County Government will continue to prudently manage the use of public resources over the 2021/22-2023/24 Medium Term Expenditure Framework (MTEF).

Towards this end, while developing the budget proposals for the medium-term, The County Sector Working Groups (SWGs) undertook a critical scrutiny of County individual Departments budgets execution reports to curtail growth of recurrent budgets especially budget items under the category referred to as use of goods and services. The County Economic Planning also ensured that sector / departmental funding are availed for completion of ongoing projects, which are compliant with the Public Investment Management Guidelines issued by the National Treasury and Planning, and are supportive of accelerated inclusive growth and development.

The preparation of the 2021 CFSP was a collaborative effort among various County departments. We are grateful for their inputs. We thank all the spending units and County Departments for timely provision of information. We are also grateful for the comments received from the participants of the Public Hearings and the general public which provided invaluable inputs to the 2021 CFSP. Finally, we are grateful to the core team from the Economic Planning and Budget Department that coordinated the finalization of this document. The team tirelessly put together this document and ensured it was produced in time while maintaining high quality standards. Equally, my special thanks go to all who are not mentioned but took part in this exercise; you remain an asset to this County.

MR. PATRICK LENAWASAE
CHIEF OFFICER - ECONOMIC PLANNING

ABBREVIATIONS AND ACRONYMS

A.I.A	Appropriation in Aid
AIDS	Acquired Immunodeficiency Syndrome
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
DANIDA	Danish International Development Agency
ECD	Early Childhood Development
FY	Financial Year
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
Ksh	Kenyan Shilling
LAPSSET	Lamu Port and South Sudan-Ethiopia Transport
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
PAYE	Pay As You Earn
PFM	Public Finance Management
PPP	Public Private Partnership
SBP	Single Business Permit
VAT	Value Added Tax

TABLE OF CONTENT

FOREWORD	i
ACKNOWLEDGEMENT	ii
ABBREVIATIONS AND ACRONYMS	iii
TABLE OF CONTENT	iv
LIST OF TABLES	vi
LIST OF FIGURES	vii
OUTLINE OF CFSP 2020	viii
CHAPTER ONE	9
INTRODUCTION	9
1.1 Overview	9
1.2 Legal Basis for County Fiscal Strategy Paper	9
1.2.1 Constitution of Kenya, 2010	9
1.2.2 Public Finance Management (PFM) Act, 2012	10
1.3 Principles of Public Finance and Fiscal Responsibility Principles	11
1.3.1 Principles of Public Finance	11
1.3.2 Fiscal Responsibility Principles	11
1.4 Budgeting Approach	12
1.5 CFSP Preparation Methodology	13
CHAPTER TWO	14
RECENT ECONOMIC AND FISCAL DEVELOPMENT	14
2.1 Global and Regional Economic and Fiscal Overview	14
2.2 National Recent Economic and Fiscal Development	14
2.2.1 National Economic Overview	14
2.2.2 National Fiscal Overview	16
2.3 County Recent Economic and Fiscal Development	17
2.3.1 County Economic Overview	17
2.3.2 County Fiscal Overview	18
2.3.3 County Expenditure Analysis	23
CHAPTER THREE	26
FORWARD ECONOMIC AND FISCAL DEVELOPMENTS	26
3.1 Global Economic Outlook and Fiscal Development	26
3.2 National Economic and Fiscal overview	26
3.3 County Economic and Fiscal Overview	26
3.3.1 County Fiscal Overview	27
CHAPTER FOUR	28
STRATEGIC PRIORITIES AND INTERVENTIONS	28
4.1 Overview	28
4.2 Health services	28
4.3 Livestock Management and Crop Productivity	28
4.4 Water Resource Management	29
4.5 Early Childhood Development and Vocational Development	30
4.6 Youth empowerment, Sports and Talent Development	30
4.7 Tourism Development and Wildlife Conflict Management	31
4.8 Lands, Urban Planning and Development, Roads & Infrastructure & public works	32

4.9 County Administration	32
4.10 County Assembly.....	33
4.11 Public Participation/ Sector Hearings and Involvement of Stakeholders	33
CHAPTER FIVE	34
FISCAL POLICY AND BUDGET FRAMEWORK.....	34
4.5 Overview of County Fiscal Policy	34
5.2 County Fiscal Framework.....	35
5.2.1 Observing Fiscal Responsibility Principles	35
5.2.2 Fiscal and Public Financial Management Reforms.....	36
5.3 Budget Framework for 2021/2022.....	36
5.3.1 Revenue Forecasts	37
5.3.2 Expenditure Forecasts	37
5.4 Risk Management	39
CHAPTER SIX.....	41
MEDIUM TERM EXPENDITURE FRAMEWORK	41
6.1 Overview	41
6.2 Resource Envelope.....	41
6.3 Proposed Resource Allocation Prioritization Criteria	43
6.4 Overall Spending Priorities.....	43
6.5 Medium-Term Expenditure Baseline Ceilings.....	43
CHAPTER SEVEN.....	46
CONCLUSION	46

LIST OF TABLES

Table 1: Departmental Programmes.....	12
Table 2: 2020/21 Approved Budgets Revenue Projection Estimates	18
Table 3: Direct Transfers from National Government	20
Table 4: Balance Brought From Financial Year 2019/2020.....	20
Table 5: County Own Revenue Collection Performance Comparison in the First Half Year of FY 2019/2020 & 2020/21.....	21
Table 6: Half year OSR performance FY 2013/13 to FY 2020/21	22
Table 7: Comparison of Local Revenue Collection Performance for the First half of FY 2018/19 and 2020/21.....	22
Table 8: Departmental Recurrent Expenditure Analysis for the first half of the FY 2020/21.....	24
Table 9: Departmental Development Expenditure Analysis for the first half of the FY 2020/21.....	25
Table 10: Departmental Recurrent Expenditure Forecast for FY 2020/21 to 2023/24	37
Table 11: Departmental Development Expenditure Forecast for FY 2020/21 to 2023/24	38
Table 12: Resource Envelope for FY 2021/22	42
Table 13: Medium Term Expenditure Ceilings.....	45

LIST OF FIGURES

Figure 1: Half Year Local Revenue Performance from FY 2013/14 to FY 2020/21	22
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OUTLINE OF CFSP 2020

The CFSP is organized into seven chapters detailed as follows.

Chapter 1: Gives an introduction on the various laws governing the preparation of the CFSP, plus the fiscal responsibility principles governing the budgeting process.

Chapter 2: It provides an overview of the recent economic development and the macroeconomic outlook covering the national scene.

Chapter 3: Outlines the forward economic and fiscal policies and the budget framework for the county.

Chapter 4: Gives an analysis of strategic priorities and interventions. It also gives an analysis of the key priority sectors and interventions to be implemented.

Chapter 5: Provides fiscal policy, budget framework and outlines the fiscal framework that is supportive of growth over the medium term period.

Chapter 6: Presents the resource envelope and spending priorities of the proposed MTEF budget for the financial year 2020/21 and the medium term. It further provides the proposed sector ceilings and the baseline ceilings.

Chapter 7: Provides a summarized Conclusion of the 2020 County Fiscal Strategy Paper.

CHAPTER ONE

INTRODUCTION

1.1 Overview

- 1 The preparation of the County Fiscal Strategy Paper (CFSP) is a requirement of Section 117 of the Public Finance Management (PFM) Act, 2012 and thus plays an integral part in the budget making process. It specifies the Broad Strategic Priorities and policy goals and guides the County Government in preparing its budget for the coming financial year and over the medium term period.
- 2 The CFSP 2021 forms the basis for implementation of the second-generation County Integrated Development Plan (CIDP 2018-2022). This Paper has, therefore, been formulated by adopting the priority areas as outlined in the Annual Development Plan(ADP), 2020 namely:
 - i. Investing in Quality, affordable and accessible Health Services (i.e. preventative, curative and rehabilitative health care services);
 - ii. Enhancing Food Security, sustainability of livestock based livelihoods and commercializing of livestock and crop production;
 - iii. Promotion of Tourism, trade and industrial development for a rapidly industrializing economy;
 - iv. Investment in Infrastructure development and expansion i.e. Roads, Water Supply, Market development;
 - v. Investing in modern urban infrastructure and sustainable land management for socio economic development;
 - vi. Investing in Education, focusing on construction of more ECDE structures and equipping of youth polytechnics as well as social development of the communities through social programs;
 - vii. Enhancing governance, transparency and accountability in the delivery of services;
 - viii. Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society where all have access to equitable share of resources;
 - ix. Promotion of Public participation through involvement in decision making in order to enhance ownership and sustainability of development programs; and
 - x. Investing in Environmental conservation, natural resource management

1.2 Legal Basis for County Fiscal Strategy Paper

- 3 The preparation of the CFSP is anchored in the Constitution of Kenya, 2010; and, PFM Act, 2012.

1.2.1 Constitution of Kenya, 2010

- 4 Article 220 (1) states that budgets of the National and County Governments shall contain: -
 - a) Estimates of revenue and expenditure, differentiating between recurrent and development expenditure.

- b) Proposals for financing any anticipated deficit for the period to which they apply; and
- c) Proposals regarding borrowing and other forms of public debt during the following year.

Sub-article (2) National legislation shall prescribe –

- a) The structure of the development plans and budgets of counties.
- b) When the plans and budgets of the Counties shall be tabled in the county assemblies; and
- c) The form and manner of consultation between the National Government and County Governments in the process of preparing plans and budgets.

1.2.2 Public Finance Management (PFM) Act, 2012

5 The County Fiscal Strategy Paper is prepared in accordance with section 117 of the Public Finance Management Act, 2012 which states that:

- a) The County Treasury shall prepare and submit to the County Executive Committee a County Fiscal Strategy Paper (CFSP) for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year
- b) The County Treasury shall align its County Fiscal Strategy Paper with the National objectives in the Budget Policy Statement.
- c) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the Medium Term.
- d) The County Treasury shall include in its Fiscal Strategy Paper, the Financial Borrowing for the financial year and over the Medium Term.
- e) In preparing the Fiscal Strategy Paper, the County Treasury shall seek and take into account views of:
 - i. The Commission on Revenue Allocation (CRA).
 - ii. The Public.
 - iii. Any interested persons or groups; and
 - iv. Any other forum that is established by legislation.
- f) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County assembly, the County assembly shall consider and may adopt it with or without amendments.
- g) The County Treasury shall consider any recommendations made by the County Assembly in finalizing the budget proposal for the financial year concerned; and
- h) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

1.3 Principles of Public Finance and Fiscal Responsibility Principles

1.3.1 Principles of Public Finance

- 6 Article 201 of the Kenyan Constitution, 2010 sets out the following principles of public finance:
- a) There shall be openness and accountability, including public participation in financial matters.
 - b) The public finance system shall promote an equitable society, in particular-
 - i. The burden of taxation shall be shared fairly.
 - ii. Revenue raised nationally shall be shared equitably among national and county governments; and
 - iii. Expenditure shall promote the equitable development of the country, including by making special provision for marginalized groups and areas.
 - c) The burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations.
 - d) Public money shall be used in a prudent and responsible way; and
 - e) Financial management shall be responsible, and fiscal reporting shall be clear.

1.3.2 Fiscal Responsibility Principles

- 7 The Public Finance Management (PFM) Act, 2012 sets out the following fiscal responsibility principles to ensure prudence and transparency in the management of public resources:
- i. The County Government's recurrent expenditure shall not exceed the County government's Total Revenue.
 - ii. Over the Medium Term, a minimum of 30 percent of the County government's budget shall be allocated to the Development expenditure.
 - iii. The County Governments' expenditure on wages and benefits for its public officers shall not exceed a percentage of the County government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly and in line with the PFM act.
 - iv. Over the Medium Term, the government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
 - v. The County debt shall be maintained at sustainable level as approved by County Assembly.
 - vi. The fiscal risks shall be maintained prudently; and
 - vii. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future.

1.4 Budgeting Approach

- 8 The formulation of the CFSP 2021 takes into consideration the classification of devolved functions as a basis for revenue sharing as illustrated in Table 1 below.

Table 1: Departmental Programmes

Code	Department	Program
3511000000	County Assembly Services	0721003510 P21 County Assembly infrastructure, policy and service support
		0722003510 P22 Legislative and oversight
		0724003510 P24 Administration and support services
3512000000	County Executive	0713003510 P13 County Governance and Coordination Affairs
		0716003510 P16 County Devolved Administration Affairs
		0701003510 P1 County Governance and Coordination Affairs Deputy governor
		0708003510 P8 Governors Delivery Unit
		0723003510 P23 County Public Service
3513000000	Finance, Economic Planning, Cohesion Special Programme	0709003510 P9 Administration and support services
		0710003510 P10 Public financial management
		0711003510 P11 Economic Planning and Coordination Services
		0712003510 P12 Cohesion and Peace Building
		0725003510 P25 Special programmes
		0726003510 P26 KDSP (Kenya Devolution Support Programme) Conditional Grant
3514000000	Lands, Urban Planning, Roads, Infrastructure, Housing, and Public Works	0107003510 P7 Housing and urban development and public works
		0109003510 P9 Land Survey and land use planning
		0204003510 P4 Road improvement, accessibility, Logistic and connectivity
3515000000	Agriculture, Livestock and Fisheries Development	0101003510 P1 Livestock Resource Management and Development
		0102003510 P2 Fisheries Development and Management
		0103003510 P3 Administrative, planning, and support services
		P4 Crop productivity Development and Management
		0105003510 P5 Veterinary Services
3518000000	Education, Vocational Training, Youth Sports Culture ,Gender and Social Services	0501003510 P1 General Administration, Planning and Support Services.
		0502003510 P2 Early Childhood Development
		0503003510 P3 Technical and Vocational Training
		0504003510 P4 Sports development and Youth Empowerment
		0505003510 P5 Culture and Social Services
3519000000	Tourism, Wildlife Trade Cooperatives Enterprise Development, Administration and Public Service Management	0719003510 P19 Public Service Management and Transformation
		0301003510 P1 Trade development and promotion
		0303003510 P3 Co-Operative Development
		0304003510 P4 Tourism Development Promotion
3521000000	Water, Sanitation, Energy, Environment and Natural Resource	1001003510 P1 Administration, Planning and Support services

Code	Department	Program
		1002003510 P2 Water supply and storage services
		1003003510 P3 Environment and Natural resources
3522000000	Health Services	0401003510 P1 Preventive and Promotive services
		0402003510 P2 Administration and planning Support services
		0403003510 P3 Curative Health Services
3524000000	Municipal Administration	0206003510 P6 KUSP
		0207003510 P7 Municipal Administration

1.5 CFSP Preparation Methodology

- 9 Article 118 (1) (b) and 196 (b) of the Constitution of Kenya, 2010 provides that the public should be involved in the budget making process through public participation. In this respect, the County organized public hearings across the ten wards from which the County residents gave their inputs and contributions on their preferred priority areas for development.

CHAPTER TWO

RECENT ECONOMIC AND FISCAL DEVELOPMENT

2.1 Global and Regional Economic and Fiscal Overview

10 The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated global economies. As a result, the global economy is projected to contract by 4.4 percent in 2020 from a growth of 2.8 percent in 2019. This economic outlook is worse than the growth reported during the 2008 - 2009 global financial crisis

11 Advanced economies are projected to contract by 5.8 percent in 2020 from a growth of 1.7 percent in 2019. Significant contraction of the economy is projected in the United States (-4.3 percent), Japan (-5.3 percent) and the United Kingdom (-9.8 percent).

12 Growth in the Euro area is expected to contract by 8.3 percent in 2020 from a growth of 1.3 percent in 2019

13 The emerging markets and developing economies are also projected to contract by 3.3 percent in 2020 from a growth of 3.7 percent in 2019. All major economies are projected to contract in 2020 except China which is projected to grow by 1.9 percent, a slowdown from a growth of 6.1 percent in 2019.

14 Sub-Saharan African region has not been spared the negative impact of the pandemic with the region projected to contract by 3.0 percent in 2020 from a growth of 3.2 percent in 2019. The largest impact of the crisis on growth has been for tourism-dependent economies, while commodity-exporting countries have also been hit hard. Growth in more diversified economies will slow significantly, but in many cases will still be positive in 2020.

15 Growth in the East African Community (EAC) region is estimated to slow down to 1.0 percent in 2020 compared to a growth of 6.2 percent in 2019. This growth will be supported by positive growths in Kenya, Tanzania and Rwanda. Economic activities in Burundi and Uganda are expected to contract in 2020.

2.2 National Recent Economic and Fiscal Development

2.2.1 National Economic Overview

16 Prior to the outbreak of Covid-19 pandemic, Kenya's economy was strong and resilient despite the challenging global environment. The broad-based economic growth for 2018 and 2019 averaged 5.9 percent outperforming the 5.5 percent for the previous 5 years (2013 to 2017) and the average growth rate of 4.7 percent in the period 2008 to 2012

17 In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic

activities. As a result, our economy is estimated to slow down to around 0.6 percent in 2020 from a growth of 5.4 percent in 2019. The economy is projected to recover and grow by about 6.4 percent in 2021 and above 6.2 percent over the medium term.

- 18 The foreign exchange market has largely remained stable but was partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 pandemic. In this regard, the Kenya Shilling to the dollar exchanged at Ksh 110.6 in December 2020 compared to Ksh 101.5 in December 2019. Like most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by only 9.0 percent against the US Dollar. This stability in the Kenya Shilling was supported by increased remittances and adequate foreign exchange reserves.
- 19 Growth in broad money supply, M3, improved to 14.2 percent in the year to November 2020 compared to a growth of 5.9 percent in the year to November 2019. The improved growth in M3 was attributed to an increase in the Net Domestic Assets particularly improvement in net credit flows to the government and the private sector. This is largely due to an improvement in net credit flows to both the Government and the private sector.
- 20 Net services declined by 72.8 percent in the year to September 2020 mainly due to a significant decline in transport services and travel receipts as a result of the uncertainty associated with the Covid-19 pandemic and the resultant containment measures. Cargo through put performed well during the review period and provided a buffer in terms of transport receipts
- 21 The performance of most sectors of the economy declined in the second quarter of 2020, largely because of measures aimed at containing the spread of the Covid-19. However, the economy was supported by improved performance of Agriculture, Forestry and Fishing activities), Health Services and Mining and Quarrying activities. The agriculture sector recorded an improved growth of 6.4 percent in the second quarter of 2020 compared to a growth of 2.9 percent in the corresponding quarter of 2019. The sector's performance was supported by a notable increase in tea production, cane deliveries, milk intake and fruit exports. The sector's contribution to GDP growth was at 1.5 percentage points in the second quarter of 2020 compared to 0.7 percentage points over the same period in 2019.
- 22 Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent since end 2017 demonstrating prudent monetary policies. The inflation rate was at 5.6 percent in December 2020 from 5.8 percent in December 2019. This lower inflation was supported by a reduction in food prices. Core inflation (Non-Food-Non-Fuel) contribution to inflation remain low at 0.8 percent in December 2020 compared to 0.4 percent in December 2019 reflecting muted demand pressures in the economy on account of prudent monetary policies. However, the contribution of fuel inflation to overall year-on-year inflation rose to

1.7 percent in December 2020 from 0.6 percent in December 2019 on account of increasing international fuel prices

- 23 Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.00 percent on November 26, 2020 same as in April 2020 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises, distressed by COVID-19 pandemic. The interbank rate declined to 5.1 percent in December 2020 from 6.0 percent in December 2019 in line with the easing of the monetary policy and adequate liquidity in the money market

2.2.2 National Fiscal Overview

- 24 Budget execution in the first half for the FY 2020/21 was hampered by revenue shortfalls and rising expenditure pressures. The shortfalls in revenues reflect the weak business environment and the impact of the tax reliefs implemented in April 2020 to support people and businesses from the adverse effect of Covid-19 Pandemic. Revenues are expected to progressively improve in the second half of the fiscal year following the gradual reopening of the economy and the increased demand for imports as well as improved domestic sales. Revenue performance is also expected to get a boost from reversal of tax reliefs, introduced in April 2020, effective January 2021.
- 25 Revenue collection to December 2020 declined by 14.0 percent compared to a growth of 17.1 percent in December 2019. This decline is attributed to the difficult operating environment due to the Covid-19 pandemic which has been adversely affecting revenue performance from March 2020. The cumulative total revenue amounted to Ksh 800.1 billion against a target of Ksh 907.7 billion. The shortfall was due to a decline in growth of all broad categories of ordinary revenues except import duty which grew by 0.5 percent during the review period
- 26 Total expenditure and net lending for the period ending December 2020 amounted to Ksh 1,191.0 billion which was below the projected amount by Ksh 67.9 billion. Recurrent spending amounted to Ksh 798.7 billion while development expenditures amounted to Ksh 262.8 billion. Transfer to County Governments amounted to Ksh. 129.5 billion of which the equitable share amounted to Ksh. 115.0 billion. Recurrent spending was below the projected target by Ksh 44.3 billion mainly on account of lower than targeted expenditure on operation and maintenance, attributed to scaled down operations of the National Government in first quarter of the FY 2020/21 due to Covid-19 Pandemic and lower than projected payments in compensation of employees, pension and foreign interest. Development expenditure was also below target by Ksh 6.8 billion on account of below target disbursement of foreign financed payments by Ksh 48.8 billion. Disbursement to domestically financed programmes was above target by Ksh 44.7 billion.
- 27 Fiscal operations of the Government by end of December 2020 resulted in an overall deficit, including grants of Ksh 362.6 billion against a projected deficit of Ksh 371.8

billion. This deficit was financed through net domestic borrowing of Ksh 345.4 billion and net foreign financing of Ksh 17.2 billion

2.2 County Economic and Fiscal Overview

2.3 County Recent Economic and Fiscal Development

2.3.1 County Economic Overview

- 28 Livestock keeping is the mainstay of Isiolo County economy. About 80 percent of the inhabitants derive their livelihood from livestock enterprise. The livestock production employs about 70 percent of the rural labor force. The County is endowed with enormous livestock resources but with multiple challenges ranging from poor governance of the rangelands largely due to the absence of an appropriate legal framework of land tenure, livestock diseases, frequent droughts and sometimes flooding, lack of an organized market for livestock and livestock products, and inappropriate and inadequate systems of social and financial service provision. The county government has completed the infrastructural part of the abattoir and once it becomes operational the livelihoods of Isiolo people will improve through improvement of livestock production markets.
- 29 Ongoing Infrastructural constructions in Isiolo Municipality ranging from Cabro paving of an extra 1.8km, construction Isiolo modern market, construction of Isiolo stadium , county headquarters, County Assembly Chamber and street lighting projects will create a conducive environment for both doing business and service delivery at the same time uplift the face of Isiolo municipality
- 30 Rural water projects such as Merti-Korbesa water project funded by county government and NDMA will also change the lives of the Korbesa people who have suffered for long time. Regular response to address areas with water shortage through water trucking systems has helped the communities to continue with their daily activities without much interruptions
- 31 Expansion of Isiolo County Referral Hospital to offer more specialised services that were not initially offered such as ICU has greatly impacted on the lives of people around Isiolo and its environment. Continuous regular supply of medical drugs and Operationalization of new more rural health facilities e.g Kombala and Saleti dispensaries has improved accessibility and affordability of health services to the interior parts of the county. Constructions of KMTC classrooms and hostels have increased enrolment of students.
- 32 The Completion of Isiolo International Airport and LAPSSSET Projects are expected to stimulate County economic growth in the long run. These projects will turn Isiolo town into a major tourist destination and a regional economic hub. It will open up the northern frontier, thereby attracting both domestic and foreign investments.

2.3.2 County Fiscal Overview

33 The Approved Budget for the Financial Year 2020/21 amounts to **KES 5,195,908,193**, with **KES 3,255,955,913** (63 percent) allocated for recurrent expenditure and **KES 1,939,952,280** (37 percent) for development expenditure.

2.3.2.1 County Revenue Analysis

34 To be able to finance the budget for the Financial Year 2020/21, the County Government is expected to receive total revenue amounting to a total of **KES. 5,195,908,193**, whose breakdown is as shown in the table below

Table 2: 2020/21 Approved Budgets Revenue Projection Estimates

ITEM	TITLE	FY 2020/2021 Estimates	%
A	GROSS COUNTY EXTERNAL REVENUE ESTIMATES	5,082,221,856	0.98
	EQUITABLE SHARE	4,177,800,000	0.80
	General Provisions (Equitable Share)	4,177,800,000	0.80
	CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT	233,336,461	0.04
	Funds Received from Road Maintenance Levy Fund	124,519,106	0.02
	Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	0.00
	Supplement for Construction of County Headquarters	100,000,000	0.02
	Conditional Allocation for Development of Youth Polytechnic	5,344,894	0.00
	CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	671,085,395	0.13
	Current Grants from Foreign Governments Danida	12,060,000	0.00
	Kenya Devolution Support Programme (KDSP) World bank	45,000,000	0.01
	World Bank Loan for Transforming Health Systems for Universal Care Project	26,720,000	0.01
	Climate Smart Agricultural Project	479,143,620	0.09
	Urban Support Project Development	93,968,100	0.02
	Sweden Agricultural Sector Development Support Programme (ASDSP)	14,193,675	0.00
B	GROSS COUNTY OWN SOURCE REVENUE ESTIMATES	113,686,337	0.02
	GROSS COUNTY REVENUE ESTIMATES	5,195,908,193	100%

35 The total Approved budget revenue estimate for FY 2020/21 is **KES. 5,195,908,193** that includes **KES. 113,686,337** received from County Own Revenue sources, **KES 4,177,800,000** from equitable share of revenue from National Government, **KES. 233,336,461** from additional Conditional Allocations from the National Government (This is made up of **KES 124,519,106** being Funds Received from Road Maintenance Levy Fund, **KES. 3,472,461** from Funds Received from Health Care Services Fund (User fee foregone), **KES. 100,000,000** from Supplement for Construction of County Headquarters and **KES. 5,344,894** Conditional Allocation for Development of Youth Polytechnic) and **KES 671,085,395** Conditional Allocation from development partners from loans and grants to County Government (This includes **KES 12,060,000** being funds received from Current Grants from Foreign Governments Danida, **KES. 45,000,000** from Kenya Devolution Support Programme (KDSP) World bank, **KES. 26,720,000** being funds received form World Bank Loan for Transforming Health Systems for Universal Care Project, **KES. 479,143,620** from Climate Smart Agricultural Project, **KES. 93,968,100** from Urban Support Project Development and **KES.14,193,675** from Sweden Agricultural Sector Development Support Programme (ASDSP).

36 The expected revenue estimates for financial year 2020/2021 would slightly change due to adjustment that would be made in supplementary 1 i.e. upward adjustment on equitable share due to changes on the County Allocation Revenue Act (CARA) of 2020 and down ward adjustments of County Own Source Revenue due to poor performance in the first half of Financial year 2020/2021 due to effects of COVID 19 Pandemic.

Revenue Received from exchequer as at 31st December 2020

37 In the first half of FY 2020/21, the County had receipts of KES. **1,552,532,070** comprising of KES. **1,399,563,000** from the National Government as a direct transfer to the County Revenue Fund Account, KES. **100,455,119** Conditional Allocations from Development Partners, KES. **31,129,777** Conditional Allocations from National Government and KES. **21,384,174** from local sources. There is also a balance brought forward of KES 405,964,086.90 from FY 2019/20 for the pending bills& conditional grants accruing from the same FY due to delay in disbursement from the exchequer. The tables below provides a summary of the revenues received from the National Government and balances brought forward during the first half of the financial year 2019/20.

Table 3: Direct Transfers from National Government

REVENUE SOURCE	Approved Budget FY 2020/21 KES.	Actual Cumulative Receipts in KES.
Revenue Budget		
External Revenue Estimates		
Equitable Share	4,177,800,000	1,399,563,000
General Provisions (Equitable Share)	4,177,800,000	1,399,563,000
Conditional Allocations From National Government	255,692,197	
Conditional Allocations From National Government	233,336,461	31,129,777
Funds Received from Road Maintenance Levy Fund	124,519,106	31,129,777
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	-
Supplement for Construction of County Headquarters	100,000,000	-
Conditional Allocation for Development of Youth Polytechnic	5,344,894	-
Conditional Allocations From Development Partners	671,085,395	100,455,119
Current Grants from Foreign Governments Danida	12,060,000	-
Kenya Devolution Support Programme (KDSP) World bank	45,000,000	-
World Bank Loan for Transforming Health Systems for Universal Care Project	26,720,000	-
Climate Smart Agricultural Project	479,143,620	100,455,119
Urban Development Grant (UDG) Support Project	93,968,100	-
Sweden Agricultural Sector Development Support Programme (ASDSP)	14,193,675	-
Gross Internal Revenue Estimates	113,686,337	21,384,174
Crf B/F 2019/20		
Gross County Revenue Estimates	5,195,908,193	1,552,532,070

Source: County Treasury

BALANCE BROUGHT FROM FINANCIAL YEAR 2019/2020**Table 4: Balance Brought From Financial Year 2019/2020**

BANK ACCOUNT	BALANCE
CRF	205,650,644.95
Fuel Levy Fund	140,829.05
Health Services Acc. (THS)	14,600,867.99
Health Services Acc.(Danida)	7,847,458.76
KDSP	14,900,000.00
UDG	77,111,157.55
UIG	10,418,702.00
Climate Smart	55,570,051.60
ASDSP	19,481,224.00
Livestock Support	243,151.00
Total	405,964,086.90

Source: County Treasury

2.3.2.2 County Own Source Revenue

38 Revenue collection to December 2020 to **KES 21,384,174** declined from **KES 95,272,479** recorded in December 2019. This decline is attributed to the difficult operating environment due to the Covid-19 pandemic which has been adversely affecting County Own Revenue performance from March 2020 in all streams.

39 In the first half of financial year 2020/21, the County collected **KES. 21,384,174.10** Against a target of **KES. 56,843,169** reflecting a **37% performance over the period under consideration.** The largest revenue contributors shifted from Game reserve to sand cess. There is a huge decline of revenue from game reserve due to

the Covid 19 pandemic restrictions that affected our park hotels that nearly closed down. Revenues are expected to progressively improve in the second half of the fiscal year following the gradual reopening of the economy.

40 The table below provides a summary of the County Own Revenues received from the various streams during the first half of the financial years 2019/2020 and 2020/21 against their set targets.

Table 5: County Own Revenue Collection Performance Comparison in the First Half Year of FY 2019/2020 & 2020/21

No	Revenue Source Streams	FY 2019/20			FY2020/2021		
		Targeted Receipts (KES)	Actual Receipts (KES)	Revenue Performance %	Targeted Receipts (KES)	Actual Receipts (KES)	Revenue Performance %
1	Plot application/Transfer	600,000	666,000	111%	600,000	-	0%
2	Land Rent/Rates – current	3,630,669	2,199,064	61%	3,500,000	1,234,324	35%
3	Penalties Rent/Rates	500,000	1,097,248	219%	600,000	270,492	45%
4	Land Rent/Rates – Arrears	5,000,000	4,268,571	85%	3,000,000	1,949,706	65%
5	Livestock Auction	1,750,000	1,887,116	108%	2,094,497	1,904,010	91%
6	Sand Cess	5,500,000	4,096,500	74%	5,000,000	4,221,400	84%
7	Barter/Murram	400,000	743,610	186%	1,618,776	-	0%
8	Miraa export/cess	1,250,000	1,288,950	103%	2,009,078	1,662,600	83%
9	S.B.P fees	3,750,000	933,764	25%	4,250,000	980,820	23%
10	Promotion, Advertisement/branding	500,000	298,000	60%	600,000	12,000	2%
11	Liquor license	2,000,000	2,814,000	141%	1,900,000	-	0%
12	Public works/other charges	250,000	0	0%	250,000	-	0%
13	Stand Premium	100,000	35,000	35%	100,000	20,000	20%
14	Plot transfer approval	150,000	41,000	27%	300,000	-	0%
15	Lease extension	100,000	0	0%	100,000	-	0%
16	Livestock Veterinary	500,000	562,168	112%	800,000	280,165	35%
17	Weight and Measures	250,000	8,600	3%	250,000	9,600	4%
18	Public Inspection - Public Health	750,000	193,590	26%	750,000	122,107	16%
19	Tractor Hire	200,000	182,750	91%	400,000	104,250	26%
20	Agriculture Training Centre	200,000	40,000	20%	150,000	40,890	27%
21	Game entrance/Royalties	57,500,000	66,974,988	116%	21,416,618	3,781,689	18%
22	Market Stalks/Fee and Produce	100,000	111,200	111%	600,000	715,900	119%
23	Street parking fees	2,000,000	2,567,950	128%	2,740,000	1,508,655	55%
24	Hospital cost sharing	1,500,000	2,683,010	179%	2,450,000	1,893,926	77%
25	Slaughter fees	950,000	894,900	94%	1,000,000	636,120	64%
26	Building plan approval	500,000	6,500	1%	614,201	35,520	6%
27	Receipt from Admin Fees/Application	600,000	589,000	98%			0%
28	Planning Fees	1,000,000	0	0%			0%
29	Hides and Skin	100,000	0	0%			0%
30	Clearance and Consent	100,000	89,000	89%			0%
	Total	91,730,669	95,272,479	104%	57,093,170	21,384,174	37%

Source: County Treasury, 2021

Performance Analysis of County own generated revenue in the first half of FY 2013/14 to first half of FY 2020/21(in KES. Millions)

Table 6: Half year OSR performance FY 2013/13 to FY 2020/21

Revenue Source	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Target	180	180	180	125	91	75	78	56
Actual	73	79	60	58	54	87	96	21

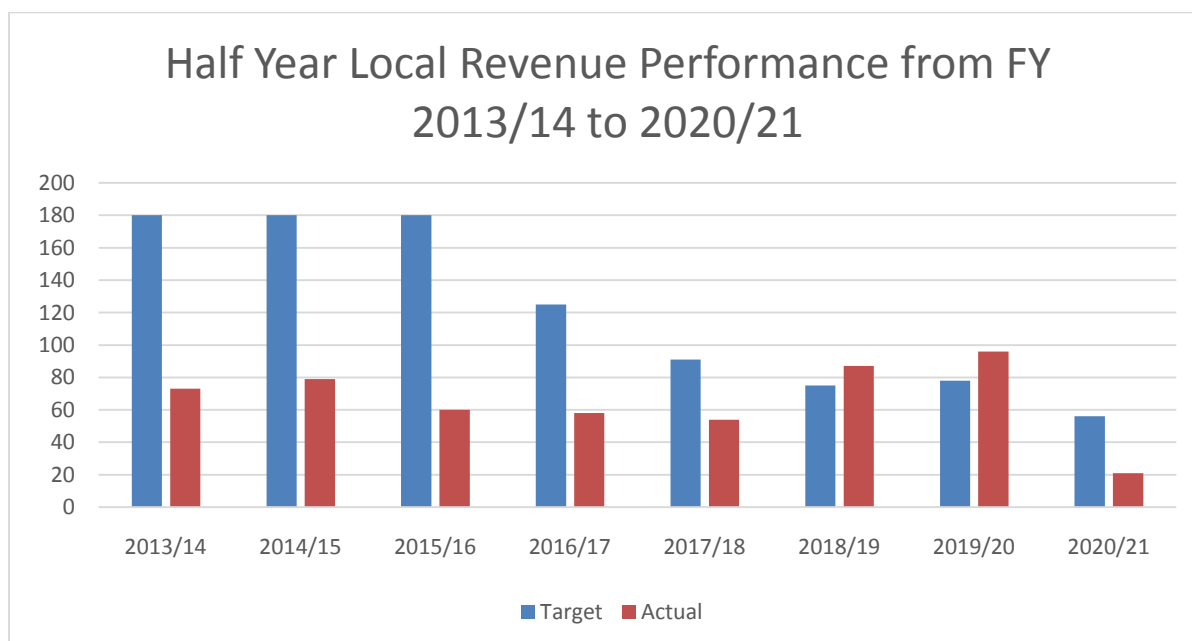


Figure 1: Half Year Local Revenue Performance from FY 2013/14 to FY 2020/21

41 The table below shows a detailed half year performance of local revenue per revenue stream for the FY 2019/20 and 2020/21.

Table 7: Comparison of Local Revenue Collection Performance for the First half of FY 2018/19 and 2020/21

Revenue Source	Actual Receipts in the first half of 2019/20 (Ksh.)	Actual Receipts in the first half of 2020/21 (Ksh.)	Deviation
SBP & Promotions Fee	1,231,764	980,820	-250,944
Agri. Produce Cess/Barter/Market Entrance/Tractor	743,610	715,900	-27,710
Livestock Cess	1,887,116	1,904,010	16,894
Sand Cess	4,096,500	4,221,400	124,900
Miraa Cess	1,288,950	1,662,600	373,650
Miscellaneous charges		0	0
Clearance & Consent	89,000	0	-89,000
Parking Fee	2,567,950	1,508,655	-1,059,295
Slaughter Fee	894,900	636,120	-258,780
Hides & Skin			0
Land Rates & Rents	7,564,883	3,454,522	-4,110,361
Plot transfer/ Subdivision/ Registration/ Approval/Application/public works	707,000	0	-707,000
Building Approval	6,500	35,520	29,020

Revenue Source	Actual Receipts in the first half of 2019/20 (Ksh.)	Actual Receipts in the first half of 2020/21 (Ksh.)	Deviation
Stand Premium	35,000	20,000	-15,000
Market stalls/Kiosks	111,200	0	-111,200
Other Sectors			0
Hospital	2,683,010	1,893,926	-789,084
Liquor Application	2,814,000	0	-2,814,000
Fisheries	0	0	0
Public Health	193,590	122,107	-71,483
Livestock/Veterinary/Meat Inspection	562,168	280,165	-282,003
Rent/Hire/Tractor Hire	182,750	104,250	-78,500
Movement permit	0	0	0
Weight and Measures	8,600	9,600	1,000
Agriculture Training Centre	40,000	40,890	890
Receipt from Admin Fees/Application	589,000	12,000	-577,000
Game collection	66,974,988	3,781,689	-63,193,299
Grand Total	95,272,479	21,384,174	-73,888,305

Source: County Treasury, 2021

42 Going forward the County Government needs to implement initiatives to boost revenue performance such as Compliance level reviews with a focus on enforcement risk framework to support targeted enforcement and Strengthening revenue Audit function in collection and administration of decentralized taxes, fees and charges

2.3.3 County Expenditure Analysis

43 Total County expenditure for the period ended December 2020 amounted to KES. **1,431,854,683** during the first half of financial year 2020/21 which was below the projected amount of **KES. 2,597,954,097** which represent absorption rate of 55.1% percent of the total budget.

44 A total of **KES 1, 178,605,835** was spent on recurrent activities in the first half of financial year 2020/21. The recurrent expenditure for the period under review represented 72.4 percent of the approved annual recurrent budget. Development expenditure recorded an absorption rate of **26.1** percent (**KES. 253,248,848**).

45 The under absorption was mainly due to delay in disbursement from the exchequer due to overall revenue shortfall at the national level as a result of Covid 19 pandemic.

2.3.3.1 Recurrent Expenditure Analysis

46 The total recurrent expenditure during the first half of the FY 2020/21 was **KES. 1,178,605,835** against a total recurrent budget of **KES. 1,627,977,957** representing absorption rate of **72.4** percent. The table below provides the analysis of 2020/2021 half year recurrent expenditure and budget absorption rate by sectors.

Table 8: Departmental Recurrent Expenditure Analysis for the first half of the FY 2020/21

Sector	Approved Recurrent Budget for half Year FY 2019/20	Half Year Actual Recurrent Expenditure for FY 2020/21	Absorption Rate (%)
County Assembly Services	210,677,579	182,755,909	86.7%
County Executive	229,577,203	154,877,582	67.5%
Office of Governor	174,106,076	120,580,910	69.3%
CPSB	30,506,800	21,435,400	70.3%
County Secretary	10,969,904	4,727,672	43.1%
Delivery Unit	13,994,424	8,133,600	58.1%
Finance, Economic planning and ICT	176,061,369	94,458,304	53.7%
Finance	101,028,901	52,236,214	51.7%
Special Programme	22,910,986	7,292,400	31.8%
Economic Planning	26,940,883	18,545,155	68.8%
Cohesion	25,180,600	16,384,535	65.1%
Land, Roads, Urban planning, Housing and Public works	32,410,710	18,902,367	58.3%
Lands	13,772,600	7,252,530	52.7%
Roads	7,700,000	4,712,302	61.2%
Public Works Urban Dev.	10,938,110	6,937,535	63.4%
Agriculture, Livestock, Veterinary and Fisheries	84,942,302	64,012,314	75.4%
Agriculture	26,820,569	18,215,527	67.9%
Livestock	58,121,733	45,796,787	78.8%
Education, Vocational Training, Youth, Sports and Gender	128,746,225	70,875,060	55.1%
Education & Vocational Training	101,712,084	57,582,800	56.6%
Youth & Sports	14,731,453	8,689,000	59.0%
Culture & Social Services	12,302,689	4,603,260	37.4%
Tourism, Trade and Enterprise Development	150,792,036	75,092,579	49.8%
Tourism	67,090,665	46,988,984	70.0%
Trade	9,882,277	6,957,200	70.4%
PSM	73,819,094	21,146,395	28.6%
Water, Energy, Environment and Natural Resources	40,242,214	22,271,418	55.3%
Water	29,717,700	15,908,618	53.5%
Environment	10,524,514	6,362,800	60.5%
Health services	548,966,222	477,927,658	87.1%
Municipal Administration	25,562,098	17,432,644	68.2%
Total	1,627,977,957	1,178,605,835	72.4%

Source: County Treasury, 2021

2.3.3.2 Development Expenditure Analysis

47 The total development expenditure during the first half of the FY 2020/21) was KES.253, 248,848 against half year total Approved budget of KES 969,976,140 representing an absorption rate of 26.1 percent. The table below provides the analysis of development expenditure during the first half of the financial year 2020/21.

Table 9: Departmental Development Expenditure Analysis for the first half of the FY 2020/21

Sector	Development Budget for half Year FY 2019/20	Half Year Actual Recurrent Expenditure for FY 2020/21	Absorption Rate (%)
County Assembly Services	40,000,000	-	0.0%
County Executive	-	-	0.0%
Office of Governor	-	-	0.0%
CPSB	-	-	0.0%
County Secretary	-	-	0.0%
Delivery Unit	-	-	0.0%
Deputy Governor	-	-	0.0%
Finance, Economic planning and ICT	210,524,568	102,322,300	48.6%
Finance	158,565,486	102,322,300	64.5%
Special Programme	51,959,082	0	0.0%
Economic Planning			0.0%
Cohesion			0.0%
Land, Roads, Urban planning, Housing and Public works	96,456,519	-	0.0%
Lands	14,750,000	-	0.0%
Roads	79,956,519	-	0.0%
Public Works Urban Dev.	1,750,000	-	0.0%
Agriculture, Livestock, Veterinary and Fisheries	264,289,533	32,584,194	12.3%
Agriculture	246,668,648	28,844,194	11.7%
Livestock	17,620,885	3,740,000	21.2%
Education, Vocational Training, Youth, Sports and Gender	107,173,716	36,990,330	34.5%
Education & Vocational Training	16,672,447	-	0.0%
Youth & Sports	80,000,000	36,990,330	46.2%
Culture & Social Services	10,501,269	-	0.0%
Tourism, Trade and Enterprise Development	20,700,000	-	0.0%
Tourism	9,700,000	-	0.0%
Trade	9,000,000	-	0.0%
PSM	2,000,000	-	0.0%
Water, Energy, Environment and Natural Resources	61,950,000	4,895,000	7.9%
Water	43,950,000	4,895,000	11.1%
Environment	18,000,000	0	0.0%
Health services	54,390,000	20,491,683	37.7%
Municipal Administration	114,491,805	55,965,341	48.9%
Total	969,976,140	253,248,848	26.1%

Source: County Treasury, 2020

CHAPTER THREE

FORWARD ECONOMIC AND FISCAL DEVELOPMENTS

3.1 Global Economic Outlook and Fiscal Development

- 48 World economic growth is projected to rebound to 5.2 percent in 2021 from a contraction of 4.4 percent in 2020 mainly supported by a gradual strengthening in consumption and investment is also expected to firm up. Growth in the advanced economies is projected to improve to 3.9 percent in 2021 compared to a contraction of 5.8 percent in 2020 supported by improved growths in the major economies particularly the United States and the United Kingdom. Growth in the Euro area is also projected to improve to 5.2 percent from a contraction of 8.3 percent in 2020.
- 49 Growth in the emerging markets and developing economies are also projected to improve to 6.0 percent in 2021 from a contraction of 3.3 percent in 2020. This recovery is well echoed in the forecasted growths of Emerging and Developing Asia and Europe, Latin America and the Caribbean, and Sub-Saharan Africa.
- 50 Consistent with forecast in the other regions, economic growth in the Sub-Saharan Africa region is expected to recover to 3.1 percent in 2021 as most of the economies in the region recover from the adverse effects of the Covid-19 Pandemic.

3.2 National Economic and Fiscal overview

- 51 In the domestic scene, the growth outlook for 2020 has been revised down from the initial projection of 2.6. In this respect, economic growth for 2020 is now estimated at 0.6 percent in 2020 and recover to 6.4 percent in 2021 due to in part, the lower base effect in 2020. Economic growth is projected to slow down to 5.5 percent in 2022 (due to in part the uncertainty associated with the 2022 general elections) and recover to 6.1 percent by 2024. In terms of fiscal years, economic growth is projected to grow by 3.5 percent in FY 2020/21 and further to 6.2 percent over the medium term.
- 52 This growth outlook for FY 2020/21 and the medium term, will be supported by the stable macroeconomic environment, ongoing investments in strategic priorities of the Government under the “Big Four” Agenda, the ongoing public investments in infrastructure projects, the Economic Stimulus Program being implemented and the planned Post Covid-19 Economic Recovery Strategy, turn around in trade as economies recover from Covid-19 Pandemic and expected favorable weather that will support agricultural output. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) which is implementing Vision 2030.

3.3 County Economic and Fiscal Overview

- 53 Broad strategic priorities and policy are specified in the CFSP that will guide the County Government in the preparation of the budget for FY 2021/22 and over the medium term. The County Government will ensure that it continues to work with

the National Government, development partners and other counties in addressing development challenges facing residents of Isiolo County.

54 The County government will implement policies set out in CIDP II over the medium term with a focus on priority programmes identified in public participation forums with a view of securing socio- economic development. The County will focus on resource mobilization through grants and development partners to support development agenda across all sectors over the medium term. Revenue collection will be heightened by ensuring there are sufficient legislations to guide revenue collection, ensure there are no loopholes, improved enforcement and compliance and full integration of revenue collection.

3.3.1 County Fiscal Overview

3.3.1.1 County Revenue Analysis

55 The County Government is expected to receive total revenue of KES. **5,382,342,611** in the financial year 2021/2022. Whose breakdowns are as follows:

- 1 National Equitable share KES. **4,710,388,265**
- 2 Grants for Supplement for construction of County Headquarters worth KES. **68,000,000.**
- 3 The County is further expected to receive external grants and loans worth KES. **486,857,419** from development partners.
- 4 Local Revenue is however projected at KES **117,096,927**
- 5 Medical equipment worth KES **153,297,872** which is deducted at source therefore not included as revenue to the County.

CHAPTER FOUR

STRATEGIC PRIORITIES AND INTERVENTIONS

4.1 Overview

56 Over the Medium-Term the County government is targeting supporting growth in the following priority areas.

4.2 Health services

57 Health sector's overall goal is to attain the highest possible standards of health care to all in accordance with the Constitution and the Kenya Vision 2030. The Constitution underscores the "right to health" while the Vision 2030, the Medium-Term Plan III as well as the "Big Four" (4) agenda for the Government recognizes provision of equitable, accessible and affordable health care of the highest attainable standards to all Kenyans .

58 The National and County Governments have their specific functions that are complementary towards achievement of quality, efficient and affordable Universal Health Coverage (UHC) for all Kenyans, being one of the pillars of the "Big Four" Agenda.

59 The County has a poorly distributed health facility network with a number in rural areas still affected by shortage of technical staff, inadequate supply of medical equipment and commodities hampering access to quality health care. The sector prioritizes efforts to enhance the community health strategy to improve access to primary health care at the lowest level in the community. Enhance Efforts will be geared towards promotion of Primary Health Care Services such as implementation of the 2019-2023 County Nutrition Action Plan (CNAP), Rehabilitation & equipping of the existing health facilities, deploying of staff from headquarters to rural health facilities, Strengthening health management information system and collaboration with private partners through adopting the multi sectoral approach towards addressing County Health challenges.

60 The budget for FY 2021/22 will also focus on reversing the rising burden of communicable and non-communicable conditions by minimizing the health risks through priorities Programme that includes:

- i. Preventive and promotive services;
- ii. Curative Services; and
- iii. General Administration and Support services

4.3 Livestock Management and Crop Productivity

61 Livestock production is the backbone of the County's economy. About 80 percent of the inhabitants derive their livelihoods from livestock related enterprises. The livestock sub sector employs about 70 percent of the rural labour force. The County is also endowed with enormous livestock resources. However the County has huge unexploited potential for livestock production. The major challenges facing livestock production include: Low agricultural and livestock productivity; post-harvest loses; value addition; access to markets and financial intermediation and inclusion; Low agricultural productivity arises from to inadequate extension services; high reliance

of rain fed agriculture; poor quality farm inputs such as seeds and fertilizers; crop and livestock pest diseases and poor farming methods and wildlife destruction; Poor market linkages and inadequate market information that has led to exploitation of farmers by intermediaries hence fetching low prices to farmers produce.

- 62 The County Government intends to invest in the following as a means of mitigating the challenges above: Scale-up of appropriate climate resilient technologies and best practices [Soil & water conservation; Rainwater harvesting systems for dry land agriculture, Scale-up adoption of value chain-linked farm pond systems, etc, Scale-up integration of Nutrition-sensitive production, Promote market-linked micro-Irrigation agriculture, Technologies & Best practices on Post-harvest loss management, Agribusiness opportunities for Youth, Women & PLWD, Support livestock value chains including poultry production, Bee keeping, Pasture production (Fodder banks & seed Bulking), Scale-up of village group saving schemes and Micro-finance, Entrepreneurship / Agribusiness Training, Financial literacy skills, etc., Promote agribusiness and Value addition along selected value chains (e.g. camel milk) – youth & women and the Support for innovations for livelihood diversification through but not limited to Income Generation Activities (IGAs).
- 63 The above interventions are aimed at strengthening community resilience and sustainably ensure that different households and communities meet their production related infrastructural needs.
- 64 The proposed interventions will also provide strengthened capacity to all value chain actors' i.e. farmers and traders in the various value chain enterprises. The Programme design of the various interventions will therefore take into account issues of building capacity among households with special interest vested on youth and women to facilitate their transitioning into viable commercial entities. All ensuing programmes from the above interventions will strengthen the capacity of Project Management Committees (PMCs).

4.4 Water Resource Management

- 65 The County government recognizes that a huge percentage of the inhabitants lack access to clean and safe water within five kilometres reach. 73 percent of the rural areas rely on water sources that are unsafe and are about 25 kilometres of reach during the dry season. Further, the livestock walking distance without stress is estimated at 10 kilometres yet 74 percent of pastoralist walk over 25 kilometres to the nearest water sources during the dry season.
- 66 The main challenges experienced in the sector include;
- i. Delay in procurement due to challenges of the e-procurement system.
 - ii. Inadequate technical personnel for design and supervision of projects
 - iii. Inadequate financing
 - iv. Frequent breakdowns of existing and dilapidated water supplies.

- v. Inadequate community capacity to run and manage the completed water projects
 - vi. Frequent droughts that constrain the allocated resources due to emergencies that require emergency interventions such as water trucking and borehole breakdown repairs
 - vii. Unpredictable rainfall and shortage of water during rainy seasons
 - viii. Upstream abstractions of water from the rivers
 - ix. Poor quality of water, not suitable for human consumption
 - x. Inadequate sewerage systems that lead to pollution of water
- 67 In quest of the theme of this year's budget, the County will focus on continued investment in both surface and ground water sources with an aim of making water safe, adequate, reliable, and affordable. The County government will focus on:
- i. Increasing funding for drilling and equipping of boreholes in rural areas;
 - ii. Increasing funding towards rehabilitation of the rural and urban water supply;
 - iii. Increasing funding for water conservation structures such as dams, water pans and sand dams;
 - iv. Increasing funding towards the protection of water catchment areas;
 - v. Increasing funding towards appropriate water treatment technologies in rural areas; and
 - vi. Increasing funding towards strengthening institutional capacity in the water sector.
 - vii. Employment of more technical staff
 - viii. Investing in wind and solar energy to improve water supply

4.5 Early Childhood Development and Vocational Development

68 The devolved education function is ECDE and village polytechnics. The public raised concerns about the quality of technical education in our Technical Training polytechnics. Some of the challenges faced by these institutions are: low enrolment; inadequate instructors; inadequate equipment and learning tools; inadequate infrastructures as well as community apathy towards technical courses offered at the village polytechnics. The County Government will continue investing in the upgrading and restructuring of the village polytechnics to provide market competitive graduates. The communities raised issues on the quality of ECDE education and proposed interventions such as staffing, construction of more ECDE infrastructure and Scaling up of the school feeding programme to enhance retention. The County Government will also continue to support needy students through bursaries.

4.6 Youth empowerment, Sports and Talent Development

69 The youth aged between 18 – 35 years constitute a large proportion of the County population. The challenges facing Isiolo youth includes: High Unemployment; limited access to economic opportunities and limited mentorship. Additionally, the youths are affected by high incidences of drug and substance abuse as well as increased engagement in criminal activities. The County Government has prioritized youth empowerment programme, which will focus on.

- i. Enhancing technical training with market driven courses. This will include scaling up support of the Isiolo Youth Innovation Centre to Equip youths with necessary trainings for small business start ups.
 - ii. Speed up of rolling out of the youth revolving loans/ grants
 - iii. Designing of Drugs and substance awareness and rehabilitation programmes through the youth department and collaboration with Civil Society Organization.
 - iv. Mentorship programme targeting youths in and out of school on life issues as well as career wise and Mainstreaming youth empowerment across the multispectral intervention
- 70 In sports and talent development, the public identified limited participation in sporting activities due to poor and inadequate sporting infrastructures & activities. The public prioritized sporting funding at the community level to fully engage the idle youths in productive activities, develop talent and ultimately earn livelihood from sports. The county government will invest in completion of Isiolo stadium to nurture talents; performing County/Ward league sporting activities across the county, and rehabilitation of the sports grounds.

4.7 Tourism Development and Wildlife Conflict Management

- 71 The tourism sector is one of the worst hit sectors by the Covid-19 Pandemic and the ensuing containment measures. The massive cancellation of hotel bookings prompted by lockdowns and travel bans imposed in an effort to curb the spread of the virus, occasioned massive job and income losses by many Kenyans directly and indirectly employed in the tourism sector.
- 72 Going forward, the sector is expected to recover gradually following the ease of travel restrictions, opening of international travel, implementation of protocol for management of restaurants and eateries, execution of Magical Kenya Tourism and Travel health and safety protocols and subsequent ‘Safe Travels’ Stamp endorsements and Safer Tourism Seal.
- 73 To stimulate recovery of the County Tourism sector, the County Government needs to scale up efforts to promote aggressive post Covid-19 tourism marketing and providing necessary infrastructural support such as: game reserve roads improvement; rehabilitation of game reserve staff houses; provision of rangers’ communication tools and equipment; recruitment and training of rangers. These will continue to provide an enabling environment for the sector to thrive in addition to marketing Isiolo game reserves and hotels as a preferred tourism destination.
- 74 Once all these are implemented The County Own Revenue from the tourism sector will gradually grow over the medium term period and then be used in funding other County Development Programmes / Projects.
- 75 Some sections of the County have been experiencing increased human wildlife conflict due to the increased competition for limited resources. This has led to loss of

livelihoods for farmers and households and in some extreme cases loss of lives from being mauled by wild animals. The County Government will collaborate with all agencies and jointly work with the communities to empower them to be part of the solution and not merely victims.

4.8 Lands, Urban Planning and Development, Roads & Infrastructure& public works

- 76 The land, urban planning and development are critical in enhancing the delivery of basic services to the population. The challenges posed by poorly organized patterns of settlement in the urban and rural areas are making service delivery costly.
- 77 Further, the public identified emerging challenging in the sector that includes poor urban planning, weak implementation of urban plans, inadequate supportive urban infrastructure, poor solid and liquid waste management systems, inadequate time consuming land adjudication services and inadequate survey, mapping and land titles among farmers and land owners in urban areas.
- 78 To address the challenges the government intends to formulate favorable physical planning, housing and land resource land policies for efficient realization of orderly land use and urban development. This includes improving urban planning and infrastructure development, improving land information management (digitization of land registry) and the increasing households with secure land tenure system through the following:
- 79 Enhancing Land survey, planning and titling: This will target urban land ownership, mapping and issuance of title deeds throughout the county. Land being a key factor of production, titling will provide an impetus to land development. The County will also target to improve slow land succession processes through collaboration with relevant national agencies to unlock land adjudication within the County.
- 80 The roads, Infrastructure and public works play a significant role as a driver and an enabler in the implementation of the Governor's Manifesto and the ever increasing urbanization especially Isiolo town that demands for new infrastructures. The Sector aims at providing efficient, affordable and reliable infrastructure which is critical for Socio-Economic Transformation underscored in the 2018-2022 CIDP. All these will be achieved through urban and rural road improvements, lighting, drainage maintenance and developments of solid and liquid waste management etc.

4.9 County Administration

- 81 The Sector is a fundamental pillar of the County Economy. It provides overall county leadership, oversight and policy direction; prudent public finance management for transparency and accountability; coordinates county and sectoral development planning; management and coordination of County Government activities; and ensures effective and efficient Public Service.

82 The sector will create an enabling environment for business, mobilization of resources for investments and development, and promote equitable County Socio-Economic Development.

4.10 County Assembly

83 The County Assembly will concentrate on development of county assembly chamber.

4.11 Public Participation/ Sector Hearings and Involvement of Stakeholders

84 The law requires that the input of the public be taken into account before the Budget proposals are firmed up. In this regard, Public Hearings for the CFSP 2021 were held in February 2021. **Annex 1** provides a summary of issues raised during the Public Hearings.

CHAPTER FIVE

FISCAL POLICY AND BUDGET FRAMEWORK

4.5 Overview of County Fiscal Policy

- 85 The objective of the fiscal policy is to support Economic Growth and ensure the debt position remains sustainable while at the same time supporting the County system for effective delivery of public goods and services in a sustainable manner.
- 86 The County Fiscal policy aims at shifting more public resources from recurrent to development expenditure to promote sustainable and inclusive growth in the long run. Specifically, over the medium term, at least 30 percent of the budget shall be allocated to development expenditure.
- 87 The fiscal policy will reinforce County Government's commitment to responsible financial management practices as outlined in the Public Finance Management Act 2012 while providing platform for the implementation of the CIDP 2018-2022 and all other policy documents within a context of sustainable public financing.
- 88 Much emphasis will be put on efficiency and improving the productivity of expenditure while at the same time ensuring that adequate resources are available for operations, maintenance, and development. Expenditure will promote equitable development as well as making provisions for any marginalized groups in the County.
- 89 The County government remains steadfast in implementing sound fiscal policies to create the necessary conditions for enhanced economic prosperity. The policies focus on critical development programmes in Health Services, livestock management and crop productivity, water resource management, ECDE and vocational development, roads and infrastructural development and tourism and cooperative development. In addition, the County is putting up strategies to improve revenue collection as well as consider external resource mobilization to finance development programmes as outlined in CIDP 2018-2022.
- 90 The County's fiscal policy for the FY 2021/22 budget and over the medium term aims at:
- i. Shifting more public resources from recurrent to Development Expenditure to promote sustainable and inclusive growth in the long run. At least thirty percent of the total County revenue shall be used in the implementation of development projects. More resources will be directed towards addressing the COVID pandemic activities in the County.
 - ii. With the current COVID pandemic situation in the Country, the County will put measures in place to expand its revenue base over the medium term with a view of ensuring improved Own Source Revenue collection by improving efficiency in terms of cost savings in recurrent expenditure and ensuring priority is given to the development projects;

- iii. Ensuring a balanced budget is maintained over the medium term period. In case of any forthcoming deficit, the County government will take prudent measures to reduce appropriations or increase revenues with minimal effects on public service delivery;
- iv. Expanding investment inflows by encouraging private sector investments. The County will continue venturing in public private partnerships with potential local and foreign investors and other development partners to assist in County development; and
- v. Productivity reforms in the public sector to improve value for money in service delivery.

5.2 County Fiscal Framework

91 Medium-Term Fiscal Framework aims at stimulating sustainable socio-economic growth and development while achieving a balanced fiscal policy. The main objective is to support speedy investment and effective delivery of public goods and services in a sustainable manner. The overall budget deficit is expected to remain at zero in the short term. In the long term, however, efforts will be made to maintain the budget deficit at less than a figure approved by the County assembly of total expenditure to secure fiscal sustainability.

92 The fiscal policy will be achieved through the County Government's commitment in ensuring a strong revenue base. The measures to achieve this is already contained in the County Finance Act, 2019 and is in line with the best practices that will help improve compliance in payment, minimize delays, and strive towards the revenue potential of the County. Further, the County treasury will develop and implement initiatives that will rationalize existing revenue incentives, expand the revenue base and eliminate the possibility of revenue leakages.

93 The County will continue to rationalize expenditure towards those priority programmes identified in public consultative forums. The critical programmes to be implemented are expected to accelerate County economic activities and socio-economic development.

5.2.1 Observing Fiscal Responsibility Principles

94 The County Government knows that the fiscal position it takes today will have implications in the future. Therefore, in line with the Constitution and Section 107 of the Public Finance Management Act (PFMA) of 2012 which outlines the fiscal responsibility principles, the principle of sharing the burdens and benefits of the use of resources between the present and future generation implies that we must make prudent policy decisions.

95 The ratio of development to recurrent expenditure will be at least 30:70 over the medium term, as set out in the law. In order to address the risks associated with wage bill and other operational expenses crowding out development, the proportion will be

managed in a manner that it should decrease or remain constant as the total expenditure increases. To ensure that the County Government get competitive rates for goods and services from its suppliers, payments shall be made on timely basis to nurture confidence and creditworthiness.

96 The County Government is also guided by Article 201 of the Constitution of Kenya that provides public finance principles to be followed that include: openness; accountability and public participation in financial matters. In this regard the County will involve the Public in developing priority programmes/projects for implementation. The County government shall also involve the various stakeholders in determining fees and levies for services offered which are expected to be fair with the overall goal being to promote equitable development of the County.

97 The County plans to raise its revenue through efficient collection methods, widening of revenue base, and applying reasonable revenue rates. It is therefore imperative to reform and modernize the County Revenue Management systems to ensure stability of revenue effort, while at the same time continuing to restructure expenditure systems to ensure efficiency and create fiscal space required to fund priority programmes on sustainable basis.

5.2.2 Fiscal and Public Financial Management Reforms

98 Reforms in policy, planning and budgeting will focus on strengthening data collection/analysis and reviewing budget procedures to ensure budget formulation process is appropriately integrated with planning.

99 The County Government will undertake several measures in improving revenue and expenditure performance. These include modernizing revenue administration infrastructure through automation of all key revenue collection points to ensure efficient and effective service delivery. The County will continue with expenditure management reforms to improve efficiency and reduce wastage in line with the PFM Act (2012) and fully embrace the Integrated Financial Management Information System (IFMIS).

100 The County will also strive to ensure full stakeholder participation, transparency and accountability, and in adherence to the PFM Act on budget process, public consultation shall be ensured on all matters of planning and budgeting.

5.3 Budget Framework for 2021/2022

101 The budget framework for financial year 2021/22 targets strategic priorities outlined in the ADP for FY 2021/22 and CIDP 2018-2022. The County Government will continue to re-direct most of its expenditure from non-core recurrent items to finance development activities.

102 During the medium term, the County Government will continue to diversify its revenue sources with great emphasis on identifying new revenue streams. Additionally, the overall budget deficit and current account deficit are projected to

decline as the County government has taken measures to contain Own source revenue targets and regularly revise the own source revenue base in line with the presiding economic conditions and also strictly adhering to budget lines.

103 The County will continue pursuing public private partnerships/ collaborations with potential local and foreign development partners to assist in bridging the budget gaps.

5.3.1 Revenue Forecasts

104 The total revenue projection estimate for the financial year **2021/22** is **KES 5,509,805,971** which is approximately **5.7%** percent more than the revenue estimates of financial year 2020/21 which is **KES 5,195,908,193**. This is due to an increase in the equitable share allocation to the County which is projected to be **KES 4,710,388,265**, Own source revenue target is expected to be **KES 113,686,337**, Conditional grants and loans from Development Partners of is projected at **KES 597,286,901**, **KES 68,000,000** Supplement for Construction of County Headquarters and additional **Kshs 20,444,468** Unspent balance for Transforming Health Systems for Universal Care Project.

5.3.2 Expenditure Forecasts

105 To fully implement the expenditure forecast by sectors for the financial year 2020/21, the expenditure forecast for priority programmes in the financial year 2021/22 stands at **KES. 5,436,304,080** comprising of a recurrent expenditure forecast of **KES 3,418,753,709** and development expenditure forecast of **KES 2,017,550,371**. Both recurrent and development expenditure forecasts over the medium term are presented in table 10 and 11 respectively.

106 The resources that the County will require to implement priority programmes in the 2020 Annual Development Plan will be partly met through the Medium-Term Expenditure Framework (MTEF) budget. The projected revenue target for the Financial Year 2021/22 is **KES. 5,509,805,971** including grants against the total sector expenditure projections of **KES 5,436,304,080** excluding grants

107 Given that the County will be operating within a tight budgetary framework, full realization of the strategic objectives as outlined in the County Annual Development Plan, 2021 will largely depend on the goodwill of other development partners.

5.3.2.1 Recurrent Expenditure Forecasts

108 The table below provides the recurrent expenditure forecast by sectors over the medium term (Financial Year 2020/21 to Financial Year 2023/24).

Table 10: Departmental Recurrent Expenditure Forecast for FY 2020/21 to 2023/24

Department	Ceilings 2020/21	Expenditure Forecast FY 2021/22	Projection Estimates FY 2022/23	Projection Estimates FY 2023/24
	Recurrent	Recurrent	Recurrent	Recurrent
County Assembly	421,355,158	422,619,223	443,750,185	461,500,192
Governor,Office	348,212,151	323,520,151	339,696,158	353,284,005

Department	Ceilings 2020/21	Expenditure Forecast FY 2021/22	Projection Estimates FY 2022/23	Projection Estimates FY 2023/24
CPSB	61,013,600	60,831,232	63,872,794	66,427,705
Deputy Governor		22,401,125	23,521,181	24,462,028
County Secretary	21,939,807	23,475,593	24,649,373	25,635,348
Delivery Unit	27,988,848	26,862,157	28,205,265	29,333,475
Finance And Economic Planning	202,057,801	161,628,760	169,710,198	176,498,606
Economic Planning	53,881,766	49,781,130	52,270,186	54,360,993
Special Programmes And ICT	45,821,972	42,456,000	44,578,800	46,361,952
Cohesion	50,361,199	43,412,423	45,583,044	47,406,366
Lands And Physical Planning	27,545,199	20,811,251	21,851,814	22,725,886
Roads And Infrastructure	15,400,000	16,116,000	16,921,800	17,598,672
Public Works And Housing	21,876,220	28,653,816	30,086,506	31,289,967
Agriculture	53,641,138	58,555,606	61,483,387	63,942,722
Livestock & Fisheries	116,243,466	109,560,639	115,038,671	119,640,218
Education And Vocational Training	203,424,167	245,526,330	257,802,647	268,114,753
Youth And Sports	29,462,905	23,596,534	24,776,361	25,767,415
Culture And Social Service	24,605,377	23,182,577	24,341,706	25,315,374
Tourism And Wildlife	134,181,330	132,056,210	138,659,020	144,205,381
Trade	19,764,553	19,910,524	20,906,051	21,742,293
PSM	147,638,188	161,016,352	169,067,170	175,829,856
Administration		20,111,100		
Water And Sanitation	59,435,400	60,128,924	63,135,370	65,660,785
Energy, Environment And Natural Resource	21,049,028	31,803,033	33,393,185	34,728,912
Health Services	1,097,932,444	1,226,365,795	1,287,684,085	1,339,191,448
Municipal Administration	51,124,196	64,371,223	67,589,784	70,293,376
Loans And Grants	0	-	0	-
	3,255,955,913	3,418,753,709	3,589,691,394	3,733,279,050

5.3.2.2 Development Expenditure Forecast

109 The table below provides the development Expenditure forecast over medium term (FY 2020/21 to Financial Year 2023/24)

Table 11: Departmental Development Expenditure Forecast for FY 2020/21 to 2023/24

Department	Ceilings 2020/21	Expenditure Forecast FY 2021/22	Projection Estimates FY 2022/23	Projection Estimates FY 2023/24
	Development	Development	Development	Development
County Assembly	80,000,000	80,000,000	84,000,000	87,360,000
Governor,Office	0		0	-
CPSB	0		0	-
Deputy governor	0		0	-
county secretary	0		0	-
Delivery unit	0		0	-
Finance and Economic Planning	317,130,972	481,520,000	505,596,000	525,819,840
Economic Planning	0	-	0	-
Special Programmes and ICT	103,918,164	132,686,000	139,320,300	144,893,112
Cohesion	0		0	-
Lands and Physical Planning	29,500,000	21,101,775	22,156,864	23,043,138
Roads and Infrastructure	159,913,038	150,008,336	157,508,753	163,809,103
Public Works and Housing	3,500,000	2,640,000	2,772,000	2,882,880
Agriculture	493,337,295	20,800,000	21,840,000	22,713,600
Livestock & Fisheries	35,241,770	30,207,911	31,718,307	32,987,039
Education and Vocational Training	33,344,894	32,601,063	34,231,116	35,600,361
Youth and Sports	160,000,000	38,800,000	40,740,000	42,369,600

Department	Ceilings 2020/21	Expenditure Forecast FY 2021/22	Projection Estimates FY 2022/23	Projection Estimates FY 2023/24
Culture and Social Service	21,002,537	24,434,638	25,656,370	26,682,625
Tourism and Wildlife	19,400,000	21,620,285	22,701,299	23,609,351
Trade	18,000,000	22,645,202	23,777,462	24,728,561
PSM	4,000,000	14,586,299	15,315,614	15,928,239
Administration				
Water and Sanitation	87,900,000	85,091,804	89,346,394	92,920,250
Energy, Environment and Natural Resource	36,000,000	43,760,894	45,948,939	47,786,896
Health Services	108,780,000	162,157,968	170,265,866	177,076,501
Municipal Administration	228,983,610	166,030,777	174,332,316	181,305,608
Loans and Grants		486,857,419	511,200,290	531,648,302
	1,939,952,280	2,017,550,371	2,118,427,890	2,203,165,005

5.4 Risk Management

110 To ensure fiscal discipline, the County government will have a balanced budget in the Financial Year 2021/22. It will ensure that the allocated resources for spending are proportionate to the revenues expected. The budget will be financed through transfer from the National Government and County Own Revenue sources such as fees and charges, rates, among others as allowed by the County Government Acts.

111 The table below gives a breakdown of the various risks, their impact and the mitigation measures to be employed.

Risk Management over the Medium Term Period

Risk	Impact	Mitigation
Pending bills	Crippling the County Government's ability to deliver in subsequent financial years.	Implementing projects in a timely manner and adherence to budget lines
Adverse effect of COVID-19 global pandemic	Underperformance of revenue streams hence revenue shortfalls	County Government will develop framework for actions aimed at protecting businesses from the severe effects of the pandemic
Own Source Revenue Shortfalls	Budget deficits leading to accrued domestic payables	Enhanced resource mobilization from development partners
Delayed Disbursement of Funds	Delayed implementation of county activities/programmes.	Prepare a procurement plan that is in sync with the cash flow.
Planning and Implementation Process Risks	Lack of project ownership and sustainability of projects. Delayed /Untimely approvals of County policies and laws.	Restructuring of public participation. Adequate time and consultation for each of the laws, policies.
Procurement Processes	Delayed implementation of county budget	Enforcing Public Procurement and Disposal Act, 2015 Designing of implementable work plans for execution.
Accounting and Reporting Risks	Internal audit oversight and accounting errors.	Regular review of financial statements and approved selection of accounting policies.
Technical Risks.	Sub-standard quality of infrastructure and systems installation	Strengthening of the design and BQ section.
Absorptive Risks	Delayed delivery of service.	Monthly and quarterly implementation reporting of all county projects and programmes.

Risk	Impact	Mitigation
		Strict adherence to financial procedures and regulations in project implementation. Performance contracting for County employees.
Change Management risk	Implementation of projects outside sector needs and duplication of projects.	Strengthening of the Sector Working Groups.
Natural calamities	Drought, Floods & Diseases resulting in reallocation of budget to accommodate the situation.	Establishment of an Emergency Fund
Court cases.	Litigations and court injunctions may derail timely execution of the Budget.	Strict adherence to the provisions of the law and existing legal frameworks
Political risks	Delayed approval of bills and laws, hampering legal timelines and implementation of projects and programmes.	Continuous engagement with the County Assembly.

CHAPTER SIX

MEDIUM TERM EXPENDITURE FRAMEWORK

6.1 Overview

- 112 The policy measures outlined in MTEF budgeting will prioritize investments in the implementation of the County Strategic Interventions such as completion of the ongoing programmes and projects. Building on these gains, the County Government will strengthen implementation of programmes that make economic growth more inclusive and pursue measures that avail liquidity to private sector, including initiating innovative products to boost credit/ grants to Micro & Small Enterprises (MSE).
- 113 As we finalize preparation of the budget for the FY 2021/22, we are clearly conscious of our limited fiscal space occasioned by revenue shortfalls and rising expenditure pressures. To reverse this outcome, the County Government will continue to pursue the fiscal consolidation policy. This policy is expected to provide and maintain necessary balance between revenues and expenditures so as to ensure that the overall fiscal deficit is kept under control and to a bare minimum so as safeguard macroeconomic stability. The reduction in the fiscal deficit will reduce the pace of growth of the domestic payables.
- 114 The expenditure priorities in this CFSP have been critically reviewed through wide consultations to ensure that they are in accordance to the County Government strategic priorities including County socio economic re-engineering and recovery strategy and the national government “Big Four” Agenda. Consequently, budget allocations have been premised on the sustainability, affordability and the degree to which the programmes contribute towards job creation, reduction in poverty and inequality.
- 115 In the view of the limited resources, the County government identified priority sectors that will continue to receive considerable resources. These priority sectors are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions.

6.2 Resource Envelope

- 116 The resource envelope projections for the FY 2021/22 and over the medium term will largely target the transfers from the Development Partners as provided for by the County Allocation of Revenue bill 2021 and the own source revenue collection as per the County Finance Act.
- 117 All the conditional transfers are included in the resource envelope for FY 2021/22. The County will also continue to benefit from grants intended to support health sector service delivery. These funds will be allocated to County Governments based on the criteria specified in the financing agreement between the Government of Kenya and the development partners. The table below shows the resource envelope over the medium term.

Table 12: Resource Envelope for FY 2021/22

Revenue Streams	Estimate 2020/21	Projection Estimate 2021/22	Projection 2022/23	Projection 2023/2024
External Revenue Estimates				
Equitable Share	4,177,800,000	4,710,388,265	5,087,219,326	5,494,196,872
General Provisions (Equitable Share)	4,177,800,000	4,710,388,265	5,087,219,326	5,494,196,872
Conditional Allocations From National Government	233,336,461	68,000,000	73,440,000	79,315,200
Funds Received from Road Maintenance Levy Fund	124,519,106		0	0
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461		0	0
Supplement for Construction of County Headquarters	100,000,000	68,000,000	73,440,000	79,315,200
Conditional Allocation for Development of Youth Polytechnic	5,344,894		0	0
Conditional Allocations From Development Partners	671,085,395	617,731,369	0	0
Current Grants from Foreign Governments Danida	12,060,000	9,396,750.00		0
Kenya Devolution Support Programme (KDSP) World bank	45,000,000	0		0
World Bank Loan for Transforming Health Systems for Universal Care Project	26,720,000	25,534,815.00		0
World Bank Loan for Transforming Health Systems for Universal Care Project B/F 2020/2021		20,444,468.00		
Climate Smart Agricultural Project	479,143,620	330699130		0
UNFPA		8,864,000.00		
Urban Support Project Development	93,968,100	120374189		0
World bank – emergency locust response		76,030,667.00		
Sweden Agricultural Sector Development Support Programme (ASDSP)	14,193,675	26,387,350.00		0
Gross County External Revenue Estimates	5,082,221,856	5,396,119,634	5,160,659,326	5,573,512,072
Gross Internal Revenue Estimates	113,686,337	113,686,337	135,246,951	156,210,228
Gross County Revenue Estimates	5,195,908,193	5,509,805,971	5,295,906,277	5,729,722,300

Source: Draft CARA, 2021

6.3 Proposed Resource Allocation Prioritization Criteria

118 The resources available will be shared in accordance with the following prioritization criteria:

- (i) **Non-Discretionary Expenditure:** This expenditure takes first charge and includes payment of staff salaries and other statutory payments. Personnel emoluments are projected to account for about **37.8** percent of the resource envelope.
- (ii) **Operations and Maintenance:** These are resources available to sectors for basic operations and maintenance. This will account for about **24.5** percent of the non-discretionary expenditures.
- (iii) **Development Expenditure:** This will account for **37.7** percent of the projected revenue. Development expenditures will be shared based on the programs that address the County priorities and other strategic interventions as in the 2020, Annual Development plan.

119 The following guideline will be used on the development expenditure:

- (i) **Outstanding Projects:** Greater emphasis will be put on the completion of on-going projects.
- (ii) **Strategic Interventions:** Priority will be given to policy interventions with high impact on poverty reduction, climate change mitigation and adaptation, environmental conservation, and value chain addition.

6.4 Overall Spending Priorities

120 In finalizing the preparation of the budget for the financial year 2021/2022, the County Government will continue to pursue the policy of limiting less productive expenditures and redirecting resultant savings to capital investment. Effective use of resources will be sought across spending units and any identified saving will be redirected to deserving priority expenditures.

6.5 Medium-Term Expenditure Baseline Ceilings

121 The 2020/2021 baseline estimates depicts the department's current spending levels. In the recurrent expenditure category, expenditures on compensation of employee's accounts for about 37 percent of the resource envelope and it take the first charge. Expenditure on operations and maintenance accounts for 27 percent of the total County Resource Envelope. Overall, the recurrent expenditure on compensation to employees and operations and maintenance account for about 64 percent of the projected resource envelope. The balance of 36 percent from total resource envelope is the resources available to fund planned development programmes.

122 The County will be committed to implementing priority programmes to achieve the County aspirations as outlined in the 2020 ADP and 2018-2022 CIDP while taking into account the need to optimize use of resources during the period. The County will in this regard develop a framework for better quality services based on strong links

between resources, budgeting, monitoring and clear expectations for delivering planned outcomes.

123Therefore the 2021/22 recurrent expenditure projection on compensation of employee's will account for about 37.8 percent of the resource envelope and it take the first charge. Expenditure on operations and maintenance accounts for 24.5 percent of the total County Resource Envelope. Overall, the recurrent expenditure on compensation to employees and operations and maintenance account for about 62.3 percent of the projected resource envelope. The balance of 37.7 percent from total resource envelope is the resources available to fund planned development programmes.

6.6 Departmental Priorities Ceilings

124The departmental budget ceilings for financial year 2021/22 are as provided in table below. Development expenditure allocations are shared out amongst departments based on the CIDP 2018-22 and ADP 2020 as well as other strategic objectives and policy goals identified in this CFSP. The ceilings are likely to change once the final 2021 County Allocation of Revenue Act (CARA) is out. The CARA will also specify the breakdown of all conditional Loans and Grants.

Table 13: Medium Term Expenditure Ceilings.

Department	Ceilings FY 2020/21			Ceiling Estimates FY 2021/22			Projection Estimates FY 2022/23			Projection Estimates FY 2023/24		
	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total
County Assembly	421,355,158	80,000,000	501,355,158	448,252,680	80,000,000	528,252,680	461,700,260	83,200,000	544,900,260	475,551,268	85,696,000	561,247,268
Governor,Office	348,212,151	0	348,212,151	302,040,316	-	302,040,316	311,101,525	0	311,101,525	320,434,571	0	320,434,571
CPSB	61,013,600	0	61,013,600	58,639,215	-	58,639,215	60,398,391	0	60,398,391	62,210,343	0	62,210,343
Deputy governor		0	0	25,000,000	-	25,000,000	25,750,000	0	25,750,000	26,522,500	0	26,522,500
county secretary	21,939,807	0	21,939,807	24,692,234	-	24,692,234	25,433,001	0	25,433,001	26,195,991	0	26,195,991
Delivery unit	27,988,848	0	27,988,848	22,204,882		22,204,882	22,871,028	0	22,871,028	23,557,159	0	23,557,159
Finance and Economic Planning	202,057,801	317,130,972	519,188,773	159,127,379	518,520,000	677,647,379	163,901,200	539,260,800	703,162,000	168,818,236	555,438,624	724,256,860
Economic Planning	53,881,766	0	53,881,766	55,836,173	-	55,836,173	57,511,258	0	57,511,258	59,236,596	0	59,236,596
Special Programmes and ICT	45,821,972	103,918,164	149,740,136	45,992,850	110,000,000	155,992,850	47,372,636	114,400,000	161,772,636	48,793,815	117,832,000	166,625,815
Cohesion	50,361,199	0	50,361,199	49,663,959	40,000,000	89,663,959	51,153,878	41,600,000	92,753,878	52,688,494	42,848,000	95,536,494
Lands and Physical Planning	27,545,199	29,500,000	57,045,199	24,873,199	12,400,000	37,273,199	25,619,395	12,896,000	38,515,395	26,387,977	13,282,880	39,670,857
Roads and Infrastructure	15,400,000	159,913,038	175,313,038	16,016,000	155,500,000	171,516,000	16,496,480	161,720,000	178,216,480	16,991,374	166,571,600	183,562,974
Public Works and Housing	21,876,220	3,500,000	25,376,220	22,751,268	3,500,000	26,251,268	23,433,806	3,640,000	27,073,806	24,136,820	3,749,200	27,886,020
Agriculture	53,641,138	493,337,295	546,978,433	50,013,358	441,117,147	491,130,505	51,513,759	458,761,833	510,275,592	53,059,172	472,524,688	525,583,859
Livestock & Fisheries	116,243,466	35,241,770	151,485,236	121,437,775	52,544,000	173,981,775	125,080,908	54,645,760	179,726,668	128,833,335	56,285,133	185,118,468
Education and Vocational Training	203,424,167	33,344,894	236,769,061	201,898,884	23,000,000	224,898,884	207,955,851	23,920,000	231,875,851	214,194,526	24,637,600	238,832,126
Youth and Sports	29,462,905	160,000,000	189,462,905	30,331,991	100,000,000	130,331,991	31,241,951	104,000,000	135,241,951	32,179,209	107,120,000	139,299,209
Culture and Social Service	24,605,377	21,002,537	45,607,914	20,884,319	14,000,000	34,884,319	21,510,849	14,560,000	36,070,849	22,156,174	14,996,800	37,152,974
Tourism and Wildlife	134,181,330	19,400,000	153,581,330	130,781,330	15,000,000	145,781,330	134,704,770	15,600,000	150,304,770	138,745,913	16,068,000	154,813,913
Trade	19,764,553	18,000,000	37,764,553	28,106,543	2,500,000	30,606,543	28,949,739	2,600,000	31,549,739	29,818,231	2,678,000	32,496,231
PSM	147,638,188	4,000,000	151,638,188	178,273,224	7,000,000	185,273,224	183,621,421	7,280,000	190,901,421	189,130,063	7,498,400	196,628,463
Administration		0	0	12,924,615		12,924,615	13,312,353	0	13,312,353	13,711,724	0	13,711,724
Water and Sanitation	59,435,400	87,900,000	147,335,400	64,377,162	87,791,804	152,168,966	66,308,477	91,303,476	157,611,953	68,297,731	94,042,580	162,340,312
Energy, Environment and Natural Resource	21,049,028	36,000,000	57,049,028	23,381,772	39,806,983	63,188,755	24,083,225	41,399,262	65,482,487	24,805,722	42,641,240	67,446,962
Health Services	1,097,932,444	108,780,000	1,206,712,444	1,198,860,235	163,943,283	1,362,803,518	1,234,826,042	170,501,014	1,405,327,056	1,271,870,823	175,616,045	1,447,486,868
Municipal Administration	51,124,196	228,983,610	280,107,806	57,410,772	269,410,619	326,821,391	59,133,095	280,187,044	339,320,139	60,907,088	288,592,655	349,499,743
Total	3,255,955,913	1,939,952,280	5,195,908,193	3,373,772,135	2,136,033,836	5,509,805,971	3,474,985,299	2,221,475,189	5,696,460,488	3,579,234,858	2,288,119,445	5,867,354,303

CHAPTER SEVEN

CONCLUSION

125 The CFSP 2021 is prepared as a guiding tool for budget preparation of financial year 2021/22. It is meant to broadly define the expected revenues and expenditure over the medium term as well as propose strategies of financing any anticipated deficit. Isiolo County Government is expected to prepare a balanced budget in financial year 2021/22.

126 The set of policies outlined in the CFSP reflects circumstances that are in line with the fiscal responsibilities as outlined in the PFM Act, 2012. They are also consistent with the County Government strategic objectives pursued as a basis for allocation of public resources. These strategic objectives are provided in the County Government priorities spelled out in the national policies and Isiolo CIDP, 2018-2022.

127 The adoption of Program Based Budgeting (PBB) will ensure that all County resources are linked to specific projects outputs and outcomes. The use of the Integrated Financial Management Information System (IFMIS) and the introduction of e-Procurement System will also make it possible for the County to track the resources to results achieved in a more efficient manner.

128 In the budget for the financial year 2021/22, key priority areas are livestock, investment in surface and underground water resources, road infrastructure network, Health services, tourism promotion and Education will receive considerate allocation while maintaining reasonable growth on other County sectors. Allocation of funds to these County key priority areas will generally reflect the critical needs of the County residents. It is envisaged that the enhancement of these key areas will drive the County economy up by creating greater supply hence improving the per capita income of households.

Disclaimer: The figures will be amended once CARA 2021 is approved.