



COUNTY GOVERNMENT OF ISIOLO

FINANCE AND ECONOMIC PLANNING

2022 COUNTY BUDGET REVIEW

AND

OUTLOOK PAPER (CBROP)

SEPTEMBER 2022

FOREWORD

The 2022 County Budget Review and Outlook Paper (CBROP) has been prepared against a background of economic slowdown occasioned by the ongoing Russia- Ukraine conflict, effects of the COVID-19 containment measures, higher-than expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial condition. As a result, the global economy is projected to slow down to 3.2 percent in 2022 from 6.1 percent 2021.

On the domestic scene, the Kenyan economy has demonstrated remarkable resilience and recovery to the COVID-19 shock due to the diversified nature of the economy and the proactive Government measures to support businesses. 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. This growth was supported by positive growths in all sectors of the economy except agricultural sector that contracted by 0.7 percent in the first quarter of 2022 compared to 0.4 percent growth in the first quarter of 2021. Economic growth is expected to remain resilient growing by an average of 5.5 percent in 2022 and above 6.0 percent over the medium term.

The fiscal performance in the FY 2021/22 was satisfactory, largely attributed to improved operating business environment following the recovery of the economy from the adverse impact of COVID-19 pandemic. Revenue performance recorded a growth of 130 percent that is from Ksh. 46,784,040 collected in FY 2020/21 to Ksh. 107,832,875.59 in FY 2021/22. The growth in revenue collection was recorded in all broad tax categories in the period under review. This good performance was however overshadowed by the effects of the Russia-Ukraine conflict which put pressure on fuel and commodity prices prompting the Government to increase spending in order to cushion citizens

In light of this, the fiscal policy supporting the FY 2022/23 budget is designed to support resilient and sustainable economic recovery as well as inclusive growth, mobilize resources and reduce any anticipated fiscal deficit.



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ACKNOWLEDGEMENT

This 2022 County Budget Review and Outlook Paper (CBROP), is prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its regulations. The document provides a review of the recent economic developments and actual fiscal performance of the Financial Year 2021/2022 in comparisons to the budget appropriations for the same year. It further provides an overview of how the actual performance of the Financial Year 2021/2022 affected our compliance with the Fiscal Responsibility Principles and the financial objectives as spelt in the PFM Act, 2012 as well as information showing changes from the projections outlined in the 2022 County Fiscal strategy paper (CFSP).

The economy is operating under tight global financial condition as a result of the ongoing Russia-Ukraine conflict and higher than expected inflation worldwide. This calls for prioritization on Government projects that will ensure our economy remains resilient and continue to register growth, and will have the highest impact and benefits to Kenyans. Therefore, All Sector Working Groups (SWGs) are expected to ensure that their budgets are aligned to the overall Government priorities while taking into account the resource constraints.

Despite the tough year and unexpected economic challenges the preparation of the 2022 CBROP was as the norm a collaborative effort among various units. The spending units and the revenue collection department provided useful information regarding the Financial Year 2021/22 Budget execution and the Revenue performance. We are grateful for this. I would also like to take this opportunity to give my special thanks to Ms. Halima Ibrahim the Head of Planning and Budgeting and the entire team for working tirelessly in the development of this document.

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ABBREVIATIONS AND ACRONYMS

A.I.A	AppropriationinAid
BPS	BudgetPolicyStatement
CBROP	CountyBudgetReviewand Outlook Paper
CFSP	CountyFiscal StrategyPaper
CG	CountyGovernment
ICT	Information,CommunicationandTechnology
KNBS	KenyaNationalBureauofStatistics
MTEF	MediumTermExpenditureFramework
MTP	Medium-TermPlan
PFM	PublicFinanceManagement
SRC	SalariesandRemunerationCommission
SWGs	SectorWorkingGroups
RE	RecurrentExpenditure
DE	DevelopmentExpenditure

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

The County Budget Review and Outlook Paper, 2022 is prepared in accordance with Section 118 of the Public Financial Management Act, 2012. The law states that:

1. The County Treasury shall prepare and submit CBROP to County Executive Committee for approval by 30th September of each financial year. A County Budget Review and Outlook Paper shall include:
 - a) Actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
 - b) Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
 - c) Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest County Fiscal Strategy Paper; and
 - d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2. County Executive committee shall consider the County Budget Review and outlook Paper with a view of approving it with or without amendments, not later than fourteen days after its submission.
3. Not later than seven days after the CBROP has been approved by Executive committee, the County Treasury shall:
 - a) Submit the paper to the Budget and Appropriation Committee of the County Assembly to be laid before the County assembly; and
 - b) Publish and publicize the paper not later than fifteen days after laying the Paper before County Assembly.

Fiscal Responsibility Principles in the Public Financial Management Act

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

- a) The County Government's recurrent expenditure shall not exceed the County Government's total revenue;
- b) Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure;
- c) The County Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County Government revenue as prescribed by the regulations;
- d) Over the medium term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- e) Public debt and obligations shall be maintained at a sustainable level as approved by County Government;
- f) Fiscal risks shall be managed prudently; and
- g) 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.

EXECUTIVE SUMMARY

This County Budget Review and Outlook Paper (CBROP), is prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its regulations. The document provides actual fiscal performance for the FY 2021/2022, macro-economic projections and the sector ceilings for the FY 2023/24-2025/26 Medium Term Budget. The document also provides an overview of how the actual performance of the FY 2021/22 affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act as well as information showing changes from the projections outlined in the 2022 County Fiscal Strategy Paper.

The fiscal performance for the FY 2021/22 was below par as the County, the Country and the entire globe grappled with the effects of the advent of the Novel Covid-19 pandemic in the first half of the financial year and the Russia- Ukraine war in the second half of FY 2021/22 which affected global economy, despite this and other challenges like expenditure pressures from domestic payables from previous financial years, the Fiscal outcome largely adhered to the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012. Local revenue grew by **130%** from **Ksh. 46,784,040** collected in FY 2020/21 to **Ksh 107,832,875.59** in FY 2021/22. There was revenue short fall of **Ksh 5,853,461.41** from the FY 2021/22 Local revenue target of **KES 113,686,337**. The local revenue collection will stabilize once things go back to normal and efforts will be made to further improve County own Source Revenue collection.

In FY 2021/22 the County government allocated 34.52% of its total budget for development expenditure and **65.48%** on recurrent expenditure. Despite the current strange economic circumstance due to the Russia- Ukraine war, the intense electioneering period we try to remain steadfast in maintaining Macroeconomic Stability, even in the face of expenditure pressures associated with domestic payables from previous financial years and a swollen wage bill. The updated County Economic Outlook will be firmed up in the CFSP 2023 to reflect any changes in Economic and Financial conditions.

The PFMA, 2012 has set standards for compliance with the MTEF budgeting process. Therefore, it is expected that the financial year 2022/23 Sector budget ceilings will form the indicative baseline for Sector budget ceilings for the Financial Year 2023/24. However, the sector ceilings shall be modified to reflect the development goals and priorities of the County Government.

There are risks to the medium term framework that include among others, the advent of and continued development of the negative effects of the Russia- Ukraine war, post Covid-19 situation in the Country, insecurity, pressures on expenditures from domestic payables from previous financial years and recurrent related expenditures and the perennial drought that might disrupt economic activities especially for the pastoralists. The County Government will closely monitor these developments and undertake appropriate measures to safeguard the economy.

I. INTRODUCTION

A. Objectives of the CBROP

1. The 2022 CBROP provides a review of the fiscal performance for the financial year 2021/22 including adherence to the objectives and principles outlined in the 2022 County Fiscal Strategy Paper and the PFM Act, 2012. It also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term plan. The 2022 CBROP will guide development of the 2023 CFSP that will summarize the various projects and initiatives undertaken during the medium term plan.
2. As required by the PFM Act, 2012, the budget process aims to promote the efficient and effective use of resources. To meet the resource requirements of the FY 2022/23 budget and the medium term, the Government will continue to implement prudent measures aimed at enhancing the local revenue and rationalizing expenditures. In this regard, this CBROP provides sector ceilings which will set in motion the budget preparation for the FY 2023/24 and the medium term. The sector ceilings are guided by the overall resource envelope that is informed by the macroeconomic and fiscal outlook as presented in section III and IV of this document. Budgetary allocations in this CBROP are in line with the governments priorities as outlined in the CFSP.

B. Organization of the Document

3. The rest of the paper is organized as follows: Section II provides a review of the fiscal performance for the Financial Year 2021/22 and its implications on the financial objectives set out in the 2022 CFSP submitted to the County Assembly. This is followed in Section III by brief highlights of the recent economic developments. Section IV presents the macroeconomic policies and outlook. The proposed resources allocation framework is detailed in Section V while Section VI gives the conclusion.

II. REVIEW OF FISCAL PERFORMANCE IN THE FINANCIAL YEAR 2021/22

A. Development Priorities for Financial Year 2021/22

4. Prioritization of resource allocation was based on the County Integrated Development Plan 2018-2022, broad development policies of the County Government as well as the medium term priorities identified during the County-wide public consultative forums held at all the ten wards.
5. In pursuit of the theme of the budget for financial year 2021/22, the development objectives stipulated in the 2021 CFSP identified the following key development priority areas that cover;
 - a) Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock;
 - b) Investment in Infrastructure development and expansion i.e. Roads, Water Supply, Market development, Livestock and agriculture transformation for sustainable economic growth and development;
 - c) Investing in quality, affordable and accessible Health Services (i.e. preventative, curative and rehabilitative health care services);
 - d) Investing in Education, focusing on construction of more ECD structures and equipping of youth polytechnics, technical institutions as well as social development of the communities through social programs;
 - e) Promotion of trade and industrial development for a rapidly industrializing economy;
 - f) Enhancing governance, transparency and accountability in the delivery of services.
 - g) Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society where all have access to equitable share of resources;
 - h) Promotion of Public participation through involvement in decision making in order to enhance ownership and sustainability of development programs; and
 - i) Investing in Environmental conservation, natural resource management, modern urban infrastructure and sustainable land management for socio economic development.

B. Fiscal Performance Overview for Financial Year 2021/22

i. Revenue performance

6. By end of the Fiscal period 2021/22 the County Government had a total revenue receipts of KES 5,766,298,148 whose breakdown are as follows: External revenue receipts of KES 4,779,986,641 internal revenue of KES 107,832,875.6 and CRF Account Balance from Previous FY 2021/22 of KES 878,478,632.

7. The fiscal performance for Financial Year 2021/22 was still below target due to the aftermath effects of Covid 19 pandemic and the severe drought experienced in the county which led to loss of livestock. Overall the actual realized revenue was below target by KES 601,541,987 due to: Delays in Release of last parcel of equitable share; deficit amounting to KES 68,000,000 conditional allocation from the national government for construction of the county headquarter; deficit of revenue from the conditional grants from development partners amounting to KES 147,857,256 for the financial year 2021/22 and deficit of 5.15% (KES 5,853,462) of County Own revenue due to underperformance of revenue from streams such as land rates, cess street parking and uncollected revenue from liquor license.

Table 1: Fiscal Outrun In Financial Year 2021/22

Revenue Streams	Estimate 2020/21	Actuals 2020/21	Deviation	% Performance	Estimate 2021/22	Actuals 2021/22	Deviation	% Performance
External revenue								
EQUITABLE SHARE	4,241,100,000	4,241,100,000	0	100%	4,710,388,265	4,333,556,996	-376,831,269	92%
General Provisions (Equitable Share)	4,241,100,000	4,241,100,000	0	100%	4710388265	4,333,556,996	-376,831,269	92%
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT	233,336,461	133,336,462	99,999,999	57%	68,000,000	0	-68,000,000	0%
Funds Received from Road Maintenance Levy Fund	124,519,106	124,519,107	-1	100%		0	0	-
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	3,472,461	0	100%		0	0	-
Supplement for Construction of County Headquarters	100,000,000	0	100,000,000	0%	68,000,000	0	-68,000,000	0%
Conditional allocation for development of youth polytechnic	5,344,894	5,344,894	0	100%		0	0	-
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	686,085,395	379,340,521	306,744,874	55%	597,286,901	449,429,645	-147,857,256	75%
Current Grants from Foreign Governments Danida	12,060,000	12,060,000	0	100%	9,396,750	7,361,625	-2,035,125	78%
Kenya Devolution Support Programme (KDSP) World bank	60,000,000	45,000,000	15,000,000	75%	120,374,189	120,374,189	0	100%
World Bank Loan for Transforming Health Systems for Universal Care Project	26,720,000	25,272,243	1,447,757	95%	25,534,815	20,056,697	-5,478,118	79%
Climate Smart Agricultural Project	479,143,620	233,645,362	245,498,258	49%	330,699,130	269,733,553	-60,965,577	82%
Development Support Programme (ASDSP)	14,193,675	11,496,853	2,696,822	81%	26,387,350	3,000,000	-23,387,350	11%
Urban Support Project Development	93,968,100	51,866,063	42,102,037	55%			0	-
World Bank Emergency Locust Response	0	0	0	-	76,030,667	28,903,581	-47,127,086	38%
UNFPA	0	0	0	-	8,864,000		-8,864,000	0%
GROSS COUNTY EXTERNAL REVENUE ESTIMATE	5,160,521,856	4,753,776,873	406,744,983	92%	5,375,675,166	4,779,986,641	-595,688,525	89%
Balance from Previous FY	487,416,572	487,416,572	0	100%	878,478,632	878,478,632	0	100%
County own Revenue Streams								
RECEIPTS FROM ADMINISTRATIVE FEES AND CHARGES	1,736,000	1,254,550	481,450	72%	1,736,000	1,472,800	(263,200)	85%
Other Land Revenue (Plot Application/Transfer/Sub-Division)	1,736,000.00	1,254,550	481,450	72%	1,736,000	1,472,800	(263,200)	85%
LAND RATES	14,271,075	8,378,276	5,892,799	59%	14,271,075	11,080,499	(3,190,576)	78%
Land Rent & Rates - Current Year	7,195,075.00	3,788,784	3,406,291	53%	7,195,075	3,803,524	(3,391,551)	53%
Penalties Rent & Rates	1,500,000.00	445,623	1,054,377	30%	1,500,000	118,211	(1,381,789)	8%
Land Rent & Rates - Arreas	5,576,000.00	4,143,869	1,432,131	74%	5,576,000	7,158,764	1,582,764	128%
CESSES	21,626,545	11,080,002	10,546,543	51%	21,626,545	7,126,795	(14,499,750)	33%
Livestock Auction	4,188,993.00	3,158,942	1,030,051	75%	4,188,993	3,260,535	(928,458)	78%
Sand Cess	14,200,000.00	7,882,600	6,317,400	56%	14,200,000	3,462,000	(10,738,000)	24%
Other Cess (Produce Cess/Barter/Murram/Cheque Clearance)(included Tractor) 2016/17	3,237,552.00	38,460	3,199,092	1%	3,237,552	404,260	(2,833,292)	12%
OTHER MISCELLANEOUS RECEIPTS	27,696,380	11,236,545	16,459,835	41%	27,696,380	15,040,029	(12,656,351)	54%
Miraa Export	4,018,156.00	3,282,400	735,756	82%	4,018,156	4,832,400	814,244	120%
Miscellaneous Charges	950,000.00		950,000.00	0%	950,000		(950,000)	0%

Revenue Streams	Estimate 2020/21	Actuals 2020/21	Deviation	% Performance	Estimate 2021/22	Actuals 2021/22	Deviation	% Performance
S.B.P Fees/Promotion	6,556,802.00	5,862,425	694,377	89%	6,556,802	5,961,030	(595,772)	91%
Liquor License	3,800,000.00		3,800,000.00	0%	3,800,000	0	(3,800,000)	0%
Public Works /Other Charges	1,200,000.00	65,700	1,134,300	5%	1,200,000	451,092	(748,908)	38%
Stand Premiums	1,285,536.00	155,000	1,130,536	12%	1,285,536	676,000	(609,536)	53%
Clearance & Consents	419,919.00		419,919.00	0%	419,919	0	(419,919)	0%
Plot Transfer Approval	3,886,076.00		3,886,076.00	0%	3,886,076	0	(3,886,076)	0%
Promotion, Advertisement/branding	-	782,000	-782,000	-	-	1,681,500	1,681,500	-
Lease Extension	300,000.00	-	300,000.00	0%	300,000	0	(300,000)	0%
Planning & Survey	954,000.00	-	954,000.00	0%	954,000	0	(954,000)	0%
Livestock/Veterinary Inspection (meat)	1,596,000.00	477,051	1,118,949	30%	1,596,000	607,595	(988,405)	38%
Public Inspection - Public Health	-	436,829	-436,829	0%	-	436,375	436,375	-
Weights and Measure	750,000.00	30,000	720,000	4%	750,000	157,537	(592,463)	21%
Tractor Hire	1,099,891.00	104,250	995,641	9%	1,099,891	123,500	(976,391)	11%
Agriculture Training Centre	880,000.00	40,890	839,110	5%	880,000	113,000	(767,000)	13%
PARK REVENUE	34,130,130	5,146,347	28,983,783	15%	34,130,130	57,878,803	23,748,673	170%
Game Entrance & Royalties	34,130,130.00	5,146,347	28,983,783	15%	34,130,130	57,878,803	23,748,673	170%
MARKET/TRADE CENTRE FEE	1,430,446	919,187	511,259	64%	1,430,446	2,176,280	745,834	152%
Market Stalls Rent -Kiosks & Stalls	1,430,446.00	919,187	511,259	64%	1,430,446	2,176,280	745,834	152%
VEHICLE PARKING FEES	7,480,000	3,541,784	3,938,216	47%	7,480,000	5,146,944	(2,333,056)	69%
street Parking Fees	7,480,000.00	3,541,784	3,938,216	47%	7,480,000	5,146,944	(2,333,056)	69%
HEALTH FACILITIES OPERATIONS SERVICE FEES	1,573,785	3,669,249	(2,095,464)	233%	1,573,785	6,343,385	4,769,600	403%
Hospital Cost Sharing	1,573,785.00	3,669,249	-2,095,464	233%	1,573,785	6,343,385	4,769,600	403%
SLAUGHTER HOUSES ADMINISTRATION FEES	2,513,575	1,207,540	1,306,035	48%	2,513,575	1,537,740	(975,835)	61%
Slaughter Fees	2,513,575.00	1,207,540	1,306,035	48%	2,513,575	1,537,740	(975,835)	61%
TECHNICAL SERVICES FEES	1,228,401	-	1,228,401	0%	1,228,401	29,600	(1,198,801)	2%
Building Plan Approvals	1,228,401.00		1,228,401.00	0%	1,228,401	29,600	(1,198,801)	2%
GROSS INTERNAL REVENUE ESTIMATES	113,686,337	46,433,480	67,252,857	41%	113,686,337	107,832,875	(5,853,462)	95%
Total	5,761,624,765	5,287,626,925	473,997,840	92%	6,367,840,135	5,766,298,148	(601,541,987)	91%

a) Internal Revenue

8. The cumulative revenue collection from local sources for the period between July 2021 and 30th June 2022 amounted to KES 107,832,875.59 from a revised target of KES 113,686,337. This represented a revenue shortfall of 5.15%. During the First Half of the FY 2021/22 the County raised KES 51,470,413 against a Half Year target of KES 56,843,169. This was KES 30,020,539 more than the amount collected over the same comparable period in the FY 2020/21. The improvement was due to reduction in the negative effects of Covid-19 pandemic. Tourism, which was the hardest hit in the previous two financial years managed to collect KES 57,878,804 against a total amount of KES 3,164,347 that the revenue stream raised in the first half of the FY 2020/21.
9. Once the global and National situation goes back to normal the County will continue to chase its aspirations of fulfilling its high local revenue collection potential by coming up with new strategies of further enhancing local revenue sources. This can be achieved by widening the internal revenue base through diversification of internal revenue streams and sealing leakages by scaling up secure revenue collection channels, enhanced enforcement, supervision and regular field spot checks of revenue clerks.

Table 2 County Internal Revenue performance for the past nine years

YEAR		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
TARGET	360.00	425.70	360.00	250.00	182.86	150.80	170.90	113.69	113.69
ACTUAL	125.06	133.70	116.03	89.16	114.10	161.70	122.00	46.78	107.83

Source: County Planning Office Isiolo

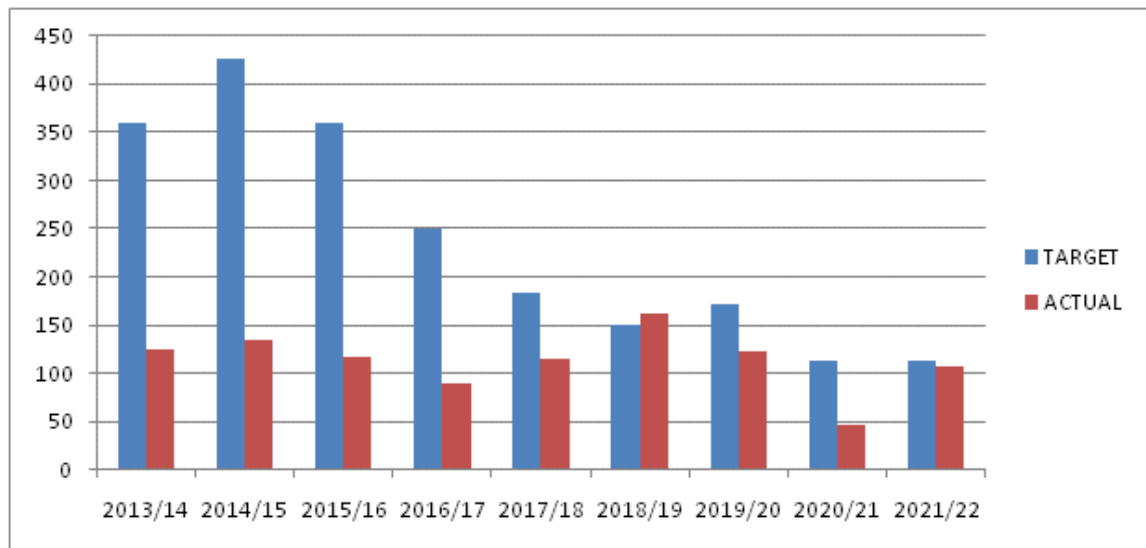


Figure 1: County Internal Revenue performance for the past nine years

10. The local revenue recorded an upward growth in Financial Years 2017/18 and Financial Year 2018/19. The Financial Year 2018/19 collection reflects an upward growth of **42%** from the amount realized in FY2017/18. This growth informed the upward revision of the County's revenue target for FY 2019/20 from **KES. 155 Million** To **KES. 170 Million**. Lowest revenue collection was recorded in FY 2020/21 i.e. **KES 46.78 Million**.

b) External Revenue

11. The County received external revenue of **KES 4,779,986,641** which was made up of equitable share amounting to **KES 4,333,556,996**, Conditional grants of **KES 446,429,645**. The deficit for conditional grants was **KES 218,857,256**.
12. The total deficit from external revenue was **KES 595,688,525**. This translates to 11% of the total external revenue the county expected for FY 2021/22.
13. The County Revenue Fund account balance brought forward for FY 2020/21 amounted to **KES 878,478,632**.

ii. Expenditure Performance

14. Total cumulative expenditure for the Financial Period 2021/22 amounted to **KES 4,963.08 Million** against an overall revised budget of **KES 6,367.84 Million**, representing an underspending of **KES 1,404.75 Million**. (This reflects a 22.1% deviation from the revised budget). The actual exchequer releases for recurrent was **KES 3,823,456,974** while development was **KES 1, 373,959,186** total exchequer release was **KES 5,197,417,160**. The county was able to spend 95% of the money that they had received from the exchequer.
15. These under spending was attributed to late disbursement of funds from the exchequer, Local revenue shortfall of **KES 5,853,462** due to a slug in revenue collection during the electioneering period, Conditional grants short fall of **KES 218,857,256**.
16. Table 3 below shows various County Departmental breakdown of Expenditures performance i.e. targets vis-à-vis realized actual

Table 3: Expenditure Performance

Department	Revised Budget Allocation (Kshs. Millions) 2020/21			Actual Expenditure (Kshs. Millions) 2020/21			Absorption rate (%)			Revised Budget Allocation (Kshs. Millions) 2021/22			Actual Expenditure (Kshs. Millions) 2021/22			Absorption rate (%)		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
County Assembly	459.36	100	559.36	460.82	98.99	559.81	100.30%	99.00%	100.10%	448.25	102	550.25	448.09	56.43	504.52	100%	55%	92%
Office of the Governor	349.59	0	349.59	317.67	0	317.67	90.90%	0	90.90%	307.65	0	307.65	288.95	0	288.95	94%	0	94%
Office of the Deputy Governor	0	0	0	0	0	0	0	0	0	25	0	25	21.17	0	21.17	85%	0	85%
County Public Service Board	61.01	0	61.01	51.69	0	51.69	84.70%	0	84.70%	59.71	0	59.71	55.2	0	55.2	92%	0	92%
Office of the County Secretary	27.93	0	27.93	15.75	0	15.75	56.40%	0	56.40%	31.13	12.23	43.36	28.07	0	28.07	90%	0%	65%
Delivery unit	25.9	0	25.9	24.53	0	24.53	94.70%	0	94.70%	19.7	0	19.7	18.88	0	18.88	96%		96%
Special programmes	72.72	103.92	176.64	49.51	0	49.51	68.10%	0	28.00%	254.3	0	254.3	210.38	110	320.38	83%		126%
Finance	298.57	357.64	656.21	212.21	245.4	457.61	71.10%	68.60%	69.70%	259.12	459.37	718.49	219.8	167.65	387.45	85%	36%	54%
Economic Planning	56.67	0	56.67	47.36	0	47.36	83.60%	0	83.60%	65.26	0	65.26	62.61	0	62.61	96%		96%
Lands and physical planning	27.39	16	43.39	15.7	3.53	19.23	57.30%	22.10%	44.30%	28.77	22.75	51.52	26.99	21.51	48.51	94%	95%	94%
Roads	15.58	162.87	178.45	7.29	139.15	146.44	46.80%	85.40%	82.10%	18.25	118.78	137.04	16.07	54.67	70.73	88%	46%	52%
Public Works	21.83	0	21.83	18.58	0	18.58	85.10%		85.10%	24.13	0	24.13	19.93	0	19.93	83%		83%
Agriculture	51.94	568.39	620.33	45.41	201.67	247.08	87.40%	35.50%	39.80%	50.75	587.72	638.47	47.96	213.66	261.62	95%	36%	41%
Livestock and Fisheries	157.72	33.34	191.06	141.48	28.55	170.03	89.70%	85.60%	89.00%	141.18	70.13	211.31	136.55	57.07	193.62	97%	81%	92%
Cohesion and Intergovernmental relations	51.86	0	51.86	43.13	0	43.13	83.20%		83.20%	70.14	110	180.14	64.04	0	64.04	91%	0%	36%
Education and Vocational training	205.33	37.62	242.95	151.18	7.77	158.95	73.60%	20.70%	65.40%	239.61	26.26	265.86	223.93	18.3	242.23	93%	70%	91%
Sports, Youth	56.31	70	126.31	50.91	47.44	98.35	90.40%	67.80%	77.90%	35.02	134.98	170	31.39	87.81	119.2	90%	65%	70%
Culture Gender	25.13	21.5	46.63	18.24	4	22.24	72.60%	18.60%	47.70%	21.37	31.7	53.07	15.95	3.9	19.85	75%	12%	37%
Tourism,	173.22	12.4	185.62	161.24	6.57	167.81	93.10%	53.00%	90.40%	233.61	10	243.61	222.85	3	225.85	95%	30%	93%
Public Service Management and Administration	158.07	13.32	171.39	123.33	2	125.33	78.00%	15.00%	73.10%	254.32	0	254.32	140.4	6.52	146.93	55%		58%
Water and Irrigation	85.44	138.98	224.42	187.62	73.57	261.19	219.60%	52.90%	116.40%	101.57	152.23	253.8	74	142.78	216.78	73%	94%	85%
Environment and Natural Resources	27.26	6.5	33.76	13.18	0	13.18	48.30%		39.00%	39.83	43.81	83.64	35.66	41.34	77.01	90%	94%	92%
Health Services	1,206.14	133.73	1339.87	1,117.28	73.39	1190.67	92.60%	54.90%	88.90%	1308.92	136.73	1445.65	1271.05	102.32	1373.37	97%	75%	95%
Trade, Industrialization	32.76	0	32.76	17.81	0	17.81	54.40%		54.40%	60.94	2.5	63.44	52.14	0	52.14	86%	0%	82%
Municipal Administration	76.6	261.09	337.69	67.43	97.35	164.78	88.00%	37.30%	48.80%	70.99	177.12	248.11	58.85	85.17	144.02	83%	48%	58%
Total	3,724.33	2,037.30	5,761.63	3,359.35	1,029.38	4,388.73	90.20%	50.50%	76.20%	4169.53	2198.31	6367.84	3790.94	1172.14	4963.08	22.04	53%	78%

Cumulative Recurrent Expenditure

17. Recurrent expenditure for the FY 2021/22 amounted to KES 3,790.94 Million against an approved revised budget estimates of KES 4,169.53 Million representing an under spending on recurrent budget of KES 378.59 Million. (Deficit of 9%). The revised allocation for recurrent activities accounts for 65.48 percent of the total Revised Estimates and this conforms with PFM Act and the fiscal responsibility principle which requires that over the medium term, a maximum of seventy per cent of the County Government's budget shall be allocated to recurrent activities.
18. An analysis of the cumulative recurrent outlay of the financial Year 2021/22 shows that on average all Departments had over 91% absorption rate of the revised approved budget. With low absorption rate of 55% by the department of Public Service and administration

Cumulative Development Expenditure

19. The cumulative Development expenditure for the FY 2021/22 amounted to **KES 1,172.14 Million** compared to an approved revised budget of KES 2,198.3 Million. This represented a development budget under absorption of **KES. 1,026.17 Million** (A deficit of **47%** of the development budget). The revised allocation for expenditure on development activities accounts for **34.52%** of the total revised estimates and this conforms to PFM Act and fiscal responsibility principle which requires that over the medium term, a minimum of thirty per cent of the County Government's budget shall be allocated to development activities.
20. An analysis of the development outlay shows that all the departments adhered to their budgets; the low absorption was due to slow start in the first quarter of the FY 2021/22 in terms of Development expenditure due to delays of disbursement of funds and slow procurement processes.

Challenges

- a. In terms of spending, recurrent expenditure continues to claim the lion's share of the County's budgetary resources. In the Financial Year 2021/22, the County devoted about 65.48% of its budget towards recurrent spending and this is expected to continue to rise in the Financial Year 2022/23 budget due to annual salary increments and expected new recruitments for technical staff.
- b. There issue of pending bills still lingers, and is a major concern. The bulk of this amount are pending accounts payable, most of it related to construction of buildings and civil works, and supply of goods and services.
- c. Weak effective monitoring and evaluation frameworks and internal controls
- d. Challenges to fully shift to E-procurement
- e. Delays in disbursement of funds from National Treasury.

Remedies

- i. Enhancing local revenue through enactment of the various revenue bills, Review of valuation roll and embarked on alternative sources for supporting the capital budget that include PPP and joint ventures; Tightening enforcement across all revenue sources;
- ii. Executive Committee members responsible for finance and economic planning to designate a person responsible for administering each established County Funds in line with Section 116 of the PFM Act, 2012;
- iii. To strengthen the capacity of county government employees through proper training and recruitment of qualified staff.
- iv. Adequate funding for monitoring and Evaluation unit as per the CIMES guidelines to enable it effectively carry out its function in tracking regular progress and reporting on development projects;
- v. Timely requisition of funds and processing of payments from county treasury.

C. Implication of 2021/2022 Fiscal Performance on Financial Objectives

21. The fiscal performance in the FY 2021/22 has affected the financial objectives set out in the 2022 CFSP and the Budget for FY 2022/23 in the following ways: Currently, The base for own Source revenue projections exceeds the actual outcome by about KES 5 Million; we had decided to maintain the revenue projection forcing a downward adjustment of own source revenues base for FY 2020/21 and in the medium term due to the negative effects of Covid-19 on the economy. The situation has since improved as clearly seen in the first quarter of FY2022/23 where the county government collected KES 55,651,320, this is 49% of the annual target. This adjustment in revenues is expected to translate to an upward adjustment in expenditure projections for the FY 2022/23.
22. In addition, adjustments will be made to fiscal aggregates to mirror revisions in the macroeconomic projections as well as revenue performance for the first quarter of the Financial Year 2022/23;
23. The baseline ceilings for departmental spending will be adjusted in line with the revised resource envelope under the updated macroeconomic framework in the 2023 County Fiscal Strategy Paper.
24. The under-spending in both recurrent and development budget for the FY 2021/22 has implications on the base used to project expenditures in the FY 2022/23 and the medium term. Appropriate revisions have been undertaken in the context of this CBROP taking into account the budget outturn for the FY 2022/23.
25. As highlighted above, the major reasons for deviations from the financial objectives

include; implications of the COVID-19 pandemic on the Economy- adversely affecting revenue performance, Lower than projected revenue collections and slow uptake of both the National Government Conditional Grants and the Grants from the Development partners.

26. To remedy these deviations, the fiscal outlook will focus on strengthening local revenue collection. Ongoing projects will be prioritized and any new projects will be evaluated in the context of their furtherance of the government's agenda. The County Government will not deviate from the fiscal responsibility principles, but will make appropriate modification to the financial objectives to be contained in the County Fiscal Strategy Paper 2023 to reflect the changing fiscal environment in the context of the global pandemic that the economy is facing.

Fiscal Responsibility Principles

27. In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM regulations, and in keeping with prudent and transparent management of public resources, the County Government has largely adhered to the fiscal responsibility principles as set out in the statute as follows:

- a) The County Government's recurrent expenditure as a percent of total revised budget was 65.48 percent in Financial Year 2021/22 and development is set to continue stabilizing above the 30 percent minimum threshold set out in the PFM law over the medium term period.
 - b) The law further requires that regulations shall be developed to set a ratio of County Government expenditures on wages and benefits for public officers to County Government revenue that shall not be exceeded. In the meantime, County Government needs to put in place measures aimed at containing the ever rising wage bill.
 - c) The deviations, in the revision in revenues and expenditures are due to the macroeconomic assumptions contained in this CBROP, which will be firmed up in the context of the 2023CFSP. The Government will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives contained in the latest CFSP to reflect the changed circumstances.
28. As the County remains vulnerable to risks such as weather-related shocks and potential volatility in capital flows, we shall focus policies on the following priorities so as to help strengthen resilience and support sustained growth:
 - a) Scaling up infrastructure investment in areas of road maintenance value addition in the livestock sub sector, water and mitigation of weather related vulnerabilities, given our high dependence on rain-fed agriculture. Efforts to mobilize domestic revenue will be enhanced to fund these priorities

- b) Strengthening capacity-building in public financial management to ensure that the high expectations linked to devolution are met.
- c) Effective natural resource management of County resources e.g. game parks, conservancies. A sound fiscal framework, including transparent management rules and the full integration of these resources into the budget will be done in order to fully realize this potential.

III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

A. Overview

29. This CBROP has been prepared against a background of global economic slowdown reflecting the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures in China; higher-than-expected inflation worldwide 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, the IMF global growth is projected to slow down to 3.2 percent in 2022 from 6.1 percent in 2021 (WEO July 2022).
30. Advanced economies are projected to slow down to 2.5 percent in 2022 from 5.2 percent in 2021 reflecting weaker-than-expected growth in the United States and the Euro area. Growth in the United States slowed down due to significantly less momentum in private consumption while the slowdown in growth in the euro area reflected spillovers from the war in Ukraine as well as the assumption of tighter financial conditions.
31. For emerging market and developing economies, growth is also projected to slow down to 3.6 percent in 2022 from 6.8 percent in 2021 reflecting mainly the sharp slowdown of China's economy and the moderation in India's economic growth.
32. In sub-Saharan Africa region, growth is projected to slow down by 3.8 percent in 2022 from a growth of 4.6 percent in 2021. The slowdown is as a result of domestic price pressures, partly induced by supply disruptions owing to the war in Ukraine reducing food affordability, and real incomes as well as surging fuel prices across the region.
33. The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to the diversified nature of the economy 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.
34. The year-on-year inflation rate increased to 8.5 percent in August 2022 (above the 7.5 percent upper bound) from 6.6 percent in August 2021 mainly due to higher food and fuel prices. This increase was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices. Additionally, the waiver of import duties and levies on white maize and the reduction in VAT on LPG will further moderate domestic prices. Overall annual average inflation remained within Government target range at 6.6 percent in August 2022 compared to the 5.7 percent recorded in August 2021.

35. 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.
36. 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 to 3.1 percent in August 2021.
37. Interest rates on the Treasury bills remained relatively low (below 10 percent) in August 2022. The 91-day Treasury Bills rate was at 8.6 percent in August 2022 compared to 6.6 percent in August 2021. Over the same period, the 182-day Treasury Bills rate increased to 9.5 percent from 7.1 percent while the 364-day also increased to 9.9 percent from 7.4 percent.
38. Commercial banks' lending rates remained relatively stable in July 2022 supported by the prevailing monetary policy stance during the period and liquidity conditions in the market. The average lending rate was at 12.3 percent in July 2022 from 12.1 percent in July 2021 while the average deposit rate increased to 6.7 percent from 6.3 percent over the same period. Consequently, the average interest rate spread declined to 5.6 percent in July 2022 compared to 5.8 percent in July 2021.
39. Broad money supply, M3, improved to a growth of 7.6 percent in the year to July 2022 compared to a growth of 6.9 percent in the year to July 2021. The pickup was mainly due to an increase in domestic credit particularly net lending to the private sector despite the decline in the Net Foreign Assets (NFA).
40. The global economic outlook remains highly uncertain with growth projected to moderate to 2.9 percent in 2023 from 3.2 percent in 2022 largely reflecting a slowdown in advanced economies despite a gradual pick up in the emerging market and developing economies. Advanced economies are projected to slow down by 1.0 percent in 2023 from 2.3 percent in 2022 mainly due to a slowdown in growth in the United States and the Euro area. Growth in the United States is projected to slow down due to the expected impact of a steeper tightening in monetary policy. Growth in the euro area is expected to be adversely affected by the spill overs from the war in Ukraine as well as the assumption of tighter financial conditions.

41. The emerging market and developing economies are projected to pick up to a growth of 3.9 percent in 2023 from a growth of 3.6 percent in 2022 albeit with varying performance across countries. The emerging and developing Asia is projected to pick up as a result of a more robust recovery in china despite a slowdown in India, while growth in the Latin America and the Caribbean and the Middle East and Central Asia are expected to slow down.
42. The Sub-Saharan African region is projected to pick up to a growth of 4.0 percent in 2023 from 3.8 percent in 2022 with the East and Southern African sub-region showing a sustained recovery from the recession. The DRC and Zambia are expected to benefit from rising metal prices in the short-and medium term and gain from the transition away from fossil fuels in the long term.
43. Domestically, leading indicators of economic activity show continued strong performance in the second quarter of 2022, supported by strong activity in transport and storage, wholesale and retail trade, construction, information and communication, and accommodation and food services. As such, the economy is expected to remain robust at 5.5 percent in 2022, with continued strong performance of the services sector despite the downside risks to global growth.
44. 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.
45. There are down side risks to this macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, the emergence of new Omicron COVID-19 variants may occasion restrictive measures. Other risks relate to lower agricultural output due to potential adverse weather conditions. Additionally, increased public expenditure pressures, particularly wage and other recurrent expenditures, would put a strain to the fiscal space.
46. On the external front, the key downside risks include: uncertainty about the global outlook, reflecting adverse effects of the war in Ukraine, inflationary risks (from rising prices of food and oil), continuing COVID-19 pandemic related disruptions, and supply chain constraints as well as increased global financial markets volatility amid the tightening of monetary policy in advanced economies.
47. The County Government County Fiscal strategy paper for the fiscal year 2022/2023 highlighted the following priority areas:

- a) Investment in Early Childhood Development, Youth and Women Empowerment, and Vocational and Technical Training.
 - b) Improvement of Access, Quality and Affordable Health Services;
 - c) Promotion of Livestock and Crop Productivity;
 - d) Investment in both Surface and Underground water resources;
 - e) Provision of Reliable, Adequate and Quality Road Infrastructure Network;
 - f) Promotion of Tourism including opening of new Conservancies and new Game Reserves; and
 - g) Promoting pro-poor development initiatives, building resilience of the communities to adapt to the adverse effects of climate change
48. The largest expenditure drivers in the Financial Year 2022/23 are Health Services, Agriculture Livestock and Veterinary and Fisheries, Finance and Economic Planning and the County Assembly
49. Isiolo County's economy is however, heavily dependent on livestock production, commerce and tourism products. The County is still faced with acute shortage of health facilities such as dispensaries, clinics and health centers. The County government embarked on a comprehensive and deliberate strategy to improve healthcare by rehabilitation of health facilities, Equipping of the facilities with modern equipment, construction of new health facilities and providing adequate staffing to all health facilities.
50. The need for provision of benefits to the staff such as pension and medical insurance cover has resulted in significant resources being allocated to the administration and public service management department. It is envisaged that dedicating significant resources to this sector will result to improved staff satisfaction in the county.
51. The County has also significantly invested in the Education sector, with budgetary provisions for construction of ECDE classrooms per ward.
52. It is important to note that much consideration has been taken to ensure that the distribution of resources is sensitive to equity, as well as demographic distribution. As a result, both equity and efficiency has always been one of the guiding principles in county resource allocations.

B. Implementation of the Financial Year 2022/23 Budget

53. The implementation of the Financial Year 2022/23 budget has taken off to a slow start due to delays in transition. Prompt measures will be taken to ensure that the implementation of the budget is back on track and priority programmes are fully implemented once the disbursement for the first quarter is received from the exchequer. This includes directing departments to revise their annual work plans, cash flow plans and procurement plans. Implementation of priority programmes will be tracked and feedback given periodically.
54. Regarding internal revenue, the collection for the financial year 2022/23 has started on a good pace. The tourism sector is the major revenue earner for the County Government of Isiolo. The revenue returns by end September 2022 was KES 55,651,320. This is higher than the collection in the first three months of July, August and September of FY 2021/22 which was Ksh 23,386,188. The revenue for the first three months of FY 2022/23 has grown by 138% from the collection in the same period in FY2021/22. This represents an achievement of 49% of the set target in FY 2022/23. There is still need for re-evaluation of County Own Revenue collection strategies to contain recurring leakages and improve efficiency in collection, implement austerity measures in expenditures, and revision of the county own revenue budget estimates upward because clearly as seen from the performance in the first three months of FY2022/23 the county will be able to raise the revenue and surpass the set target.

Table 4: Quarter 1 realized County Own Revenue for FY2022/23

	TARGET	JULY	AUG	SEPT	TOTAL	% performance against annual target
County own Revenue Streams						
Receipts From Administrative Fees And Charges	1,736,000	76,400	52,000	89,000	217,400	13%
Other Land Revenue (Plot Application/Transfer/Sub-Division)	1,736,000	76,400	52,000	89,000	217,400	13%
Land Rates	14,271,075	715,305	484,747	1,242,578	2,442,630	17%
Land Rent & Rates - Current Year	7,195,075	213,512	168,292	336,478	718,282	10%
Penalties Rent & Rates	1,500,000	4,924	3,523	23,450	31,897	2%
Land Rent & Rates - Arrears	5,576,000	496,869	312,932	882,650	1,692,451	30%
Cesses	21,626,545	316,950	124,980	326,090	768,020	4%
Livestock Auction	4,188,993	181,950	98,980	191,290	472,220	11%
Sand Cess	14,200,000	135,000	26,000	115,000	276,000	2%
Other Cess (Produce Cess/Barter/Murram/Cheque Clearance)(Included Tractor) 2016/17	3,237,552			19,800	19,800	1%

County own Revenue Streams	TARGET	JULY	AUG	SEPT	TOTAL	% performance against annual target
Other Miscellaneous Receipts	27,696,380	636,045	416,890	552,185	1,605,120	6%
Miraa Export	4,018,156	272,900	257,650	263500	794,050	20%
Miscellaneous Charges	950,000				0	0%
S.B.P Fees/Promotion	6,556,802	273,145	124,240	244185	641,570	10%
Liquor License	3,800,000				0	0%
Public Works /Other Charges	1,200,000				0	0%
Stand Premiums	1,285,536	36000			36,000	3%
Clearance & Consents	419,919	13,000	4,000	10000	27,000	6%
Plot Transfer Approval	3,886,076				0	0%
Promotion, Advertisement/Branding	-				0	0%
Lease Extension	300,000				0	0%
Planning & Survey	954,000				0	0%
Livestock/Veterinary Inspection (Meat)	1,596,000	35,000	31,000	32100	98,100	6%
Public Inspection - Public Health	-				0	-
Weights And Measure	750,000	6,000		2400	8,400	1%
Tractor Hire	1,099,891				0	0%
Agriculture Training Centre	880,000				0	0%
Park Revenue	34,130,130	14,824,616	17,962,336	15,424,438	48,211,390	141%
Game Entrance & Royalties	34,130,130	14,824,616	17,962,336	15424438	48,211,390	141%
Market/Trade Centre Fee	1,430,446	103,000	71,900	164,200	339,100	24%
Market Stalls Rent -Kiosks & Stalls	1,430,446	103,000	71,900	164200	339,100	24%
Vehicle Parking Fees	7,480,000	308,800	256,755	373,550	939,105	13%
Street Parking Fees	7,480,000	308,800	256,755	373,550	939,105	13%
Health Facilities Operations Service Fees	1,573,785	327,810	541,245	0	869,055	55%
Hospital Cost Sharing	1,573,785	327,810	541,245		869,055	55%
Slaughter Houses Administration Fees	2,513,575	0	141,000	115,500	256,500	10%
Slaughter Fees	2,513,575		141,000	115500	256,500	10%
Technical Services Fees	1,228,401	0	3,000	0	3,000	0%
Building Plan Approvals	1,228,401		3000		3,000	0%
Gross Internal Revenue Estimates	113,686,337	17,308,926	20,054,853	18,287,541	55,651,320	49%

Source: County Revenue Office

55. The expenditure side recorded underperformance in both recurrent and development expenditures in the first quarter of the FY 2022/23 and this was caused by delays in accessing the money from National Treasury.

IV. MACROECONOMIC POLICIES AND OUTLOOK

A. Overview

56 The theme of the County Budget for the Financial Year 2022/23 is harnessing the big four agenda for sustainable social economic growth and development. In pursuit of the theme of the budget for financial year 2022/23, the County Government identified key development priority areas that will continue to affix 2022/23, budget theme. The broad macro-economic priorities that will affirm sustainable social economic growth and development areas outlined below:

- (i) Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock
- (ii) Investing in quality, affordable and accessible Health Services (i.e. preventive, curative and rehabilitative health care services).
- (iii) Investment in Infrastructure development and expansion i.e. Roads, Water Supply, Market development, Livestock and agriculture retransformation for sustainable economic growth and development.
- (iv) Investing in Education, focusing on construction of more ECDE structures and equipping of youth polytechnics, technical institutions as well as social development of the communities through social programs.
- (v) Promotion of trade and industrial development for a rapidly industrializing economy.
- (vi) Enhancing governance, transparency and accountability in the delivery of services.
- (vii) Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society where all have access to equitable share of resources;
- (viii) Promotion of Public participation through involvement in decision making in order to enhance ownership and sustainability of development programs;

57 Investing in this priority areas will Support the accelerated growth in the outer years as issues suppressing growth are addressed which include: infrastructure development projects, removal of obstacles that includes access to health, water, education and

Trade promotion. Expansion of activities in other sectors of the county will also continue funded as they contribute to the county growth.

58 Against this backdrop, the Macroeconomic Framework guiding the projections takes into account, the County Government's strategic objectives as outlined in the CIDP, third Medium Term Plan (MTP) of Vision 2030 and the broad development policies of the National Government.

B. Medium Term Fiscal Framework

Fiscal Policy Objective

- 59 The fiscal policy objective aims at supporting Economic Growth and ensuring a stable macroeconomic environment while at the same time supporting the county system for effective delivery of public goods and services in a sustainable manner.

Debt and Deficit Financing Policy

- 60 The County Government's borrowing plans remain anchored in the medium term debt management strategy which aims at ensuring public debt sustainability. The strategy outlines the desired levels, sources and terms which have to be adhered to. The County borrowing will adopt a framework guidelines designed by national government for counties that is consistent with the PFM Act. The framework includes the following safeguards: prior approval by National Treasury of all county borrowing; a limit on each County's debt (20 percent of the most recent audited revenues); and a limit on each County's debt service (15 percent of the most recent audited revenues). These safeguards effectively to limit County-level indebtedness to 1 percent of GDP.

Medium Term Fiscal Projections

- 61 In the medium term, the overall budget deficit and current account deficit are projected to decline as the government has taken measures to contain local revenue targets and regularly revise the local revenue base in line with the presiding economic conditions and also strictly adhering to budget lines.

2022/23 Budget Framework

Outlook for the Financial Year 2023/24

- 62 There is still some expenditure in the budget for 2022/23 which is necessary in ensuring that the County government is fully operational and provides a stable administrative framework. Such as Construction of the headquarters by the Finance Department,
- 63 Some expenditures are one-off and therefore may not need to be provided for in the future. As a result, the budget outlook for the Financial Year 2023/24 promotes a re-orientation of expenditure with a focus towards poverty reduction as well as secured sources of livelihood. In order to accomplish this, efforts must be taken to critically examine the respective allocations for each sector and single out expenditures that can be re-designated to key development priority areas.
- 64 In this regard, several measures shall be used to identify areas where savings can be made. However, it will be important to understand that some sectors will continue to require more resources to finance non-core type expenditures to execute their mandates effectively. Thus, expenditure reductions for items such as foreign travels, tuition fees, and domestic travel, among others must be made where extravagant spending is identified. It is therefore important that these expenditures be reduced reasonably without crippling the targeted sectors or

spending units and re-designating the resultant savings to the core areas in the Financial Year 2022/23.

Revenue Projections:

65. The Financial Year 2022/23 approved budget projects a total revenue of **KES 5,433,510,259**. The base for own source revenue projection is expected to increase due to the good performance in the first three months of this current financial year i.e. 2022/23. The county own revenue will therefore be reviewed upwards under supplementary 1 Estimates to **KES 136,423,604**. Total Revenue projection under 2022 CBROP for FY 2022/23 will be **KES 5,329,626,240**
66. The 2022 CBROP projections for FY 2022/23 are based on the County Governments Additional Allocations (No.2) Bill, 2022 which provides for a description of grants from the National Government and Development partners that the County will receive. The grants from the National Government are **KES 102,000,000** supplement for construction of County Head Quarter, and **KES 110,638,298** conditional grant for Leasing of Medical Equipment.
67. The Conditional grants from Development Partners comprises of the following: **KES 59,773,034** for Kenya Climate Smart Agriculture Project (KCAP), **KES 8,937,800** from Danida- primary Health care grant, **KES 11,000,000** from Financing Locally Led climate Action (FLLoCA), and **KES 15,549,346** from Agricultural Sector Development Support Programme (ASDSP).
68. The County will also receive the **equalization fund** from the National Government for FY 2021/22 and FY 2022/23 of **KES 98,782,717.91** and **KES 102,301,922.355** respectively.

The FY 2022/23 revenue sources and projections over the MTEF period are as indicated in the table 6 below.

Table 5: Revenue Projections - FY 2020/21 - 2025/26

	2020-21				2021-22				FY 2022/23	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
	Estimate	Actual	Deviation	% Performance	Estimate	Actual	Deviation	% Performance	FY 2022/23 Approved Estimate	CBROP 2022 Projections for FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
External Revenue													
EQUITABLE SHARE	4,241,100,000	4,241,100,000	-	100%	4,710,388,265	4,333,556,996	-376,831,269	92%	4,710,388,265	4,710,388,265	4,898,803,796	5,094,755,947	5,298,546,185
Equitable Share	4,241,100,000	4,241,100,000	-	100%	4,710,388,265	4,333,556,996	-376,831,269	92%	4,710,388,265	4,710,388,265	4,898,803,796	5,094,755,947	5,298,546,185
Conditional Allocations From National Government Revenue Acc	233,336,461	133,336,462	99,999,999	57%	68,000,000	-	-68,000,000	0%	90,800,000	303,084,640	94,432,000	98,209,280	102,137,651
Funds Received from Road Maintenance Levy Fund	124,519,106	124,519,107	-1	100%		-	-						-
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	3,472,461	-	100%		-	-						-
Supplement for Construction of County Headquarters	100,000,000	-	100,000,000	0%	68,000,000	-	-68,000,000	0%	90,800,000	102,000,000	94,432,000	98,209,280	102,137,651
Conditional allocation for development of youth polytechnic	5,344,894	5,344,894	-	100%		-	-						-
Equalization fund FY 2021/22										98,782,718			
Equalization fund FY 2022/23										102,301,922			

	2020-21				2021-22				FY 2022/23	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
	Estimate	Actual	Deviation	% Performance	Estimate	Actual	Deviation	% Performance	FY 2022/23 Approved Estimate	CBROP 2022 Projections for FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	686,085,395	379,340,521	306,744,874	55%	597,286,901	449,429,645	-147,857,256	75%	518,635,657	179,729,730	539,381,083	560,956,327	583,394,580
Current Grants from Foreign Governments Danida	12,060,000	12,060,000	-	100%	9,396,750	7,361,625	-2,035,125	78%	8,937,800	8,937,800	9,295,312	9,667,124	10,053,809
Kenya Devolution Support Programme (KDSP) World bank	60,000,000	45,000,000	15,000,000	75%	120,374,189	120,374,189	-	100%					-
World Bank Loan for Transforming Health Systems for Universal Care Project	26,720,000	25,272,243	1,447,757	95%	25,534,815	20,056,697	-5,478,118	79%					-
Climate Smart Agricultural Project	479,143,620	233,645,362	245,498,258	49%	330,699,130	269,733,553	-60,965,577	82%	330,699,130	59,773,034	343,927,095	357,684,179	371,991,546
Development Support Programme (ASDSP)	14,193,675	11,496,853	2,696,822	81%	26,387,350	3,000,000	-23,387,350	11%	9,529,177	15,549,346	9,910,344	10,306,758	10,719,028
Urban Support Project Development	93,968,100	51,866,063	42,102,037	55%			-						-
World Bank Emergency Locust Response	-	-	-		76,030,667	28,903,581	-47,127,086	38%	44,469,550	84,469,550	46,248,332	48,098,265	50,022,196
UNFPA	-	-	-		8,864,000		-8,864,000	0%					-
Financing Locally led climate action									125,000,000	11,000,000	130,000,000	135,200,000	140,608,000

	2020-21				2021-22				FY 2022/23	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
	Estimate	Actual	Deviation	% Performance	Estimate	Actual	Deviation	% Performance	FY 2022/23 Approved Estimate	CBROP 2022 Projections for FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
GROSS COUNTY EXTERNAL REVENUE ESTIMATE	5,160,521,856	4,753,776,983	406,744,873	92%	5,375,675,166	4,782,986,641	-592,688,525	89%	5,319,823,922	5,193,202,635	5,532,616,879	5,753,921,554	5,984,078,416
County own Revenue Streams													
Other Land Revenue (Plot Application/Transfer/Sub-Division)	1,736,000	1,254,550	-481,450	72%	1,736,000	1,472,800	-263,200	85%	1,736,000	2,083,200	2,700,000	2,970,000	3,267,000
Land Rent & Rates - Current Year	7,195,075	3,788,784	-3,406,291	53%	7,195,075	3,803,524	-3,391,551	53%	7,195,075	8,634,090	10,500,000	11,550,000	12,705,000
Penalties Rent & Rates	1,500,000	445,623	-1,054,377	30%	1,500,000	118,211	-1,381,789	8%	1,500,000	1,800,000	1,800,000	1,980,000	2,178,000
Land Rent & Rates - Arrears	5,576,000	4,143,869	-1,432,131	74%	5,576,000	7,158,764	1,582,764	128%	5,576,000	6,691,200	9,000,000	9,900,000	10,890,000
Livestock Auction	4,188,993	3,158,942	-1,030,051	75%	4,188,993	3,260,535	-928,458	78%	4,188,993	5,026,792	6,283,490	6,911,838	7,603,022
Sand Cess	14,200,000	7,882,600	-6,317,400	56%	14,200,000	3,462,000	-10,738,000	24%	14,200,000	17,040,000	15,000,000	16,500,000	18,150,000
Other Cess (Produce Cess/Barter/Murram/Cheque Clearance)	3,237,552	38,460	-3,199,092	1%	3,237,552	404,260	-2,833,292	12%	3,237,552	3,885,062	4,856,328	5,341,961	5,876,157
Miraa Export	4,018,156	3,282,400	-735,756	82%	4,018,156	4,832,400	814,244	120%	4,018,156	4,821,787	6,027,234	6,629,957	7,292,953
Miscellaneous Charges	950,000	-	-950,000	0%	950,000	-	-950,000	0%	950,000	1,140,000	-	-	-
S.B.P Fees/Promotion	6,556,802	5,862,425	-694,377	89%	6,556,802	5,961,030	-595,772	91%	6,556,802	7,868,162	12,750,000	14,025,000	15,427,500

	2020-21				2021-22				FY 2022/23	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
	Estimate	Actual	Deviation	% Performance	Estimate	Actual	Deviation	% Performance	FY 2022/23 Approved Estimate	CBROP 2022 Projections for FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Liquor License	3,800,000		-3,800,000	0%	3,800,000	-	-3,800,000	0%	3,800,000	4,560,000	5,700,000	6,270,000	6,897,000
Public Works /Other Charges	1,200,000	65,700	-1,134,300	5%	1,200,000	451,092	-748,908	38%	1,200,000	1,440,000	750,000	825,000	907,500
Stand Premiums	1,285,536	155,000	-1,130,536	12%	1,285,536	676,000	-609,536	53%	1,285,536	1,542,643	300,000	330,000	363,000
Clearance & Consents	419,919	-	-419,919	0%	419,919	-	-419,919	0%	419,919	503,903			907,500
Plot Transfer Approval	3,886,076	-	-3,886,076	0%	3,886,076	-	-3,886,076	0%	3,886,076	4,663,291			
Promotion, Advertisement/branding	-	782,000	782,000	-	-	1,681,500	1,681,500		-	1,681,500	1,800,000	1,980,000	2,178,000
Lease Extension	300,000	-	-300,000	0%	300,000	-	-300,000	0%	300,000	360,000	300,000	330,000	363,000
Planning & Survey	954,000	-	-954,000	0%	954,000	-	-954,000	0%	954,000	1,144,800			
Livestock/Veterinary Inspection (meat)	1,596,000	477,051	-1,118,949	30%	1,596,000	607,595	-988,405	38%	1,596,000	1,915,200	2,400,000	2,640,000	2,904,000
Public Inspection - Public Health	-	436,829	436,829	-	-	436,375	436,375		-	200,000	1,750,000	1,925,000	2,117,500
Weights and Measure	750,000	30,000	-720,000	4%	750,000	157,537	-592,463	21%	750,000	900,000	500,000	550,000	605,000
Tractor Hire	1,099,891	104,250	-995,641	9%	1,099,891	123,500	-976,391	11%	1,099,891	1,319,869	1,200,000	1,320,000	1,452,000

	2020-21				2021-22				FY 2022/23	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
	Estimate	Actual	Deviation	% Performance	Estimate	Actual	Deviation	% Performance	FY 2022/23 Approved Estimate	CBROP 2022 Projections for FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Agriculture Training Centre	880,000	40,890	-839,110	5%	880,000	113,000	-767,000	13%	880,000	1,056,000	450,000	495,000	544,500
Game Entrance & Royalties	34,130,130	5,146,347	-28,983,783	15%	34,130,130	57,878,803	23,748,673	170%	34,130,130	40,956,156	64,249,854	70,674,839	77,742,323
Market Stalls Rent - Kiosks & Stalls	1,430,446	919,187	-511,259	64%	1,430,446	2,176,280	745,834	152%	1,430,446	1,716,535	1,800,000	1,980,000	2,178,000
street Parking Fees	7,480,000	3,541,784	-3,938,216	47%	7,480,000	5,146,944	-2,333,056	69%	7,480,000	8,976,000	8,220,000	9,042,000	9,946,200
Hospital Cost Sharing	1,573,785	3,669,249	2,095,464	233%	1,573,785	6,343,385	4,769,600	403%	1,573,785	1,888,542	7,350,000	8,085,000	8,893,500
Slaughter Fees	2,513,575	1,207,540	-1,306,035	48%	2,513,575	1,537,740	-975,835	61%	2,513,575	3,016,290	3,000,000	3,300,000	3,630,000
Building Plan Approvals	1,228,401	350,560	-877,841	29%	1,228,401	29,600	-1,198,801	2%	1,228,401	1,474,081	1,842,603	2,026,863	2,229,550
GROSS INTERNAL REVENUE ESTIMATES	113,686,337	46,784,040	-66,902,297	41%	113,686,337	107,832,875	-5,853,462	95%	113,686,337	136,423,604	170,529,509	187,582,458	207,248,205
GROSS COUNTY REVENUE ESTIMATE	5,274,208,193	4,800,561,023	339,842,576	91%	5,489,361,503	4,890,819,516	-598,541,987	89%	5,433,510,259	5,329,626,240	5,703,146,388	5,941,504,012	6,191,326,621

Expenditure Forecasts:

69. The departmental expenditure forecast for the Financial Year 2022/23 is shown in table 4 below;

Table 5: Allocation for Financial Year 2022/23

SECTOR/SUBSECTOR	RECURRENT APPROVED ESTIMATES FOR FY 2022/23	DEVELOPMENT APPROVED ESTIMATES FY 2022/23	TOTAL APPROVED BUDGET ESTIMATES FY 2022/23	2022 CBOP RECURRENT PROJECTION FOR FY 2022/23	2022 CBOP DEVELOPMENT PROJECTION FOR FY 2022/23	2022 CBOP TOTAL PROJECTION FOR FY 2022/23
County Assembly	448,252,680	188,000,000	636,252,680	448,252,680	188,000,000	636,252,680
Governor, Office	290,040,316	-	290,040,316	290,040,316	-	290,040,316
CPSB	70,639,215	-	70,639,215	70,639,215	-	70,639,215
Deputy governor	24,000,000	-	24,000,000	24,000,000	-	24,000,000
county secretary	44,692,234	-	44,692,234	44,692,234	-	44,692,234
Delivery unit	22,204,882	-	22,204,882	22,204,882	-	22,204,882
Finance	166,127,379	90,800,000	256,927,379	166,127,379	303,084,640	469,212,019
Economic Planning	63,736,173	10,000,000	73,736,173	63,736,173	10,000,000	73,736,173
Special Programmes and ICT	41,663,959	110,000,000	151,663,959	41,663,959	110,000,000	151,663,959
Cohesion	35,992,850	10,000,000	45,992,850	35,992,850	10,000,000	45,992,850
Lands and Physical Planning	23,873,199	62,400,000	86,273,199	23,873,199	62,400,000	86,273,199
Roads and Infrastructure	16,016,000	165,500,056	181,516,056	16,016,000	165,500,056	181,516,056
Public Works and Housing	22,751,268	7,000,000	29,751,268	22,751,268	7,000,000	29,751,268
Agriculture	55,013,358	431,117,147	486,130,505	55,013,358	228,948,488	283,961,846
Livestock & Fisheries	113,437,775	42,544,000	155,981,775	113,437,775	42,544,000	155,981,775
Education and Vocational Training	228,898,884	37,965,185	266,864,069	228,898,884	37,965,185	266,864,069
Youth and Sports	22,331,991	57,999,944	80,331,935	22,331,991	57,999,944	80,331,935
Culture and Social Service	20,884,319	24,242,945	45,127,264	20,884,319	24,242,945	45,127,264
Tourism and Wildlife	139,781,330	20,000,000	159,781,330	139,781,330	20,000,000	159,781,330
Trade	25,106,543	17,590,347	42,696,890	25,106,543	17,590,347	42,696,890
PSM	176,823,224	4,000,000	180,823,224	176,823,224	4,000,000	180,823,224
Administration	10,924,615	20,000,000	30,924,615	10,924,615	20,000,000	30,924,615
Water and Sanitation	56,377,162	127,791,804	184,168,966	56,377,162	127,791,804	184,168,966
Energy, Environment and Natural Resource	23,381,772	150,806,983	174,188,755	23,381,772	36,806,983	60,188,755

SECTOR/SUBSECTOR	RECURRENT APPROVED ESTIMATES FOR FY 2022/23	DEVELOPMENT APPROVED ESTIMATES FY 2022/23	TOTAL APPROVED BUDGET ESTIMATES FY 2022/23	2022 CBROP RECURRENT PROJECTION FOR FY 2022/23	2022 CBROP DEVELOPMENT PROJECTION FOR FY 2022/23
Health Services	1,302,960,235	187,393,283	1,490,353,518	1,302,960,235	187,393,283
Municipal Administration	57,410,772	165,036,430	222,447,202	57,410,772	165,036,430
Total	3,503,322,135	1,930,188,124	5,433,510,259	3,503,322,135	1,826,304,105

70. In Financial year 2022/23, overall approved expenditure estimate is at KES 5,433,510,259. Projected recurrent expenditures will amount to **KES 3,503,322,135** (64.5% percent of total expenditure) compared with **KES 4,169,531,080** (65.5 percent of total expenditure) in the Financial Year 2021/22 revised budget estimates. Expenditure ceilings on goods and services for sectors are based on funding allocation in the Financial Year 2021/22 budget as the baseline. The ceilings will be reduced to take into account one-off expenditures and then an adjustment factor will be applied to take into account the general increase in prices and acquisition of new assets for the new government. The wage bill is expected to stabilize at around 36 percent of total expenditure in the MTEF period 2022/23-2024/25 period. Development expenditure is projected at **KES 1,826,304,105** (34 percent of total expenditure). Compared with **KES 2,198,309,055** (34.5 percent of total expenditure) in the Financial Year 2021/22 revised Approved Budget.
71. The proposed CBROP projections for FY 2022/23 anticipates a balanced budget. With total expenditure projection of **KES 5,329,626,240**. With Recurrent projected estimates of 66% and Development estimate of 34%

C. Risks to the Economic Outlook

72. Internally, public expenditure pressures particularly arising from wage related recurrent expenditures and huge amount of pending domestic payables and local revenue shortfalls that has been occasioned by the advent of the COVID-19 global pandemic continue to pose a fiscal risk. In addition, the revenue leakages, adverse weather conditions, and the despite the fact that the COVID-19 pandemic is primarily a health crisis and a human tragedy, it also has far reaching adverse effects on the economy. Its attendant containment has disrupted livelihoods and poor households and small businesses have been hit harder than most. To try and mitigate this, the County Government will develop framework for action aimed at saving lives, protecting households and businesses from the severe effects of the pandemic. In the event the above risks materialize; we shall revise again the macro economic framework and the Medium Term Sector Ceilings in the 2022/23 Budget.
73. In the meantime, the county Government continues to monitor the above risks and will undertake appropriate measures to safeguard macroeconomic stability when need arises.

i. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2022/23 Budget

74. Resource allocation and utilization in this Financial Year and in the medium term period is guided by the emerging priorities, County plans and the principles of PFMA, 2012 to ensure effective and efficient utilization of public resources. The sectoral allocations were informed by the County development goals as well as the people's aspirations as captured in the County Integrated Development Plan, 2018-22 and Public Consultation Fora reports. The County goals are aligned to the goals and the objectives of the Second Medium Term Plan of Kenya's Vision 2030.
75. Considering the tight fiscal position and the assumptions underpinning the medium term fiscal framework for Financial Year 2022/23, we must contain expenditures by adhering to the fiscal responsibilities outlined in the Public Finance Management Act, 2012. The fiscal framework for Financial Year 2022/23 that aims at striking an appropriate balance between support for growth and continued fiscal discipline. The County will therefore continue to address deficits sustainability issues by putting emphasis on efficiency and effectiveness of public spending and improving its own revenue performance.
76. The implementation of the Financial Year 2022/23 Budget has been a bit slow as County Departments/entities have not yet commenced its implementation due to delays in getting clearance from the office of the controller of Budget and the transition to the new government.
77. The risks to the 2022/23 budget include weak internal controls and the medium term expenditure pressures with respect to the rising wage bill that is crowding out resources for essential services and economic development. In addition, implementation pace of development programmes continues to be a source of concern. The risks will be monitored closely and measures to reduce the risks include:
- a) County Public Service Board is tasked to hire personnel who add value to the County.
 - b) County Government has put on hold approval of any policy and proposed legislation, which establishes new county sector entities with personnel and wage implications. All such establishments are delayed until a comprehensive restructuring of the County Government is done in accordance with the Constitution;

- c) On the revenue side, the County Treasury has instituted corrective measures to reverse the decline in revenue collection from local sources, enhanced compliance audit of large outstanding property tax payers, initiated automation of highly potential but leaking revenue sources, and has instituted collection of other sources of taxes such as liquor licenses, car park fees, royalties, advertisement and rental charges, this will help our revenue collection go up once the effect of the global pandemic recede and normalcy resumes fully; and
 - d) All devolved entities collecting revenue are instructed to deposit them to the County revenue fund account as soon as those revenues are realized.
78. Expenditure increments will be continuously informed by the core needs identified through public consultation forums. In this regard, “high impact” areas or chronically neglected areas identified will receive additional funding. Further, the most important areas of public spending will include the phased Construction of the County Head Quarters, Construction of Isiolo Stadium, construction of the Isiolo Modern Market and storm water management in Isiolo Town.
79. The revenue sources of the county are critically low and savings must be made and the non-core spending areas to be used to fund these urgent projects.

B. Medium-Term Expenditure Framework

80. In view of the limited resources, we will continue to adjust non-priority expenditures to cater for the priority expenditures in all sectors. The County integrated development plan (2018-2022) and its annual development plan 2021/22 will continue to guide resource allocations.
81. The priority sectors, including Health, Water, Roads and Infrastructure, Livestock will continue to receive adequate resources. Health sector is already receiving a significant share of resources in the budget and we require the accounting officer to utilize the allocated resources more efficiently to generate fiscal space to accommodate strategic interventions in the sector. Livestock and Water sector will receive increasing share of resources to boost productivity with a view to deal with value addition and threats in food security in the county. Other priority programmes include empowering of youth by putting in place a transformative technical and vocational education system through construction of polytechnics. Resources earmarked for these interventions are ring fenced over the medium term.

82. With the County Government's commitment in improving physical infrastructure countywide, the share of resources going to Roads, Housing and Public Works sector will continue to rise steadily over the medium term period. Other priority sectors such as Education, Sports, Youth and culture will also continue to receive adequate resources.
83. In light of the medium-term expenditure framework discussed above, the table below provides the tentative projected baseline ceilings for the Financial Year 2022/23 – 2023/24 MTEF period classified by sector.

Table 8: Total Projected Expenditure Ceilings for the MTEF period 2022/23 - 2024/25

SECTOR / SUB SECTOR	APPROVED ESTIMATES FOR FY 2022/23			CBROP 2022 PROJECTION FOR FY 2022/23			PROJECTION FOR FY 2023/24			PROJECTION FOR FY 2024/25			PROJECTION FOR FY 2025/26		
	RE	DE	TOTAL	RE	DE	TOTAL	RE	DE	TOTAL	RE	DE	TOTAL	RE	DE	TOTAL
County Assembly	448,252,680	188,000,000	636,252,680	448,252,680	188,000,000	636,252,680	461,700,260	86,674,432	548,374,692	480,168,271	80,000,000	560,168,271	499,375,002	80,000,000	579,375,002
Governor's Office	290,040,316	0	290,040,316	290,040,316	0	290,040,316	313,243,541	0	313,243,541	332,038,154	0	332,038,154	345,319,680	-	345,319,680
CPSB	70,639,215	0	70,639,215	70,639,215	0	70,639,215	72,758,391	0	72,758,391	75,668,727	0	75,668,727	78,695,476	-	78,695,476
Deputy governor	24,000,000	0	24,000,000	24,000,000	0	24,000,000	24,720,000	0	24,720,000	25,708,800	0	25,708,800	26,737,152	-	26,737,152
county secretary	44,692,234	0	44,692,234	44,692,234	0	44,692,234	30,284,564	0	30,284,564	31,495,947	0	31,495,947	32,755,784	-	32,755,784
Delivery unit	22,204,882	0	22,204,882	22,204,882	0	22,204,882	25,217,640	0	25,217,640	26,226,346	0	26,226,346	27,275,399	-	27,275,399
Finance	166,127,379	90,800,000	256,927,379	166,127,379	303,084,640	469,212,019	172,772,474	29,462,784	202,235,258	179,683,373	28,126,157	207,809,530	186,870,708	29,251,203	216,121,911
Economic Planning	63,736,173	10,000,000	73,736,173	63,736,173	10,000,000	73,736,173	66,909,497	30,048,640	96,958,137	69,585,877	24,652,800	94,238,677	72,369,312	25,638,912	98,008,224
Special Programme and ICT	41,663,959	110,000,000	151,663,959	41,663,959	110,000,000	151,663,959	55,063,738	123,735,040	178,798,778	57,266,288	128,684,442	185,950,729	59,556,939	133,831,819	193,388,758
Cohesion	35,992,850	10,000,000	45,992,850	35,992,850	10,000,000	45,992,850	40,876,360	11,248,640	52,125,000	42,511,414	10,000,000	52,511,414	44,211,871	10,400,000	54,611,871
Lands and Physical Planning	23,873,199	62,400,000	86,273,199	23,873,199	62,400,000	86,273,199	25,821,252	70,191,514	96,012,766	26,854,102	42,999,174	69,853,276	27,928,266	44,719,141	72,647,407
Roads and Infrastructure	16,016,000	165,500,056	181,516,056	16,016,000	165,500,056	181,516,056	24,024,000	210,706,319	234,730,319	24,984,960	246,805,833	271,790,793	25,984,358	256,678,066	282,662,425
Public Works and Housing	22,751,268	7,000,000	29,751,268	22,751,268	7,000,000	29,751,268	27,301,522	68,140,800	95,442,322	28,393,583	15,218,112	43,611,695	29,529,326	15,826,836	45,356,163
Agriculture	55,013,358	431,117,147	486,130,505	55,013,358	228,948,488	283,961,846	62,477,570	307,098,157	369,575,727	64,976,673	407,870,383	472,847,056	67,575,740	424,185,198	491,760,938
Livestock & Fisheries	113,437,775	42,544,000	155,981,775	113,437,775	42,544,000	155,981,775	128,829,012	110,256,214	239,085,226	133,982,172	132,519,488	266,501,660	139,341,459	137,820,268	277,161,727
Education and Vocational Training	228,898,884	37,965,185	266,864,069	228,898,884	37,965,185	266,864,069	259,955,885	70,701,030	330,656,915	275,553,238	49,275,773	324,829,011	286,575,368	64,058,505	350,633,873
Youth and Sports	22,331,991	57,999,944	80,331,935	22,331,991	57,999,944	80,331,935	25,361,996	65,242,049	90,604,045	26,376,476	75,279,287	101,655,763	27,431,535	78,290,458	105,721,993
Culture and Social Service	20,884,319	24,242,945	45,127,264	20,884,319	24,242,945	45,127,264	23,717,903	27,270,016	50,987,919	24,666,619	32,776,461	57,443,080	25,653,284	34,087,519	59,740,803

Tourism and Wildlife	139,781,330	20,000,000	159,781,330	139,781,330	20,000,000	159,781,330	150,746,861	26,770,630	177,517,491	156,776,735	27,040,000	183,816,735	163,047,805	28,121,600	191,169,405
Trade	25,106,543	17,590,347	42,696,890	25,106,543	17,590,347	42,696,890	28,512,999	19,786,749	48,299,748	29,653,519	23,782,150	53,435,669	30,839,660	24,733,436	55,573,096
PSM	176,823,224	4,000,000	180,823,224	176,823,224	4,000,000	180,823,224	181,814,599	5,429,563	187,244,162	189,087,183	5,408,000	194,495,183	192,868,927	5,624,320	198,493,247
Administration	10,924,615	20,000,000	30,924,615	10,924,615	20,000,000	30,924,615	12,406,867	22,497,280	34,904,147	12,903,142	27,040,000	39,943,142	13,419,267	28,121,600	41,540,867
Water and Sanitation	56,377,162	127,791,804	184,168,966	56,377,162	127,791,804	184,168,966	64,026,415	170,899,146	234,925,561	66,587,472	187,774,519	254,361,991	69,250,970	195,285,500	264,536,470
Energy, Environment and Natural Resource	23,381,772	150,806,983	174,188,755	23,381,772	36,806,983	60,188,755	26,554,211	60,561,860	87,116,071	27,616,379	76,837,346	104,453,725	28,721,035	79,776,861	108,497,896
Health Services	1,302,960,235	187,393,283	1,490,353,518	1,302,960,235	187,393,283	1,490,353,518	1,409,677,681	231,716,585	1,641,394,266	1,522,451,895	157,259,212	1,679,711,108	1,583,349,971	165,122,173	1,748,472,144
Municipal Administration	57,410,772	165,036,430	222,447,202	57,410,772	165,036,430	222,447,202	65,200,266	174,733,435	239,933,701	67,808,277	163,129,254	230,937,531	70,520,608	174,548,302	245,068,909
Total	3,503,322,135	1,930,188,124	5,433,510,259	3,503,322,135	1,826,304,105	5,329,626,240	3,779,975,505	1,923,170,883	5,703,146,388	3,999,025,621	1,942,478,391	5,941,504,012	4,155,204,902	2,036,121,719	6,191,326,621

Source: Economic Planning Department

C. Fiscal Risks

84. Despite the optimism, risks do remain. The county's economy is still vulnerable to exogenous shocks such as the current macroeconomic instability occasioned by the advent of the Covid-19 pandemic that threatens the Country's and subsequently the County's economic stability as the macroeconomic management and performance of most of the sectors under the National Government have a ripple effect on how the County will perform.
85. The risks to the 2022/23 Financial Year's budget include challenges in revenue performance as the county continues to grapple with the adverse effect of the global pandemic on major revenue streams. The current continuing process of County restructuring, recruitment and rationalization of staff is expected to exert pressure on wage expenditures.
86. Adjustments to the 2022/23 budget will also take into account the pending bills from FY 2021/22, actual performance of expenditure and absorption capacity for the remainder of the Financial Year and also keep a close eye on the development of the effects of the severe drought the county is experiencing, the Covid-19 pandemic and the Russia- Ukraine war on the economy. Because of the resource constraints faced, the County Government will rationalize expenditures by cutting those that are non-priority. These may include slowing down or reprioritizing development expenditures and also dropping non key recurrent expenditures.

ii. CONCLUSION AND WAY FORWARD

87. Global economic outlook has become more uncertain reflecting, the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures, elevated inflationary pressures, volatile financial markets, and persistent supply chain disruptions. The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to its diversified nature and the proactive measures by the Government to cushion the vulnerable, support businesses and accelerate economic recovery. The economy expanded by 7.5 percent in 2021, from a contraction of 0.3 percent in 2020 and is expected to remain resilient in 2022 going forward. This outlook will be reinforced by the ongoing implementation of the strategic priorities of the Government
88. To strengthen the economic recovery, the budget for FY 2022/23 and the medium term will focus on resource mobilization and reduction on non-core expenditures in order to reduce the fiscal deficit.
89. Given the tight resource envelope, all Sector Working Groups are required to carefully scrutinize all proposed departmental budgets for FY 2022/23 and the medium term to ensure that they strictly adhere to the hard sector ceilings and the strict deadlines provided in this document to facilitate the finalization and appropriation of the FY 2022/23 and the medium-term budget. The resource envelope and ceilings for each Sector provided in this County Budget Review and Outlook Paper will form inputs into the 2023 County Fiscal Strategy Paper.

ANNEX1: BUDGET CALENDAR FOR THE FINANCIAL YEAR 2022/2023 MTEF BUDGET

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Preparation and Issuance of a circular setting out guidelines to be followed by all county government entities in the Budget process	County Treasury	30 August 2022
2. Launch of sector working groups	County Treasury	27 September 2022
3. Performance Review and Strategic Planning		
3.1 Review and update of strategic plans, previous Budget programme outputs and outcomes	Line sectors Working Groups	12 September 2022
3.2 Review of programme expenditure performance and approval of projects for financial year 2022/23	Line sectors Working Groups	12 September 2022
3.3 Preparation of Annual Development Plan by sectors and submission to County Treasury	Line Sectors Working Groups	1 December 2022
3.4 Submission of Annual Development Plan to Cabinet for approval	Line Sectors Working Groups	1 December 2022
3.5 Submission of Annual Development Plan to County Assembly for approval	County Treasury	9 December 2022
3.6 Preparation of County Integrated Development Plan 2023-2027	County Treasury	9 December 2022
3.7 Submission of County Integrated Development Plan 2023-2027 to the Assembly	County Treasury	9 December 2022
4. Determination of Fiscal Framework		
4.1 Draft County Budget Review and Outlook Paper CBROP	County Treasury	24 th September 2022
4.2 Submission of CBROP to the Cabinet for Approval	County Treasury	27 th September 2022
4.3 Submission of CBROP to the County Assembly for Approval	CEC member Finance	21 st October 2022
4.4 Issue of guidelines for review of the 2022/23 County budget (supplementary budget)	County Treasury	15 th December 2022
5. Preparation of MTEF Budget Proposal		
5.1 Retreat to Draft Sector Reports	Line Sector Working Groups	3 rd -9 th October 2022
5.2 Briefing of sector Chairperson and accounting officers on draft sector reports	Line Sector Working Groups	11 th -12 th October 2022
5.3 Public Sector Hearing	Line Sector Working Groups	18-23 th October 2022
5.4 Review and incorporation of stakeholders inputs in the sector proposals	Line Sector Working Groups	24 th -29 th October 2022
5.6 Submission of Draft sector reports to County treasury	Sector chairpersons (Cos)	2 nd November 2022
5.7 Consultative meeting of accounting officers, CEC Members chairperson of sector working groups on sector budget proposals	County Treasury	8 th -12 th November 2022
6. Draft County Fiscal Strategy Paper (CFSP)		
6.1 Finalize the draft County Fiscal Strategy Paper & DMSP	Macro Working Group	2 nd -6 th January 2023
6.1 public participation for CFSP		9 th - 13 th January 2023
6.2 Retreat on finalization of the CFSP & DMSP	Macro Working Group	23 rd -27 th January 2022
6.3 Submission of County Fiscal Strategy paper (CFSP) to CEC for Approval	County Treasury	6 th February 2023
6.4 Submission of County Fiscal Strategy paper (CFSP) to County Assembly	County Treasury	13 th February 2023

