

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF TANA RIVER
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

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Ref. No. TRCG/FIN/2/1(82)
2022

10th November,

The Clerk to the County Assembly,
Tana River County Assembly
P.O Box 113 – 70101,
HOLA

Dear Sir,

RE: 2022 COUNTY BUDGET REVIEW AND OUTLOOK PAPER

We refer to the above subject matter.

The County Treasury has prepared the 2022 County Budget Review and Outlook Paper in accordance with the provisions of Section 118 of the Public Finance Management (PFM) Act, 2012.

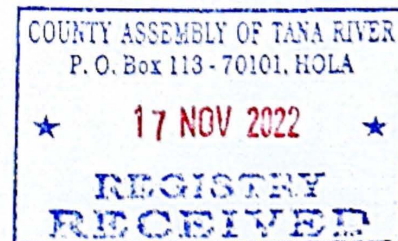
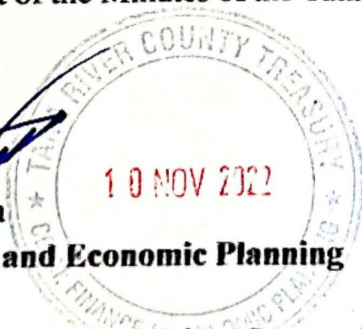
Find enclosed, the following documents as part of the submission of the 2022 CBROP:

1. 2022 County Budget Review and Outlook Paper
2. Excerpt of the Minutes of the Tana River CEC approving the 2022 CBROP.


Mathew Babwoya

CECM, Finance and Economic Planning

cc: The Hon. Speaker, Tana River County Assembly



THE COUNTY GOVERNMENT OF TANA RIVER



THE COUNTY TREASURY

**2022 COUNTY BUDGET REVIEW AND OUTLOOK
PAPER (CBROP)**

OCTOBER 2022



©2022 Tana River County Budget Review and Outlook Paper (CBROP)

To obtain copies of the document, please contact:

Tana River County Treasury

Trade House, County Council Rd.

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HOLA, KENYA

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The document is also available on the County website: www.tanariver.go.ke

FOREWORD

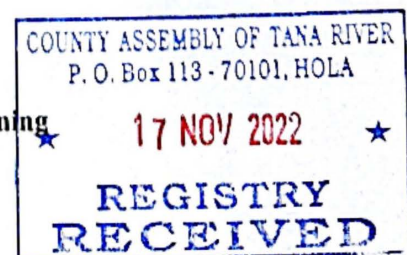
The 2022 County Budget Review and Outlook Paper (CBROP) has been prepared by the County Treasury to provide a review of the fiscal performance by the County government of Tana River during the financial year 2021/2022. It carries out comparisons of the budget appropriations in the same year and provide insight on recent economic developments and the updated economic and financial forecast. Additionally, it provides information to show changes from the forecast in the County Fiscal Strategy Paper (CFSP) of 2021.

The 2022 CBROP is set against the backdrop of global economic slowdown occasioned by higher than expected inflation worldwide, owing to the Russia-Ukraine conflict that has caused an increase in oil, gas and food prices. These have also been compounded by the negative effects of the COVID-19 Pandemic containment measures and the global monetary policy. The global economy, therefore, is projected to slow down to 3.2 percent down from 6.1 percent growth in 2021. Despite the challenges, the Kenyan Economy has shown resilience and recovery from the global shocks due to the diversified nature of the economy and proactive measures by the government to cushion all sectors and support business. Consequently, the growth economy grew by 7.5 percent in 2021 following a modest 0.3 percent contraction in 2020. The growth momentum continued in the first quarter of 2022 with the economy expanding by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021.

On the county scene, the outlook in 2022 will be reinforced by stability of the macroeconomic environment coupled with the continued implementation of the strategic priorities of the county government under the umbrella of the Big Four through the main thematic areas of project and program implementation, and the County COVID-19 Social Economic Re-engineering Recovery Strategy 2021/22 - 2022/23. The County Treasury shall continue to enforce the fiscal responsibility principles in accordance with the Constitution, and the Public Finance Management (PFM) Act, 2012 (Section 107). The county government's recurrent and development expenditures remained within the legal thresholds as per the PFMA, 2012. Principally, the county's growth and development agenda will largely depend on how well the programme-based budget is implemented as well as to what extent the County Government can adopt and implement policies and frameworks to promote ease of doing business for the continued growth of SMEs and the larger tax base.


MATHEW BABWOYA

County Executive Committee Member, Finance and Economic Planning



ACKNOWLEDGEMENT

The 2022 edition of County Budget Review Outlook Paper (CBROP) was prepared in accordance with section 118 of the Public Finance Management Act, 2012 and is the seventh version since the inception of the County Government of Tana River.

I would like to acknowledge all the various departments for their individual contribution to the consolidation of the document. The Financial Reporting Unit (FRU) within the County Treasury and all the county departments were invited to submit their performance on expenditures for the period under review. This information was analyzed by the team lead by our CEC Finance and Economic Planning - Mathew Babwoya, Assistant Director M&E - Amani Bawata, Economic Planning Officer - Arnold Odipo, Economist/Statistician - Machafu Komora, Economist/Statistician - Abdulkadir Rago and the other officers from the Directorate of Economic Planning & Budgeting. These officers spent a significant amount of time putting together this CBROP.

Finally, I express my sincere gratitude to the entire staff of the County Treasury for their dedication and commitment during the entire exercise.



AHMED MAALIM BARAKO

County Chief Officer – Finance and Economic Planning

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ABBREVIATIONS AND ACRONYMS

A-in-A	Appropriations in Aid
ASDSP	Agriculture Sector Development Support Project
CARA	County Allocation of Revenue Act
CBK	Central Bank of Kenya
CRA	Commission of Revenue Allocation
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
eCIMES	Electronic County Integrated Monitoring and Evaluation System
GDP	Gross Domestic Product
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IDEAS	Instrument for Devolution Advise and Support
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
MoH	Ministry of Health
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
OAG	Office of the Auditor-General
OSR	Own Source Revenue
PE	Personnel Emoluments
PFM	Public Finance Management
PWD	People with Disabilities
SRC	Salaries and Remuneration Commission
SWG	Sector Working Group

PREAMBLE

Legal Basis for Preparation of the County Budget Review and Outlook Paper

The Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management (PFM) Act 2012. The law stipulates that:

1. A county Treasury shall;
 - a. Prepare a CBROP in respect of the County for each year; and
 - b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.

2. In preparing its CBROP, the County Treasury shall specify;
 - a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year
 - b. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP)
 - c. Information on:
 - i. Any changes in the forecasts compared with the CFSP; or
 - ii. How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and
 - d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

3. The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.

4. Not later than seven days after the CBROP is approved by the CEC, the County Treasury shall:
 - a. Arrange for the paper to be laid before the County Assembly; and
 - b. As soon as practicable after having done so, publish and publicize the paper.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. Section 107 of the PFM Act, 2012 states that:

1. The County Government's recurrent expenditure shall not exceed the County Government's total revenue;
2. Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;
3. The county Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly;
4. Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;
5. The County debt shall be maintained at a sustainable level as approved by County Assembly;
6. The fiscal risks shall be managed prudently; and
7. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

1. INTRODUCTION

1. The Public Finance Management (PFM) Act, 2012 section 118 requires that among other responsibilities, the “County Treasury to prepare a County Budget Review Outlook Paper”. As such, this paper is prepared in accordance with this section of the PFM Act 2012. The Act requires that every county prepare a CBROP and submit it to the County Executive Committee (CEC) by 30th September of that financial year.
2. The County Executive Committee shall in turn:
 - a. within fourteen days after submission, consider the CBROP with a view to approving it, with or without amendments.
 - b. Within seven days after the CEC approval of the paper, the county treasury shall arrange for the paper to be laid before the County Assembly and after doing so, publish and publicize the paper.

1.1. Objective of CBROP

3. The objective of CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in the CFSP. This together with macroeconomic outlook provides a basis for revision of the current budget in the context of the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium-term policy priorities will be firmed up in the CFSP.

Specifically, the CBROP provides:

- Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- Details of the actual fiscal performance in the previous year compared to the budget appropriation for that particular year;
- Any changes in the forecasts compared with the CFSP;
- Indication on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

1.2. Significance of CBROP

4. The paper is a policy document and links planning with budget preparation and implementation. It is significant in the budget making process within the Medium-Term Expenditure Framework (MTEF) as it reviews previous fiscal performance for the year and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It further assesses how fiscal responsibility principles were adhered to as provided in section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative sector ceilings for the FY 2023/2024 budget and in the medium term to guide Sector Workings groups (SWGs) before being affirmed in the 2023 CFSP.

1.3. Structure of the Paper

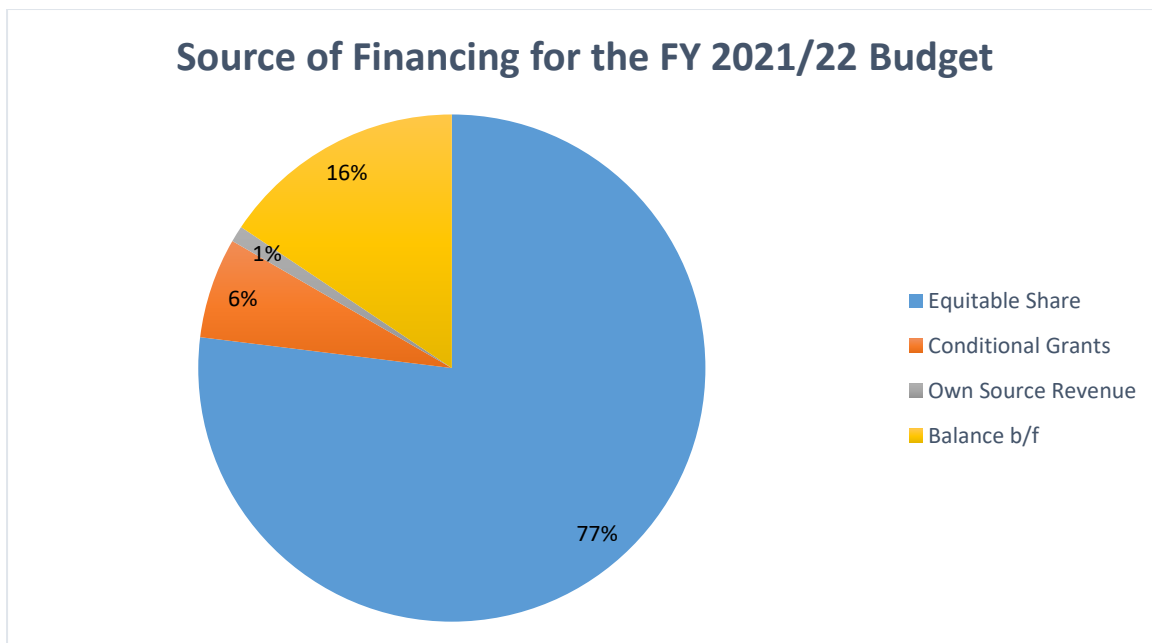
5. This paper has four sections. Section Two reviews the county's fiscal performance for the previous year. It is divided into three sub-sections, namely, The Overview, Fiscal Performance and Implications of Fiscal Performance. Section three reviews recent economic developments and has four subsections of Recent Economic Developments, Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook. Section four sets out how the county government intends to operate within its means. It establishes the resources envelope (total revenues) it expects then allocates these across departments by setting expenditure ceilings for each department. In addition, it has four sub-sections: adjustment to the proposed budget; the medium-term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing. And lastly, section five gives a conclusion of the entire paper.

2. REVIEW OF COUNTY FISCAL PERFORMANCE IN THE FY 2021/22

2.1. Overview

6. This section provides an overview of the performance and implementation of the budget for the Financial Year 2021/2022 and how it affected compliance with the fiscal responsibility during implementation of the CFSP. This makes it useful in providing a basis for setting out broad fiscal parameters for subsequent budgets as well as mapping out a way forward for Tana River County.
7. The County's FY 2021/2022 Approved Supplementary Budget was Kshs. 8.48 billion, comprising of Kshs. 5.51 billion (65 percent) and KShs. 2.97 billion (35 percent) allocation for recurrent and development expenditure respectively.
8. In order to finance the budget, the county was to receive Kshs. 6.528 billion (76.94 percent) as equitable share, Kshs. 543.56 million (6.41 per cent) as conditional allocations, targeted to raise Kshs. 87.84 million as own local revenues which translates to 1.04 percent of the total budget and had a balance from the other financial year (2021/22) of Kshs.1.324 billion which translated to 15.62 percent of the total budget. The expected sources of budget financing are shown in Figure 1.

Figure 1: Source of Financing for the FY 2021/22 Budget



Source: Tana River County Treasury, 2022

2.2. Fiscal Performance

2.2.1. Performance in Revenues

9. During the financial year under review, the county had four sources of funding namely: conditional allocations from both national government and from development partners; equitable share from the (revenue raised nationally; county own source revenue; and a balance from last financial year. There was a slight growth in the Total Revenue and Grants as shown in Table 1 below.

Table 1: Summary of the Fiscal Performance of the County

	FY 2020/21	FY 2021/22		% Deviation	Growth %
	Actual	Approved	Actual		
	(a)	(b)	(c)		
Revenue (Total)	6,815,606,693	8,484,714,371	8,247,651,823	-3%	24%
Unspent Bal from Previous FY	863,219,508	1,324,896,099	1,324,896,099	0%	53%
Total Revenue and Grants	5,952,387,185	7,159,818,272	6,922,755,724	-3%	16%
Equitable Share Allocation	5,357,553,750	6,528,408,765	6,503,832,312	0%	21%
Local Revenue	84,522,595	87,846,000	73,600,493.03	-16%	-13%
Grants (Total)	510,310,840	543,563,507	345,322,919	-36%	-32%
Total Expenditure	6,563,802,968	8,145,250,253	6,295,874,044	-23%	-4%
Recurrent	4,214,040,176	4,321,438,667	3,893,837,000	-10%	-8%
Development	2,010,839,099	1,579,820,981	2,402,037,044	52%	19%
Unspent Bal Current FY	590,727,418	1,324,896,099			

Source – Tana River County Treasury

10. The following challenges contributed the fiscal performance of the FY 2021/2022 being below expectation:

- a. **Delays in disbursement of funds from the National Treasury:** Disbursements from the Exchequer of the equitable share allocation lagged behind the monthly disbursement schedule agreed upon at the beginning of the FY 2021/22 by upto two-months. The delay in disbursements also extended to the conditional grants. This resulted in the delay in the implementation of scheduled activities and thereby less expenditure than what was projected.

2.2.1.1. Equitable Share of Revenue Raised Nationally

11. During the FY 2021/2022, the exchequer release of the equitable share revenue to the County government of Tana River amounted to Kshs. 6.504 billion. This translated to 99%

percent of the allocation. The deviation (balance of the allocation) was received after the closure of the financial year. Additionally, Kshs.1.324 Billion was appropriated in the FY 2021/2022 budget estimates as balance carried forward from the FY 2020/21.

2.2.1.2. Conditional Grants

12. Analysis of the conditional grants released during the period under review reveals that the County received full allocation for grants from the Kenya Urban Support Program (KUSP) - Urban Development Grant (UDG) and Transforming Health System for Universal Care Project (THSUCP).The county partially received conditional grants from Kenya Climate Smart Agriculture (KCSAP), DANIDA (Universal Healthcare in Devolved System Program) and Agricultural Sector Development Support Programme (ASDSP) II.
13. On aggregate, the County received 46 percent of the approved total allocation (about Kshs. 345.3 million) for grants from both national grants and development partners. The Table below shows an analysis of conditional grants received in the FY 2021/2022.

Table 2: Analysis of conditional grants received in the FY 2021/22

	Grants	BALANCE B/F		FY 2021/22			Actual Receipts as % of Annual Allocation	CARA Annual Allocation (%)	Annual Budget Allocation (%)
		Annual Budget Allocation (in KShs)	Actual Receipts in FY 2021/22 (in KShs)	Annual CARA 2021 Allocation (in KShs)	Annual Budget Allocation (in KShs)	Actual Receipts in FY 2021/22 (in KShs)			
A	Conditional Allocations from National Government Revenue								
1	Supplement for Construction of County HQts	0	-	50,000,000	75,000,000	-	0.00%	6.73%	13.80%
2	Compensation for User Fees Foregone	-	-	5,682,537	-	-		0.77%	0.00%
3	VTCSG	1,000,000	-	14,674,894	-	-		1.98%	0.00%
4	Road Maintenance Fuel Levy (RMFL)	229,127,688	-	166,968,802	-	-		22.48%	0.00%
5	COVID-19 Emergency Response Fund	0	-	-	-	-	0.00%		0.00%
6	COVID-19 Health Workers Allowances	0	22,470,000	-	-	-	0.00%		0.00%
B	Conditional Allocations from Development partners								
7	Transforming Health System for Universal Care Project (THSUCP)	49,880,076	-	138,012,263	57,525,672	106,548,424	185.22%	18.58%	10.58%
8	Kenya Climate Smart Agriculture Project (KCSAP)	0	124,159,528	320,630,200	350,271,550	172,556,523	49.26%	43.17%	64.44%
9	Kenya Devolution Support Project (KDSP) Level 1	0	0	-	-	-	0.00%	0.00%	0.00%
10	DANIDA (Universal Healthcare in Devolved System Program)	0	-	16,650,000	12,973,125	6,486,563	50.00%	2.24%	2.39%
11	Instrument for Devolution Advice and Support (IDEAS)	1,104,095	-	14,727,370	19,821,212	-	0.00%	1.98%	3.65%
12	FAO	-	-	-	-	-	0.00%	0.00%	0.00%
13	Agricultural Sector Development Support Programme (ASDSP) II	14,965,394.00	-	15,405,911	27,971,948	23,239,900	83.08%	2.07%	5.15%
14	Kenya Urban Support Project (KUSP) - Urban Development Grant (UDG)	62,422,362	25,930,852	-	-	36,491,510			0.00%
15	Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG)	0	8,800,000	-	-	-			0.00%
Grand Total		358,499,615	181,360,380	742,751,977	543,563,507	345,322,919	63.53%	100.00%	100.00%

2.2.1.3. County Own Source Revenue

14. As shown in Table 3, the total amount of county own source revenue collected in the FY 2021/22 amounted to KShs. 73.6 million. This represented a 16 per cent decrease on the annual own source revenue target of KShs 86.85 million. As compared to the FY 2020/21, the collected amount represents an overall decrease in revenue collection of about 13 per cent.

An analysis of the actual revenue collected in the FY 2020/21 and FY 2021/22 reveals that there are some significant variations in collection among the various revenue streams. There was an increase in the collection of revenue from A.I.A from health facilities (by Kshs. 1.3M), business permit fees (by Kshs. 2.8M), cesses (by Kshs. 23.97M), and vehicle parking fees (by Kshs. 2.96M).

Revenue collected also reduced in some streams: Land rates (by Kshs. 1.5M), and exploitation of county's natural resources (by Kshs. 2.46M).

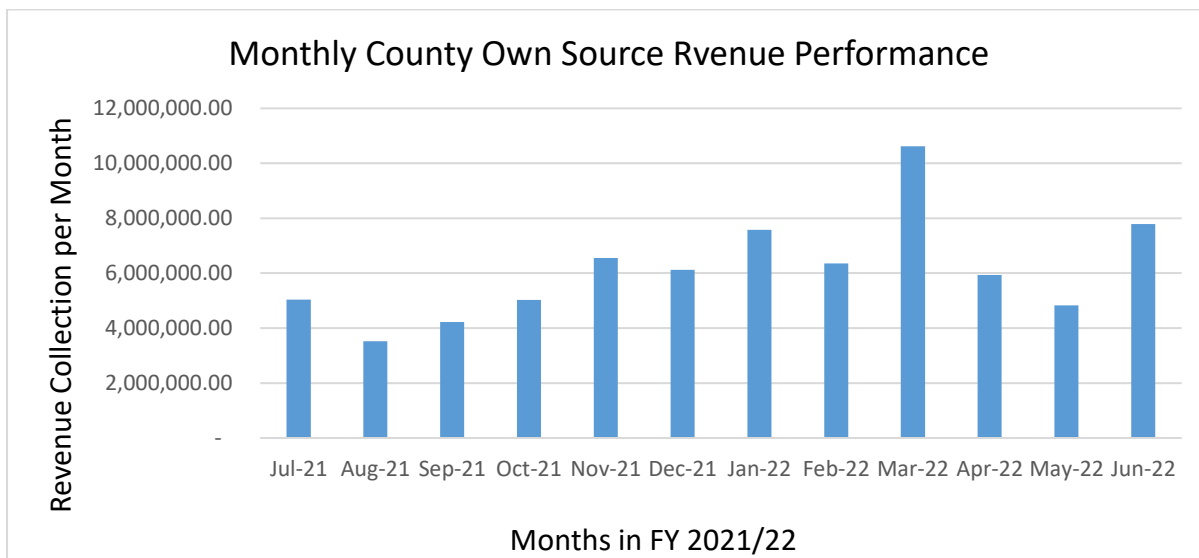
The above analysis also reveals that there are revenue streams that recorded nil revenue in the FY 2021/22. These include receipts from bus park fees, wayleave fees, water charges, house rent, signboards and advertisement fees. Considering the evidence of availability of the aforementioned structures and amenities, measures need to be taken to implement the payment of the related fees.

15. The graph below shows an analysis of revenue collection for the period under review:

	FY 2020/21 Target	FY 2021/22 Original Estimates	FY 2021/22 Supplementary Estimates
Receipts from sale of incidental goods	1,399,200	1,539,120	1,693,032
A.I.A (Health facilities) transferred to exchequer	11,660,000	12,826,000	14,108,600
Land rates	3,731,200	4,104,320	4,514,752
Business permits	7,579,000	8,336,900	9,170,590
Cesses	23,196,580	25,516,238	28,067,862
Plot rents	1,749,000	1,923,900	2,116,290
Administrative services fees	2,098,800	2,308,680	2,539,548
County's natural resources exploitation	10,598,940	11,658,834	12,824,717
Market / Trade centre fees	1,749,000	1,923,900	2,116,290
Vehicle parking fees	816,200	897,820	987,602
Housing	291,500	320,650	352,715
Environment & conservancy administration	676,280	743,908	818,299

Slaughter houses administration	1,982,200	2,180,420	2,398,462
Technical services	5,072,100	5,579,310	6,137,241
GRAND TOTAL	72,600,000	79,860,000	87,846,000

Figure 2: Month-on-Month OSR Performance



(Source - County Financial Reporting Unit)

16. As indicated in the above diagram, in the FY 2021/2022, revenue collection was spread out throughout the financial year but was highest in the third and fourth quarters. Revenue collection was highest in March, 2022 followed by June, 2022 and lowest in August and September, 2021. This is dependent on when revenue is received across certain revenue streams such as single business permit (recorded highest in March, 2022), cess for various products (highs of over Kshs. 3 million in December 2021 and January, 2022), and A-in-A from Health facilities transferred to Exchequer (about Kshs. 400 thousand in October, 2021). The department continues to keenly await the implementation of the National Policy to Support Enhancement of County Own Source Revenues. Meanwhile, collection of OSR in areas such as cess collection has been moved to mobile money transfer platform by way of *m-pesa* till numbers to reduce cash payments and reduce the risk involved and loopholes experienced in the administration of the same.

Table 3: Analysis of Revenue Performance per Stream

Source of Revenue	FY 2020/21 Actual	FY 2021/22 Target	FY 2021/22 Actual	Variance of 2021/22 from 2020/21	Variance of 2021/2022 from Estimates
	(a)	(b)	(c)	(c) - (a)	(c) - (b)
Receipts from sale of incidental goods	0	1,539,120	0	0	-1,399,200
Sale of Tender Documents	-	1,539,120	0	0	-1,452,000
Receipts not classified elsewhere	3,956,827	12,826,000	3,609,784	-347,043	-8,143,173
A.I.A (Health facilities) transferred to Exchequer	3,956,827	12,826,000	3,609,784	-347,043	-8,143,173
Land rates	4,699,828	4,104,320	3,776,748	-923,080	827,828
Land rates / leases	4,699,828	4,104,320	3,776,748	-923,080	827,828
Business Permit	11,307,854	8,336,900	16,934,242	5,626,388	3,442,854
permit fees	11,307,854	8,336,900	16,934,242	5,626,388	3,442,854
Cesses	44,264,654	25,516,238	23,211,033	21,053,621	22,932,354
Rice & paddy	-	600,000	0	0	-726,000
Maize	-	2,500,000	0	0	-3,025,000
fruits & vegetables/Produce cess	42,551,427	3,000,000	0	42,551,427	38,921,427
Charcoal	-	1,230,000	0	0	-1,488,300
Livestock & fish	1,713,227	6,700,000	0	-1,713,227	-6,393,773
Others	-	3,600,000	0	0	-4,356,000
Plot rents	962,260	1,923,900	1,013,225	50,965	-852,740
Plot rent	962,260	1,923,900	1,013,225	50,965	-852,740
Administrative services fees	345,700	2,308,680	912,494	566,794	-1,832,300
plot application fees	345,700	1,000,000	0	-345,700	-864,300
plot transfer fees	-	500,000	53,200	53,200	-605,000
Plot Sub-letting/Plot Sub-division	-	300,000	0	0	-363,000
County's natural resources exploitation	12,557,358	11,658,834	15,820,800	3,263,442	1,558,458
Sand, gravel & ballast extraction fees	916,701	900,000	3,514,400	2,597,699	-172,299
Quarry extraction fees (Consent to mining)	-	2,890,000	0	0	-3,496,900
Gypsum extraction fees	11,640,657	5,300,000	12,306,400	665,743	5,227,657
Market / Trade centre fees	1,284,026	1,923,900	1,638,365	354,339	-530,974
Market entrance Fees	1,284,026	1,500,000	1,638,365	354,339	-530,974
Vehicle parking fees	4,438,157	897,820	3,057,358	-1,380,799	3,591,157
Bus park fees	-	500,000	0	0	-605,000
Toll fees	4,438,157	200,000	3,057,358	-1,380,799	4,196,157
Housing	-	320,650	0	0	-302,500

water charges/House Rent	-	250,000	0	0	-302,500
Environment & conservancy administration	34,470	743,908	838,700	804,230	-667,330
Conservancy fees	34,470	580,000	838,700	804,230	-667,330
Slaughter houses administration	124,210	2,180,420	2,121,840	1,997,630	-1,932,790
Slaughter Fees	123,710	1,200,000	2,121,840	1,998,130	-1,328,290
Hides & skins	500	500,000	0	-500	-604,500
Technical services	547,250	5,579,310	665,904	118,654	-4,716,250
beacon search pointing fees	-	400,000	0	0	-484,000
Survey Fees	400	50,000	0	-400	-60,100
building plan preparation fee (PPI Forms)	-	400,000	0	0	-484,000
Building Plan appv. Fees	-	300,000	0	0	-363,000
building plan approval fee	546,850	380,000	665,904	119,054	87,050
Building Inspection Fee	-	2,200,000	0	0	-2,662,000
wayleave fees	-	500,000	0	0	-605,000
sign boards & advertisements fee	-	120,000	0	0	-145,200
GRAND TOTAL	84,522,594	79,860,000	73,600,493	10,922,101	11,975,394
PERCENTAGE				-13	16

Source: County Treasury Financial Reporting Unit

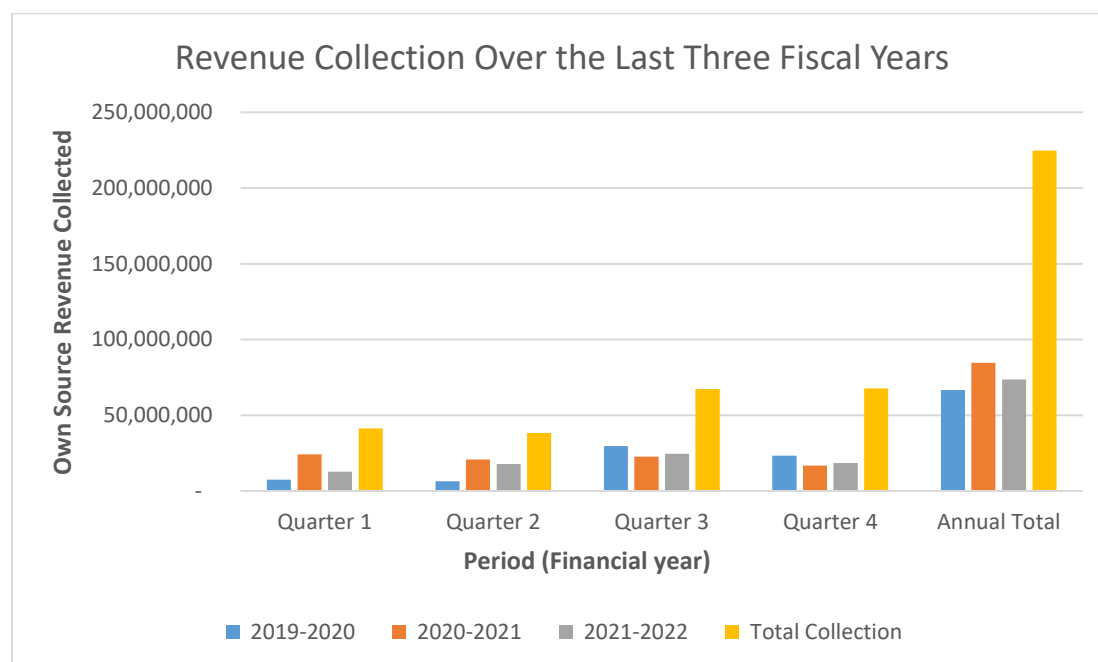
17. The total revenue for the years 2019/2020, 2020/21 and 2021/22 was approximately KShs.224.7 million. The respective revenue for each year is provided in Table 4. While the total revenue showed significant increase from FY 2019/20 to 2020/21, the data shows that more revenue was collected during the 3rd and 4th quarters over the years, and a 13 percent decrease in the FY 2021/22 as compared to the previous FY.

Table 4: Quarterly County Own Source Revenue Performance Over a period of Three Fiscal Years

Financial Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual Total
2019-2020	7,378,392	6,371,459	29,559,883	23,272,699	66,582,433
2020-2021	24,186,948	20,870,074	22,763,569	16,702,004	84,522,595
2021-2022	12,783,115	17,713,035	24,554,988	18,549,356	73,600,493
Total Collection	41,197,353	38,380,046	67,251,997	67,730,325	224,705,521

Source: County Directorate of Revenue

Figure 3: Revenue Performance Over a period of three Fiscal Years



Source: County Directorate of Revenue

2.2.2. Expenditure Performance

18. The total approved expenditure for the financial year was Kshs. 8.485 billion, comprising of Kshs. 5.11 billion (65%) recurrent expenditure and Kshs. 2.974 billion (35%) development expenditure.

During the FY 2021/22, the County received Kshs. 6.922 billion comprising of Kshs. 6.503 billion as equitable share of revenue raised nationally, Kshs. 345.6 million as conditional

grants, Kshs. 72.26 million from own source revenue and Kshs. 1.428 billion as balance brought forward from the FY 2020/21.

2.2.2.1. Budget absorption and comparison between CFSP 2020 Ceilings and FY 2021/22 Budget

Table 5: Budget Absorption and Comparison between CFSP 2021 Ceilings and FY 2021/22 Budget

Department	Ceilings in 2021 CFSP (Kshs. Million)			Budget Allocation in FY 2021/2022 (Kshs. Million)			Exchequer Issues in the FY 2021/22 (Kshs. Million)		Expenditure in The FY 2021/22 (Kshs. Million)		FY 2021/22 Expenditure to Exchequer Issues (%)		FY 2021/22 Absorption rate (%)			Deviation (%)
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Total	
	a	b	c=a+b	d	e	f=d+e	g	h	i	j	$k=(i/g)*100$	$l=(j/h)*100$	$m=(i/d)*100$	$n=(j/e)*100$	$p=(i+j)/(f)*100$	$q=((f-c)/c)*100$
County Assembly	486,497,243	145,000,000	631,497,243	588,396,752	320,000,000	908,396,752	-	-	-	-			-	-	-	44%
Office of The Governor and Deputy Governor	568,322,556	-	568,322,556	583,322,556	-	583,322,556	571,198,545	-	574,167,249	16,532,635	101%		98	-	101	3%
Finance and Planning	481,993,211	382,699,679	864,692,890	806,993,212	644,270,728	1,451,263,940	606,060,626	534,802,755	625,766,689	694,900,768	103%	130%	78	108	91	68%
Public Service Board	69,512,420	-	69,512,420	74,312,420	-	74,312,420	71,042,137	-	50,446,113	-	71%		68	-	68	7%
Trade, Tourism, Wildlife and Cooperative Development	38,590,342	27,000,000	65,590,342	38,590,342	27,500,000	66,090,342	37,471,464	8,627,948	22,265,476	9,617,841	59%	111%	58	35	48	1%
Agriculture, Livestock, Fisheries and Veterinary	171,127,942	101,000,000	272,127,942	190,127,943	526,134,199	716,262,142	165,535,071	157,143,392	126,539,593	326,819,021	76%	208%	67	62	63	163%
Culture, gender, Youth, Sports and Social Services	50,054,560	50,000,000	100,054,560	59,804,560	47,486,000	107,290,560	34,539,479	47,342,926	24,275,512	26,024,048	70%	55%	41	55	47	7%

Education and Vocational Training	221,809,563	44,674,894	266,484,457	226,959,812	39,674,894	266,634,706	207,654,991	29,674,894	192,471,786	61,706,113	93%	208%	85	156	95	0%
Medical Services, public Health and sanitation	1,089,025,847	250,000,000	1,339,025,847	1,221,899,960	210,000,000	1,431,899,960	1,115,572,177	208,826,706	1,112,137,251	104,824,281	100%	50%	91	50	85	7%
Special program	202,274,495	-	202,274,495	184,774,495	-	184,774,495	181,203,839	-	28,676,377	133,665,375	16%		16	-	88	-9%
Roads, Transport, Public works, Housing and Urbanisation	70,147,976	417,968,802	488,116,778	80,147,976	586,096,490	666,244,466	70,722,629	136,445,187	51,273,825	678,756,583	72%	497%	64	116	110	36%
Water, Irrigation, Environment and Natural Resources	89,391,995	170,000,000	259,391,995	134,391,995	216,731,246	351,123,241	124,183,748	211,554,972	136,355,765	124,955,242	110%	59%	101	58	74	35%
Public Service, Administration and Citizen Participation	1,120,068,109	78,000,000	1,198,068,109	1,238,083,309	53,000,000	1,291,083,309	1,057,201,561	34,116,568	882,774,629	9,354,474	84%	27%	71	18	69	8%
Lands and Physical Planning	34,109,120	160,000,000	194,109,120	39,593,120	111,500,000	151,093,120	35,871,221.87	78,622,247	32,117,512	88,878,429	90%	113%	81	80	80	-22%
Hola Municipality	35,000,000	129,000,000	164,000,000	43,500,000	191,422,362	234,922,362	43,181,178.21	132,663,385	34,569,223	126,002,233	80%	95%	79	66	68	43%
TOTAL	4,727,925,379	1,955,343,375	6,683,268,754	5,510,898,452	2,973,815,919	8,484,714,371	4,321,438,667	1,579,820,981	3,893,837,000	2,402,037,044	90%	152%	71	81	74	27%

Budget Allocation:

19. From the above tabulation, it is observed that the following County departments received a significant allocation of development funds during in the FY 2021/22: Roads, Transport, Public Works, Housing and Urbanization (Kshs. 586 million); Finance and Economic Planning (Kshs. 644 million); and Agriculture, Livestock, Fisheries and Veterinary Services (Kshs. 526 million). Similarly, the significant allocation of recurrent expenditure was to the Department of Health (Kshs. 1.2 billion), Department of Finance and Economic Planning (Kshs. 864.69 million), and the Department of Public Service Management, Administration and Citizen Participation (Kshs. 1.24 billion). However, the allocation for both the recurrent and development expenditure in the Department of Finance and Economic Planning had a provision for the settlement of both pending bills in recurrent and development expenditure respectively, hence the significant allocations in both recurrent and development allocations.

Budget Absorption:

20. For the FY 2021/2022, The County achieved an overall absorption on the Budget allocation of 74 percent with an average of 85 percent for recurrent and 55 percent for development. Overall, the departments were more efficient in the absorption of their recurrent budgets than in their development budgets with all departments absorbing more of their respective recurrent than development budgets. The four County departments with the least absorption rates are: Trade, Tourism, Wildlife and Corporative Development (0%), Public Service, Administration and Citizen Participation (9%), Hola Municipality (31%), Lands and Physical Planning (18%), Education, Medical Services, Public Health and Sanitaion which both absorbed 17% of their development budgets respectively.

21. The overall under absorption was a result of non-remittance of May and June equitable share disbursement which was released in July, 2022 (FY 2022/2023). Additionally, the County Assembly did not approve the budget (submitted in January 2022) until October 2022. Consequently, the County could not requisition for funds spend due to the expiry of the previous (2021/2022) appropriation.) and Hola Municipality (UDG) also led to under absorption in the respective votes.

Expenditure to Exchequer Issues:

22. The overall absorption rate was 74 percent; 71 percent being for recurrent and 81 percent for development expenditure. The department of Education had the rate for development expenditure at 156%, with the department of Water, Environment and Natural Resources having the highest absorption rate for recurrent expenditure at 101 percent. The lowest absorption rates were recorded in the departments of trade (35 percent absorption for development expenditure) and Special Programs (16 percent absorption for recurrent expenditure).

Deviation from CFSP:

23. The budget deviated from the CFSP by an average factor of 27 percent. This deviation was caused by the balance brought forward (Kshs. 1.324 billion) from the previous financial year and conditional grant allocations (Kshs. 543.5 million) which were not allocated to specific departments in the ceiling; reason being ceilings were prepared based on total non-discretionary revenue (Equitable Share and Own Source Revenue).

2.2.2.2. Recurrent and Development Expenditure

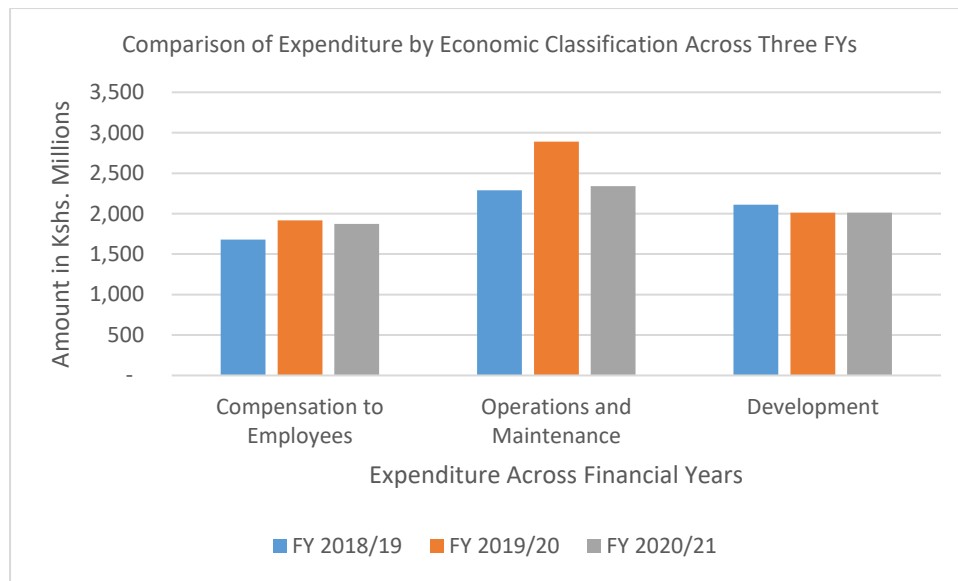
24. In the Budget Estimates for the FY 2021/22, the bulk of the expenditure was recurrent in nature with a recurrent to development expenditure ratio of 65:35. The allocation for development expenditure amounted to Ksh 2.974 billion. The allocation was distributed amongst various departments to implement programmes aimed at cultivating a conducive environment for the expansion of economic activities within the county. Majority of the funds were allocated to the Department of Roads, Transport, Public Works, Housing and Urbanization and for the settlement of pending bills.

25. Considering actual expenditure, the largest amount of the development budget in the FY 2021/2022 was spent in the Department of Roads, Public Works, Housing and Urbanization (Kshs. 609.64 billion out of the Kshs. 1.638 billion spent). The department played a key role in the settlement of pending bills. This is in an effort to comply with the Intergovernmental Budget and Economic Council (IBEC) resolutions, and the PFM regulations, 2015, Section 41 (2) on debt service payment.

2.2.2.3. Expenditure per Economic Classification

26. During the FY 2021/2022, the County spent Kshs 6.295 billion, which was 92 per cent of the total funds released. This was a decrease from KShs 5.72 billion spent in FY 2020/21. Of the KShs 6.29 billion spent, a total of KShs. 3.893 billion was spent on recurrent expenditures while KShs. 2.402 billion was spent on development activities. The recurrent expenditure comprised of Kshs. 1.683 billion for Personnel Emoluments and Kshs. 2.210 billion for Operation and Maintenance. Figure 4 presents a comparison between the total expenditure in the FY 2020/21 and the FY 2021/2022.

Figure 4: Expenditure by Economic Classification in the FY 2020/21 and the FY 2021/22



Implications for the FY 2021/2022 Performance

27. The performance of the county is dependent on the country's economic performance as well as formulation and implementation of prudent fiscal policies by the county government. The under performance in Own Source Revenue (OSR) has a downward effect adjustment in ordinary revenues for FY 2022/23 and the medium term.

Table 6: County Government Fiscal Projections in the Medium Term

		FY 2020/21	FY 2021/22		FY 2022/23		FY 2023/24			FY 2024/25		FY 2025/26	
		Actual	Budget	Actual	Budget	CBROP 2021	CBROP 2021	CFSP 2022	CBROP 2021	CFSP 2022	CBROP 2021	CFSP 2022	
Revenue (Total)	(f) = (d)+(e)	6,816	8,118	8,078	7,941	8,118	7,510	7,510	7,885	7,885	8,278	8,278	
Unspent Bal b/f \Previous FY	(e)	863	966	966	1080	966	0	0	0	0	0	0	
Total Revenue & Grants	(d) = (a) + (b)+(c)	5,953	7,152	7,112	6,861	7,152	7,510	7,510	7,885	7,885	8,278	8,278	
Equitable Share Allocation	(c)	5,358	6,528	6,528	6,528	6,528	6,855	6,855	7,198	7,198	7,557	7,557	
Local Revenue	(b)	85	80	74	88	80	84	84	88	88	92	92	
Grant (Total)	(a)	510	544	510	245	544	571	571	599	599	629	629	
Total Expenditure	(k) = (j) + (i)	6,225	8,118	6,296	8,118	8,118	7,509	7,509	7,884	7,884	8,279	8,279	
Recurrent	(j) = (g) + (h)	4,214	5,267	3,894	5,267	5,267	5,267	5,267	5,530	5,530	5,807	5,807	
<i>Recurrent as % of CG Total Budget</i>		<i>68%</i>	<i>65%</i>	<i>62%</i>	<i>65%</i>	<i>65%</i>	<i>70%</i>	<i>70%</i>	<i>70%</i>	<i>70%</i>	<i>70%</i>	<i>70%</i>	
Personnel Emolument	(g)	1,874	2,223	1,684	2,223	2,223	2,223	2,223	2,334	2,334	2,451	2,451	
Operations & Maintenance	(h)	2,340	3,044	2,210	3,044	3,044	3,044	3,044	3,196	3,196	3,356	3,356	
<i>Personnel Emoluments as % of CG Budget</i>		<i>30%</i>	<i>27%</i>	<i>27%</i>	<i>27%</i>	<i>27%</i>	<i>30%</i>	<i>30%</i>	<i>30%</i>	<i>30%</i>	<i>30%</i>	<i>30%</i>	
Development	(i)	2,011	2,851	2,402	2,851	2,851	2,242	2,242	2,354	2,354	2,472	2,472	
<i>Development as % of CG Total Budget</i>		<i>32%</i>	<i>35%</i>	<i>38%</i>	<i>35%</i>	<i>35%</i>	<i>30%</i>	<i>30%</i>	<i>30%</i>	<i>30%</i>	<i>30%</i>	<i>30%</i>	
Unspent Bal Current FY	(m) = (f) - (k)	591	0	591	0	0	0	0	0	0	0	0	

3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1. Overview

28. This CBROP has been prepared during a global economic slowdown reflecting the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures and higher-than-expected inflation worldwide. The economic tectonics have been triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial conditions. As a result, global growth is projected to slow down to 3.2 percent in 2022 from 6.1 percent in 2021 (WEO July 2022).
29. The diversity of the Kenyan economy, coupled by remarkable recovery to the COVID-19 shock and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020. This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.
30. Activities in agriculture, pastoralist farming and fishing sector remained subdued in the first quarter of 2022 mainly attributed to depressed rainfall during the fourth quarter of 2021 as well as delayed onset of rains during the first quarter of 2022, thereby leading to reduced agricultural production. The sector is estimated to have contracted by 0.7 percent in the first quarter of 2022 compared to 0.4 percent growth in the first quarter of 2021.
31. Relaxation of various containment measures, such as the night curfew, lockdowns and travel restrictions coupled with the rollout of COVID-19 vaccination had a positive impact on economic activities. This provided an environment that spurred economic recovery and growth in 2021. There was a general decline in unemployment and inactivity levels, with total employment surpassing the pre-pandemic level. There was a turnaround in Accommodation and Food Services which recorded a significant growth of 23.9 percent compared to a decline of 38.7 percent registered in 2020. Employment in Accommodation and Food Activities industry has been on a recovery mode from the drastic decline at the height of the COVID-19 pandemic. The easing of the pandemic restrictions impacted positively on the employment in the industry as well as the bed occupancy rate, hence increasing employment in the sector.
32. Year-on-year overall inflation rate increased to 8.5 percent in August 2022 from 6.6 percent in August 2021. This is significantly above the 7.5 upperbound threshold and occasioned mainly by higher food and fuel prices globally and within the Country. However, the

overall annual average inflation rate remained under target range (6.6%) as compared to 5.7 percent in August 2021.

33. The foreign exchange market has largely remained stable despite the tight global financial conditions and the high demand for the US Dollar in the international market. The Kenya Shilling to the US Dollar exchanged at Ksh 119.4 in August 2022 compared to Ksh 109.2 in August 2021. Over the same period, the Kenyan Shilling strengthened against other major international currencies. The Euro exchanged at Ksh 121.0 in August 2022 compared to Ksh. 128.6 in August 2021 while the Sterling Pound exchanged at Ksh 143.5 compared to Ksh 150.9 over the same period.
34. Short-term interest rates remained fairly low and stable supported by ample liquidity in the money market. The Central Bank Rate was raised from 7.0 percent to 7.5 percent on 30th May 2022. The tightening of the monetary policy stance was to anchor inflation expectations due to the elevated risks to the inflation outlook as a result of increased global commodity prices and supply chain disruptions. The interbank rate increased to 5.4 percent in August 2022 compared 3.1 percent in August 2021
35. The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate remained stable at 12.3 percent in June 2022 compared to 12.1 percent in June 2021 while the average deposit rates increased from 6.3 percent to 6.7 percent over the same period. This led to a marginal decrease in the average interest rate spread by 0.4 percentage points over the review period.

3.2. Recent Economic Developments

36. The county has witnessed decline in the economic development as a result of the increased cost of doing business occasioned by high fuel prices caused by the ongoing Russia – Ukraine conflict and the drought situation in many parts of the country (including Tana River) due to depressed rainfall. However, sectors like health, water, infrastructure, agriculture and energy continued to cushion the livelihoods of residents of Tana River County during the financial year under review. There were various other challenges apart; key among them being delayed disbursement of funds from National Treasury and inadequate trained personnel in key departments to support the implementation of programmes and projects.

37. Growth is expected to remain resilient growing by 5.8 percent in FY 2022/23 and averaging 6.2 percent over the medium term. This will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. This outlook will be reinforced by the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda and the Economic Recovery Strategy. Additionally, the Government is implementing the third phase of the Economic Stimulus Programs that target strategic interventions in agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation.
38. The Department of Health, Medical Services and Sanitation committed to develop an amenity Wing which is aimed at increasing the total revenue towards the County. The department also prioritized the establishment of a High Dependency Unit at the Hola referral Hospital which will boost the self-sustaining system of the Health sector as well as reduction in referral cases to other Counties. The County under the department additionally procured five more fully equipped ambulances, this sums up the number to fifteen fully equipped ambulances to ensure the citizens of Tana River access to timely and high-quality emergency medical care. The sector has also constructed a newly equipped modern laboratory to increase accessibility and affordability of the health services to its citizens. In partnership with Gotene Kommun municipality from Sweden in 2018 the County allocated more funds to the establishment of mini hospitals across the pilot fourteen clusters. This aims at enhancing the accessibility to basic medical services to its citizen. Since devolution, the sector operationalized its first six- bodied capacity mortuary at the Hola referral hospital. Furthermore, the sector supported the completion of the Hosingo dispensary and the renovation works at the Wenje dispensary. The department continues to contain and control the spread of the COVID-19 pandemic in all aspects such as community awareness, community and facility- based vaccination, case management, data management and procurement of personal protective equipment.
39. The COVID-19 crisis has drawn attention to the already overburdened health sector, and to the challenges faced in recruiting, deploying, retaining and protecting sufficient well-trained, supported and motivated health workers. It highlights the strong need for sustainable investment in health systems, including in the health workforce, and for decent working conditions, training and equipment, especially in relation to personal protective equipment and occupational safety. Social dialogue is essential to building resilient health

systems, and therefore has a critical role both in crisis response and in building a future that is prepared for health emergencies.

40. One of the main development challenges in the county is accessibility to clean water. Towards provision of clean and safe water for socio economic growth, the Department of Water and energy has continued investing in the construction water infrastructure, operationalization and maintenance of Water Supplies, provision of water harvesting storage, floods control and water pan construction. The projects initiated include drilling of 8 boreholes in Kipini, Handampia, Katsangani, Baomo and improvement of the Hola water supply. The Department has also procured 7 no motorcycles and 1,000 water meters and is in the process of installing solar water heating equipment for Hola referral hospital. The Departmen of Environment and Natural Resources successfully implemented several projects such as; creation awareness of the importance of protection and conservation of environment, garbage collection within 8 urban centers, purchased solid waste segregation equipment, purchase uniform for town cleaners, management of prosopis, establishing the areas which have been degraded (Kipini sea shoreline), management of sea water intrusion at Kalota (Ozi), established a report from the visibility studies on the sea water intrusion for further action, establishment and development of 3 sub counties public parks and furnishing the office. The department developed the Tana River Climate Change Act, the Tana River Climate Change Policy, the Tana River Climate Change adaptation plan and climate change action plan.
41. Considering that agriculture is major contributor to the county economy, significant efforts were made to boost the sector. These include the implementation of the Small-scale Irrigation project through which 12 irrigation projects have been supported. The County continued with the implementation of the Agriculture Subsidy Programme through which farmers have been supported with farm inputs such as certified seeds, pesticides and fungicides and in mechanization services. In addition, the department also engaged in empowering farming communities through capacity building to improve their farming skills to enhance productivity.
42. The Department of Lands and Physical Planning is developing the County Spatial Plan, identifying and mapping of key urban towns and development of Eco-villages/clusters which is a flood mitigation measure. Planning of towns provides a spatial framework for sustainable utilization of resources and efficient use of the available land mass. It also

enables formal settlement for the people of Tana River and the growth of urban towns that will in turn bring about economic growth in the County. The current pandemic COVID-19 has slowed down the progress of the above projects but the Department is in the process of ensuring that the above projects are brought to completion to achieve the required results.

43. The Hola Municipality has made significant efforts to ensure that the municipality is planned for and its boundaries set by the department of Lands and Physical Planning. A Municipality Board is in place and a Municipality Manager has been officially appointed. The Municipality, through the Kenya Urban Support Programme (KUSP), undertook the construction of a storm water drainage (phase 1) which is now complete; using the Urban Development Grant (UDG) that will solve water drainage problems and also help flood control and the channeling of surface run off in urban areas. The board in place will ensure that there is efficient service delivery in the municipality that will in turn bring about economic growth.
44. To improve the retention rate in EYE the department of Education and Vocational Training continued with the established school feeding programs. In addition, the department continued to put in place measures to address the rate of unemployment among the youths through provision of best employable skill training and equipping of vocational training centers with modern tools and equipment. The department also released a total of Kshs. 154 million to Ward Bursary Fund to benefit needy students.
45. The department of Trade, Tourism and Industry has operationalized Garsen Market that is now open and it is expected that trade activities will pick and that this will generate revenue to the county government. The department has also set aside a total of about KShs 75 million towards the INUKA Fund to help small scale enterprises across the county to access low interest credit to boost their businesses. The Fund is yet to be operational; The Inuka ACT, Regulation and the Board of management is already in place. The money is also secured in a financial institution.
46. The Department of Roads, Transport, Public Works, Housing and Urbanization achieved a number of milestones. The Roads and Transport sub sector, through the Executive Committee prepared a workplan that was approved by the Kenya Roads Board for the utilization of the Roads Maintenance and Fuel Levy fund for rehabilitation of roads including; B8-Handampia Cluster Road, B8 – Jamuhuri (gravel), and B89 – Garsen Town

road (bitumen). The Public Works sub sector oversaw the continued construction of the County Headquarters in Dayate, with the project currently at 68% completion. The department also managed to upgrade the road leading to and around the County Public Works offices to cabro standard and is in the process of formulation and adoption of building regulations policies that are in line with the goal of providing cost effective, climate proof and sustainable infrastructure within the county. The sub sector also began the construction of a fire station at Dayate as well as training of fire marshals and operators to enable the county operationalize the firefighting services within the urban areas in Tana River.

47. In fulfilling its mandate, the Public Administration and Intergovernmental Relations sector commits to providing overall supervision to all the departments in the County to ensure proper governance and full implementation of the projects, programmes and activities. It also commits to having all government services decentralized to the grassroots level, enhancing internet connectivity to enhance service delivery and ensuring mobilization and prudent use of resources for the development of the county.
48. The Department of Public Service, Administration and Citizen Participation oversaw recruitment in both the executive and the County Public Service Board (CPSB), and civic education of the citizenry through public *barazas*. Construction of Ward Administrators' offices is also on going in various wards. The department has further ensured provision of hand washing soap with running water and/or sanitizers to all offices as a measure of keeping the staff and public safe from the COVID-19 pandemic.
49. The Department of Finance and Economic Planning, has ensured usage of e-procurement by all county departments and agencies and timely financial reporting, formulation of the County Budget and other policies. The department started operationalizing the M&E Policy by constituting ward and sub county level M&E committees. The ward M&E committees each conducted 1 monitoring visit to at least 3 projects in there arear in the FY 2021/22. In the FY 2021/22, the department has prioritized payment of all historical Ineligible Pending Bills cleared for payment by the County Ineligible Pending Bills Resolution Committee.
50. Notably, collection in local revenue declined, with 16% decrease collected compared to the FY 2020/21. This can be attributed to the slowing down of economic activities during the political campaign period. This is expected to improve with the election period having

ended and economic activities resuming to previous levels. The under performance on collection of county own source revenue for the financial year 2021/22 had a negative effect on the resource envelope. The current revenue trend has been taken into consideration and the department is keen to revert to the improvement of own source revenue collection

3.3. County Economic Outlook and Policies

51. For the financial year 2022-2023, the county has emphasized programs and projects across the four strategic objectives: urban planning and climate proof infrastructure development; accessible and quality education; quality and affordable healthcare; and modern and commercially-oriented agriculture.
52. Projects to support the strategic objectives include institutional strengthening of the Hola Municipality, survey and titling of settlements, improving supply and availability of pharmaceutical and non-pharmaceutical supplies in health facilities accros the County, and expansion of the county medical workforce in areas that require specializatio. In agriculture, the county is implementing three projects: KCSAP, ASDSP and IDEAS which are expected to improve food production and resilience against drought. In education, the County continues to establish and improve EYE centre facilities and subsidize vocational training.
53. The County has instituted various mechanisms to ensure efficient utilization of resources. These include rolling out the County M&E committees alongside use of e-CIMES to track results of policies, programmes and projects. Other initiatives on this include adoption of the CIDP II Indicator handbook and improving the human resource capacity for M&E in the Directorate of Economic Planning and Budgeting. The County has also operationalized Sector Working Groups and Budget Implementation Committees to assist the County Treasury in planning, budgeting and budget execution. Additionally, the County is in the process of formulating th 3rd generation CIDP which will be the blueprint upon which development planning shall be hinged.
54. The County will continue to establish and strengthen partnerships with national government MDAs and development partners. Through these partnerships, the County anticipates to

receive technical assistance, and access financial resources to complement the county's allocation to projects and programs.

55. The County will continue to engage with County citizens and other stakeholders in the County with an aim of soliciting feedback on the County plans, projects and programs. This is especially in the planning and budgeting cycle.

56. On revenue administration, the County is optimistic that the National Policy to Support Enhancement of County Own Source of Revenues shall be fully implemented. One of the elements of the Policy is automation of revenue collection from which the County will optimize revenue collection and administration.

3.4. Risks to the Outlook

57. Despite slow economic growth in Tana River County, the economy of Tana River is prone to both macro-economic and micro-economic risks.

a. Macro-economic risks include;

- i. Contracting global economy occasioned by the containment measures of the COVID-19 pandemic and the ripple effects of the Russia – Ukraine conflict weigh on Kenya's export activities and the tourism sector. Such an impact will have a ripple effect on the County's economy seeing as 99% of the County's revenue comes from the National Government.
- ii. Depreciation of the Kenya shilling against the US dollar had a negative effect on the Consumer price index inflation leading to increased inflation.
- iii. The effects of the public debt and of pending bills are likely to contribute to the sluggish growth of the economy and have a negative trend on revenue collections to fund government expenditures.

b. Micro-economic risks include;

- i. Agriculture is the main economic activity in the County and one that provides employment and contributes to food security. Tana River has been adversely affected by the ongoing drought and the depressed rainfall. The incidence of these disasters affects food security, disrupts socio-economic activities and, in the case of floods, causes destruction to transport, irrigation, water storage and distribution infrastructure.

- ii. Accessibility to some key areas of the county has been a challenge due to dilapidated road network. The poor roads cause delays in deliveries and increase in transport costs that are in turn transferred to the consumer, with prices varying upward on some products as compared to recommended retail prices in other areas.
58. The County administration is continually monitoring these risks and undertaking appropriate measures to make the county economy resilient against these risks. To steer an appropriate recovery, the County is working with the National Drought Management Authority (NDMA) Frontier Counties Development Council (FCDC), Jumuia ya Kaunti za Pwani and other partners to arrest the drought situation by reaching those who are most vulnerable while working toward drought mitigation measures and the ending of drought emergencies in subsequent years. The *Inuka Fund* is in the final stages of being rolled out to avail affordable credit to SMEs in the County.
59. The County will endeavor to step up efforts in building resilience against the climate shocks. This includes building climate-proof infrastructure, enacting legislation to support disaster risk management, utilize the Emergency Fund and the Disaster Risk Management Fund to support emergency response, reducing over-reliance on rain-fed agriculture, specific actions to promote drought resilience among pastoralists, and improving water security in the hinterlands.

4. RESOURCE ALLOCATION FRAMEWORK

4.1. Overview

60. This section sets out how the County Government of Tana River intends to live within its means. It establishes the resource envelope or total revenue it expects, it also allocates this budget resources across government departments and agencies by setting expenditure limits of ceilings for each county department/agency.

61. In order to ensure effective utilization of public finances, resource allocation will be guided by the following;

- i. The Public Finance Management Act, 2012 and the PFM (County Government) Regulations, 2015 especially adherence to the fiscal responsibility principles.
- ii. Need to complete ongoing projects.
- iii. Need to support recovery from the impact of COVID-19.
- iv. Pending Bills Reports: Report of the Office of the Auditor-General on the special audit of pending bills, and the report of the Tana River County Ineligible Pending Bills Resolution Committee.
- v. Emerging priorities
- vi. County-specific development plans including the Annual Development Plan for the FY 2022/23 and the County Integrated Development Plan.
- vii. Medium term plan III (2019 - 2023) of the Kenya Vision 2030.

4.2. Adjustment to the FY 2021/2022 Budget

62. Adjustments expected in the 2021/2022 budget estimates will be based on the actual performance of the expenditure thus far and the absorption capacity in the remainder of the financial year. Due to resource constraints, the county will rationalize expenditures by considering emerging needs such as:

- a. Response to the ongoing drought and provide for risk of other disasters such as floods.
- b. Pending bills based on the report of the Tana River County Ineligible Pending Bills Resolution Committee and that of the OAG-commissioned special audit of pending bills for the FYs 2018/19 and 2020/21.

63. The Tana River County Treasury have prepared the 2021/2022 FY Budget taking into consideration all the recommendations announced by his Excellency the Governor and the will of the people of Tana River County as expressed during the public participations held.
64. There was a significant increase in own source revenue in the FY 2021/2022. The county treasury managed to collect Kshs. 84.5 million representing 116 percent collection of the targeted amount and 126.94 percent of the 66.5 million realized in the FY 2020/2120. The County Treasury has overperformed in collection of own source revenue (OSR) against a target of Kshs. 66 million in the previous financial year. The County Treasury intends to roll out reforms in the revenue collections and administration that may aim at expanding its revenue base and complemented with improvement in revenue collections through automation prompting the County Treasury to increase OSR target to 83.853 million.
65. The county treasury appropriated some monies to offset 2018/19, 2020/21 and the approved ineligible pending bills depending on the report of the Tana River Ineligible Pending Bills Resolution Committee. The county managed to offset all the approved historical pending bills in the F/Y 2020/21. The OAG commissioned a special audit for the pending bills in the FY 2018/19 and FY 2020/21. Both the historical pending bills and those in the FYs 2018/19, 2020/21 and 2021/22 will eat into the County Resource envelope. This has mostly affected the current development projects and Operation and Maintenance expenses as well as future allocations. Based on the rising wage bill, the county treasury has maintained the decision to allow departments to employ only with the approval of the County Executive Committee and confirmation by the County Treasury on the availability of Funds.

4.3. The Medium-Term Expenditure Framework

66. This subsection explains adjustment that will be made to the budget over the immediate and the following two years. The county will continue to implement the medium-term expenditure framework (MTEF) through policies, projects, and programs set out in the annual development plans, county fiscal strategy papers anchored in the respective county integrated development plans.
67. During FY 2021/2022, the County will focus on building foundations for increasing the Own Source Revenue collections through formulating a revenue strategy, developing a valuation roll, resource mapping, civic education of the general public on the importance of OSR, and automation of revenue collection. With increased sources and capacity, the

County will look to increase OSR targets in subsequent financial years. Focus will also be geared toward departments with high revenue potential such as those in the County departments of Trade, Tourism and Wildlife as well as the Agriculture and Livestock departments through industrialization by setting up processing plants and value addition for commodities such as milk, honey and mangoes.

68. The County will continue to invest in infrastructure, quality and affordable universal care, education, urban planning and development, good governance among others so as to consolidate the gains made for the last seven years. The County expects an increase in the resource envelope subject to implementation of the third basis for revenue sharing amongst County Governments. The table below provides projected baseline ceilings and the 2022/2023 to 2024/2025 MTEF by department.

Table 7: Summary of Indicative Ceiling for FY 2022/2023 and the MTEF

Departments	Total Budget Estimates in KShs					% Share of Total Expenditure				
	Revised Estimates	Estimates	Projections			Estimates	Ceilings	Projections		
	2021/22	2021/22	2022/23	2023/24	2024/25	20/21	21/22	22/23	23/24	24/25
County Assembly	616,497,243	908,396,752	616,497,243	647,322,105	679,688,210	8%	11%	8%	8%	8%
Office of The Governor and Deputy Governor	400,529,026	568,322,556	596,738,684	626,575,618	657,904,399	5%	7%	8%	8%	8%
Finance and Planning	1,581,000,515	1,206,444,385	589,663,889	619,147,083	650,104,438	19%	15%	8%	8%	8%
County Public Service Board	66,610,248	69,512,420	72,988,041	76,637,443	80,469,315	1%	1%	1%	1%	1%
Trade, Tourism, Wildlife and Cooperative Development	108,754,315	65,590,342	68,869,859	72,313,352	75,929,020	1%	1%	1%	1%	1%
Agriculture, Livestock, Fisheries and Veterinary	811,837,815	712,192,653	747,802,286	785,192,400	824,452,020	10%	9%	10%	10%	10%
Culture, gender, Youth, Sports and Social Services	74,894,371	109,804,560	115,294,788	121,059,527	127,112,504	1%	1%	2%	2%	2%
Education and Vocational Training	416,360,862	261,484,467	274,558,690	288,286,625	302,700,956	5%	3%	4%	4%	4%
Medical Services, public Health and sanitation	1,491,594,667	1,439,524,644	1,511,500,876	1,587,075,920	1,666,429,716	18%	18%	20%	20%	20%
Special program	106,580,803	202,274,495	212,388,220	223,007,631	234,158,012	1%	2%	3%	3%	3%
Roads, Transport, Public works, Housing and Urbanisation	1,178,133,331	592,116,778	621,722,617	652,808,748	685,449,186	14%	7%	8%	8%	8%
Water, Irrigation, Environment and Natural Resources	326,878,927	341,123,241	358,179,403	376,088,373	394,892,792	4%	4%	5%	5%	5%
Public Service, Administration and Citizen participation	709,334,934	1,275,568,109	1,339,346,514	1,406,313,840	1,476,629,532	9%	16%	18%	18%	18%
Lands and Physical Planning	102,972,096	199,593,120	209,572,776	220,051,415	231,053,986	1%	2%	3%	3%	3%
Hola Municipality	153,271,100	166,000,000	174,300,000	183,015,000	192,165,750	2%	2%	2%	2%	2%
Total	8,145,250,253	8,117,948,522	7,509,423,886	7,884,895,081	8,279,139,835	100%	100%	100%	100%	100%

4.3.1. Proposed 2022/2023 Budget Framework

PROPOSED REVENUE	Actual 2021/22	Actual 2022/23	Projection 2023/24	Projection 2024//25	Projection 2025/26
Balance B/F	1,324,896,099	1,080,234,257			
Equitable share	6,528,408,765	6,528,408,765	6,854,829,203	7,197,570,663	7,557,449,197
Local revenue	79,860,000	87,846,000	92,238,300	96,850,215	101,692,726
Conditional Allocations from National Government Revenue	-	104,000,000	-	-	-
Construction of County HQts	-	104,000,000	-	-	-
Foregone user fee	-	-	-	-	-
VTCSF	-	-	-	-	-
RMFLF	-	-	-	-	-
Covid-19 Emergency Response Fund	-	-	-	-	-
Conditional Allocations from loans & grants from Development partners	345,322,920	140,714,896	570,741,683	599,278,766	629,242,705
Transforming Health System for Universal Care Project (THSUCP)	106,548,424	-	139,151,956	146,109,553	153,415,031
Kenya Climate Smart Agriculture Project (KCSAP)	172,556,523	82,386,194	367,785,128	386,174,384	405,483,103
DANIDA (Universal Healthcare in Devolved System Program)	6,486,563	12,339,500	13,621,781	14,302,870	15,018,014
Instrument for Devolution Advice and Support (IDEAS)	-	14,727,370	29,370,545	30,839,073	32,381,026
FAO	-	-	-	-	-
Agricultural Sector Development Support Programme (ASDSP) II	23,239,900	20,261,832	20,812,273	21,852,886	22,945,531
Kenya Urrban Suppor Project (KUSP) - Urban Development Grant (UDG)	36,491,510	11,000,000	-	-	-
Total Revenue	8,278,487,784	7,941,203,918	7,517,809,186	7,893,699,644	8,288,384,627

69. The 2022/2023 budget framework is guided by the updated medium term macro-fiscal framework outlined in the table above.

4.3.1.1. Revenue Outlook

70. The resource envelope in FY 2022/23 is projected at a total of Kshs. 7.509 billion which comprises of Equitable share of revenue raised nationally of Kshs. 6.854 billion (projected to grow by 5 percent from the Kshs. 6.528 billion in the FY 2021/22) and conditional grants projected to amount to Kshs. 570.74 million. Meanwhile the County Treasury is projecting to collect Ksh 83.853 million as OSR. However, these estimates shall be firmed up by the Budget Policy Statement (BPS), County Allocation of Revenue Act 2022 and approved policies by the County Executive Committee.

4.3.1.2. Expenditure Outlook

71. The total expenditure in the FY 2022/23 is estimated at Kshs. 7.509 billion comprising of recurrent expenditure which is estimated at 70 percent and development estimated at 30 percent. In the FY 2021/22 Budget Estimates, the county wage bill is within the 35 percent ceiling stipulated in the fiscal responsibility principles of the Public Finance Management Act, 2012. This proportion shall be maintained in the FY 2022/23 which means that the County can recruit for necessary positions within the additional resources. This is assuming that the County shall receive the revenues as projected.

72. Over the medium term the county intends to live within its means and therefore shall endeavor to operate a balanced budget.

73. The table below indicates projections for expenditure in the Medium-Term 2021/22 – 2023/24

Table 7: Summary of Expenditure Projections for FY 2021/22 and MTEF

	Actual	Approved Budget Estimates	Projected Estimates		
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Personnel Emoluments	1,683,780,354	2,386,648,192	2,505,980,602	2,631,279,632	2,762,843,613
Operations & Maintenance	2,210,056,646	3,062,251,576	3,215,364,155	3,376,132,363	3,544,938,981
Development	2,402,037,044	2,492,304,150	2,616,919,358	2,747,765,325	2,885,153,592
Unspent Bal FY	1,080,234,257	0	0	0	0
Total	7,376,108,301	7,941,203,918	8,338,264,114	8,755,177,320	9,192,936,186

5. CONCLUSION

74. The County is making progress in addressing some of the challenges previously identified as affecting budget implementation.

75. Despite the progress made, the following challenges continue to hamper effective budget implementation;

- i. Delay in submission of budget implementation/performance and expenditure reports by departments to the County Treasury.
- ii. In most cases, submitted reports are not in the desired prescribed formats.
- iii. Off-budget, off-plan expenditures.
- iv. Pending bills which affect the resource allocation

76. The County should implement the following recommendations in order to improve budget execution;

- a. The county Government (departments) should adhere to Section 166 of the PFMA. 2012 in submission of quarterly reports in the desired format.
- b. The County Government should devise strategies to enhance local revenue collection, mainly through automation of revenue collection and civic education on the importance of OSR to the public through the proposed 2021 Finance Bill.
- c. The county should spend within its means and avoid any leakages.

ANNEX: CALENDAR FOR FY 2023/24 BUDGET PROCESS

No.	Activity	Responsibility	Deadline	
1.	Develop and issue MTEF Guidelines	County Treasury	30-Aug-22	
2.	Submission of the ADP	County Treasury	30-Sep-22	
3.	Launch of Sector Working Groups	County Treasury	20-Sept-22	
4.	Programme Performance Reviews (PPRs)	CDAs	30-Sept-22	
	4.1 Review of programmes outputs and outcomes			
	4.2 Expenditure review			
	4.3 Progress report on CIDP/ADP implementation			
5.	Development of Medium-Term Budget Framework	Macro Working Group	23-Sept-22	
	5.1 Develop the Medium-Term Fiscal Framework and Resource Envelope	“		
	5.2 Review and Determination of policy priorities	“		
	5.3 Develop Preliminaries resource allocation to sector	“		
	5.4 Draft County Budget Review and Outlook Paper (CBROP)	“		
	5.5 Submission of CBROP to Executive Committee	“		30-Sep-22
	5.6 Approval of CBROP by Executive Committee	“		14-Oct-22
	5.7 Submit Approved CBROP to County Assembly	“		19-Oct-22
6.	Preparation of MTEF budget proposals	Line Departments	15-Nov-22	
	6.1 Retreats to Draft sector report	Sector Working Group	25 Oct – 4 th Nov, 2022	
	6.2 Briefing Sector Chairpersons and Accounting Officers on Sector Draft Reports.		08-Nov-22	
	6.3 Convene public sector hearing	County Treasury	09-11-Nov-22	
	6.4 Review and Incorporation of Stakeholder Inputs in the Sector Proposals		14-Nov-22	
	6.5 Submission of sector Report to the County Treasury	Sector Working Group	15-Nov-22	
	6.6 Consultative meeting with CECMs/CCOs	County Treasury	17-Nov-22	
7.	Draft County Fiscal Strategy Paper (CFSP)	Macro Working Group	24-Feb-23	
	7.1 Draft CFSP	Macro Working Group	10-Dec-22	
	7.2 Public/Stakeholders Participation	County Treasury	17-19-Jan-23	
	7.3 Review and Incorporation of Stakeholder Inputs in the Sector Proposals	“	26-Jan-23	
	7.4 Submission of CFSP to County Executive for approval	“	02-Feb-23	
	7.5 Approval of CFSP by the County Executive Committee		16-Feb-23	

	7.5 Submission of CFSP to County Assembly for approval.	“	24-Feb-23
8.	Preparation And Approval of Final CDAs Programme Budgets		31-Mar-21
	8.1 Develop and issue final guidelines on preparation of 2023/24 MTEF budget	County Treasury	02-Mar-23
	8.2 Submission of the budget proposals to the County Treasury	CDAs	23-Mar-23
	8.3 Consolidation of the Draft Budget estimates	County Treasury	04-Apr-23
	8.4 Submission of Draft Budget Estimates and Accompanying Documents to County Executive Committee	“	14-Apr-23
	8.5 Submission of Draft Budget Estimates and Accompanying Documents to County Assembly	“	26-Apr-23
	8.6 Review of Draft budget Estimates by County Assembly	County Assembly Committees	16-May-23
	8.7 Report on Draft Budget Estimates from County Assembly	“	18-May-23
	8.8 Consolidation of the Final Budget Estimates	County Treasury	01-Jun-23
	8.9 Submission of Appropriation Bill to County Assembly	“	08-Jun-23
9	Budget statement		08-Jun-23
10	Appropriation Bill Passed		30-Jun-23