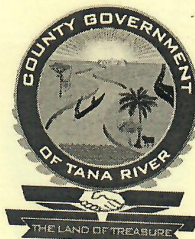


REPUBLIC OF KENYA



COUNTY GOVERNMENT OF TANA RIVER
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

Email address: County.Treasury@tanariver.go.ke
Telephone: 0466260000

P.O BOX 29-70101,
HOLA

Ref. No. TRCG/FIN/16(114)

29th September, 2023

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

Dear Sir,


RE: 2023 COUNTY BUDGET REVIEW AND OUTLOOK PAPER

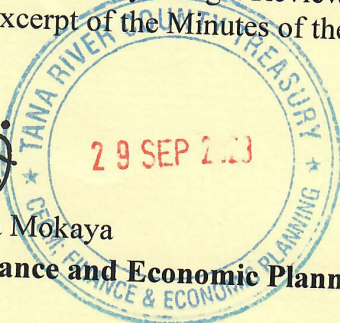
We refer to the above subject matter.

The County Treasury has prepared the 2023 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 2023 CBROP:

1. 2023 County Budget Review and Outlook Paper
2. Excerpt of the Minutes of the Tana River CEC approving the 2023 CBROP.


CPA Brenda Mokaya
CECM, Finance and Economic Planning



THE COUNTY GOVERNMENT OF TANA RIVER



THE COUNTY TREASURY

**2023 COUNTY BUDGET REVIEW AND
OUTLOOK PAPER (CBROP)**

SEPTEMBER, 2023

FOREWORD

The County Treasury has prepared the 2023 County Budget Review Outlook Paper (CBROP) to provide a review of the fiscal performance by the County government of Tana River during the financial year 2022/2023. It compares the budget appropriations in the year under review and provides insight on recent economic developments and the expected economic and financial forecast. Additionally, it provides information to show changes from the forecast in the previous County Fiscal Strategy Paper (CFSP) of 2022 and the reasons for, impact and effects of said changes.

The 2023 CBROP is set against the backdrop of 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 lingering ripple effects of the COVID-19 Pandemic and extensive drought associated with the adverse effects of climate change which impacted highly on agriculture and food security. The economy registered a 4.8 percent expansion in 2022, with projections indicating a 5.5 percent growth in 2023 and a consistent percentage over the medium term.

At the County level, the outlook in 2023 will focus on stabilization of the macroeconomic environment coupled with the continued implementation of the strategic priorities of the county government under the umbrella of the policies, reforms and priority sectors of the Bottom – Up Economic Transformation Agenda (BETA). The County Treasury shall continue to adhere to the fiscal responsibility principles in accordance with the Constitution, and the Public Finance Management (PFM) Act, 2012 (Section 107) in implementation of the County’s strategic priorities. The county government’s recurrent and development expenditures remained within the legal thresholds as per the PFMA, 2012. The success 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.


CPA Brenda Mokaya
CECM – FINANCE AND ECONOMIC PLANNING



ACKNOWLEDGEMENT

The 2023 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 tenth version since the inception of the County Government of Tana River.

I would like to acknowledge the various departments for their 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 CPA Brenda Mokaya (CECM - Finance and Economic Planning), Amani Bawata (Assistant Director - M&E), Cornelius Wamukoya (Principal Accountant), Arnold Odipo (Economic Planning Officer), Machafu Komora (Economist/Statistician) and the other officers from the Directorate of Economic Planning & Budgeting. These officers spent a significant amount of time putting together this CBROP.

This Paper was laid before the Tana River County Executive Committee who gave invaluable feedback on the performance of the Departments in the FY 2022/23. To these, I am grateful.

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



Mariam A. Bunu

Ag. COUNTY CHIEF OFFICER – FINANCE AND ECONOMIC PLANNING



©2023 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

Contents

FOREWORD	ii
ACKNOWLEDGEMENT	iii
ABBREVIATIONS AND ACRONYMS	vi
PREAMBLE	vii
Legal Basis for Preparation of the County Budget Review and Outlook Paper.....	vii
Fiscal Responsibility Principles in the Public Financial Management Law	viii
1. INTRODUCTION	1
1.1. Objective of CBROP.....	1
1.2. Significance of CBROP	2
1.3. Structure of the Paper.....	2
2. REVIEW OF COUNTY FISCAL PERFORMANCE IN THE FY 2022/23.....	3
2.1. Overview	3
2.2. Fiscal Performance.....	4
2.2.1. Performance in Revenues.....	4
2.2.1.1. Equitable Share of Revenue Raised Nationally.....	5
2.2.1.2. Conditional Grants.....	5
2.2.1.3. County Own Source Revenue.....	7
2.2.2. Expenditure Performance.....	10
2.2.2.1. Budget absorption and comparison between CFSP 2022 Ceilings and FY 2022/23 Budget	11
2.2.2.2. Recurrent and Development Expenditure.....	14
2.2.2.3. Expenditure per Economic Classification	15
3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK.....	17
3.1. Overview	17
3.2. Recent Economic Developments	18
3.3. County Economic Outlook and Policies	24
3.4. Risks to the Outlook.....	25
4. RESOURCE ALLOCATION FRAMEWORK.....	27
4.1. Overview	27
4.2. Adjustment to the FY 2022/2023 Budget	27
4.3. The Medium-Term Expenditure Framework.....	28
4.3.1. Proposed 2022/2023 Budget Framework.....	31
4.3.1.1. Revenue Outlook	32
4.3.1.2. Expenditure Outlook.....	32
5. CONCLUSION.....	33
ANNEX: CALENDAR FOR FY 2024/25 BUDGET PROCESS	34

LIST OF TABLES AND FIGURES

TABLES

Table 1: Summary of the Fiscal Performance of the County in FY 2022/234
Table 2: Analysis of Conditional Grants Received in the FY 2022/236
Table 3: Analysis of OSR Collection Per Revenue Stream.....7
Table 4: Quarterly County Own Source Revenue Performance Over a period of Three Fiscal
Years9
Table 5: Budget Absorption and Comparison between CFSP 2022 Ceilings and FY 2022/23
Budget.....11
Table 6: County Government Fiscal Projections in the Medium Term.....16
Table 7: Summary of Expenditure Projections for FY 2021/22 and MTEF.....32

FIGURES

Figure 1: Source of Financing for the FY 2022/23 Budget3
Figure 2: Month-on-Month OSR Performance.....9
Figure 3: Revenue Performance Over a period of three Fiscal Years10
Figure 4: Expenditure by Economic Classification in the FY 2021/22 and the FY 2022/23 ..15

ABBREVIATIONS AND ACRONYMS

A-in-A	Appropriations in Aid
ASDSP	Agriculture Sector Development Support Project
BETA	Bottom – Up Economic Transformation Agenda
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
CGAAA	County Governments Additional Allocations Act
eCIMES	Electronic County Integrated Monitoring and Evaluation System
FLLoCA	Financing Locally-Led Climate Action
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
KCSAP	Kenya Climate Smart Agriculture Project
KNBS	Kenya National Bureau of Statistics
MoH	Ministry of Health
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NAVCDP	National Agricultural Value Chain Development Project
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 pertaining to 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. Within the Medium-Term Expenditure Framework (MTEF), 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 for in section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative sector ceilings for the FY 2024/2025 budget and in the medium term to guide Sector Workings groups (SWGs) before being affirmed in the 2024 CFSP.

1.3. Structure of the Paper

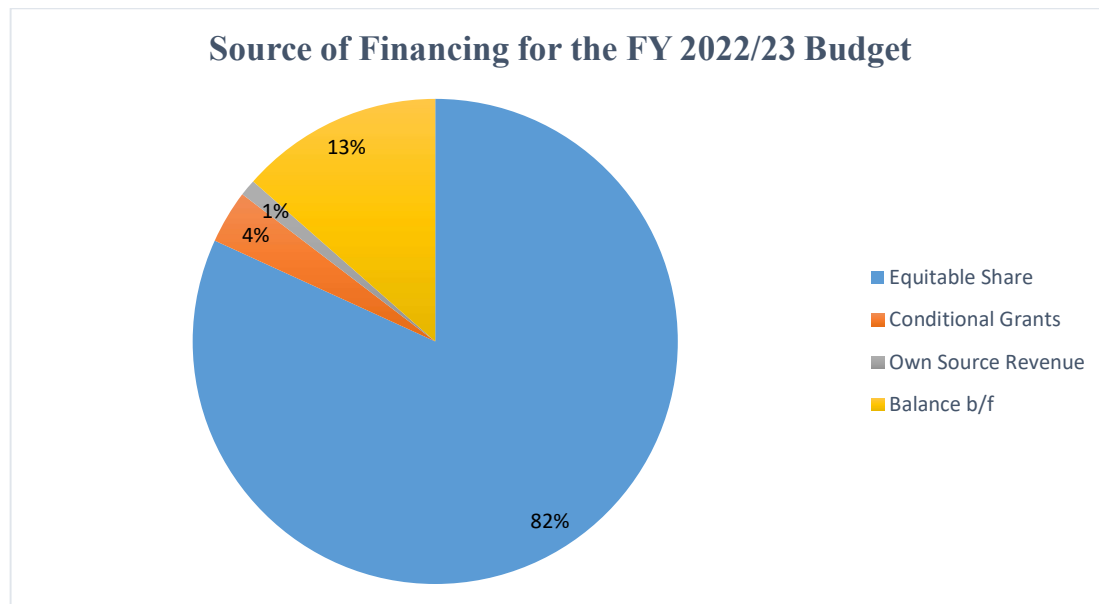
5. This paper has four sections. Section Two reviews the county's fiscal performance for the previous year. It is divided into three sub-sections, namely; The Overview, Fiscal Performance and Implications of Fiscal Performance. Section three reviews recent economic developments and has four subsections 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 in pursuit of managing and implementing a balanced budget in the medium term. 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 2022/23

2.1. Overview

6. This section provides an overview of the performance and implementation of the budget for the Financial Year 2022/2023 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.
7. The County's FY 2022/2023 Approved Supplementary Budget was Kshs. 7.98 billion, comprising of Kshs. 5.47 billion (69 percent) and KShs. 2.511 billion (31 percent) allocation for recurrent and development expenditure respectively.
8. In order to finance the budget, the county was to receive Kshs. 6.528 billion (81.8 percent) as equitable share, Kshs. 283.53 million (3.5 percent) as conditional allocations, targeted to raise Kshs. 87.85 million as own local revenues which translates to 1.1 percent of the total budget and had a balance from the other financial year (2021/22) of Kshs.1.080 billion which translated to 13.5 percent of the total budget. The expected sources of budget financing are shown in Figure 1.

Figure 1: Source of Financing for the FY 2022/23 Budget



Source: Tana River County Treasury, 2023

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 in FY 2022/23

	FY 2021/22	FY 2022/23		% Deviation	Growth %
	Actual	Approved	Actual		
	(a)	(b)	(c)		
Revenue (Total)	8,426,332,066	7,980,017,206	7,839,198,210	-2%	-7%
Unspent Bal from Previous FY	1,504,916,022	1,080,241,526	507,115,875	-53%	-66%
Total Revenue and Grants	6,921,416,044	6,899,775,680	7,332,082,335	6%	6%
Equitable Share	6,503,832,312	6,528,408,765	7,050,681,467	8%	8%
Local Revenue	72,260,813	87,846,000	59,173,171	-33%	-18%
Grants (Total)	345,322,919	283,520,915	222,227,697	-22%	-36%
Total Expenditure	6,295,874,044	7,980,017,206	4,966,095,531	-38%	-21%
Recurrent	3,893,837,000	5,468,742,765	3,960,892,142	-28%	2%
Development	2,402,037,044	2,511,274,441	1,005,203,389	-60%	-58%
Unspent Bal Current FY	0	0			

Source – Tana River County Treasury

10. The following challenges contributed the fiscal performance of the FY 2022/2023 being below expectation:

- a. **Delay in Approval of the FY 2022/23 Budget Estimates:** The FY 2022/23 Budget Estimates were approved in mid-October, 2023. This means that most of the activities that were to be implemented in the first quarter were not done, resulting in no or minimal expenditures.
- b. **Delay in Approval of FY 2022/23 Supplementary Budget Estimates:** The FY 2022/23 supplementary estimates were approved in May, with subsequent requisite processes including keying in of the estimates to the hyperion module, preparation of supplementary consolidated procurement plan and eventual

budget upload to IFMIS for implementation taking up to mid June 2023 to complete. This provided a very short window within which to implement and absorb the supplementary budget. The County Treasury will ensure early preparation of the supplementary budget in FY 2023/24 to mitigate such delays.

- c. ***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 2022/23 by upto three 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 projected.

2.2.1.1. Equitable Share of Revenue Raised Nationally

- 11. During the FY 2022/2023, the exchequer release of the equitable share revenue to the County government of Tana River amounted to Kshs. 7.050 billion. This translated to 108% percent of the allocation. The surplus (balance of the allocation) was occasioned by balances from the previous FY being received after the closure of the FY (*after 30th June 2022*).

2.2.1.2. Conditional Grants

- 12. Analysis of the conditional grants released during the period under review reveals that the County received 78% allocation for conditional grants. The grants include those from the NAVCDP, KCSAP, Primary health Care in Devolved in Devolved Context ASDSP II), IDEAS and FLLoCA. The Table below shows an analysis of conditional grants received in the FY 2022/2023.

Table 2: Analysis of Conditional Grants Received in the FY 2022/23

	Grants	BALANCE B/F		FY 2022/23				CGAAA Annual Allocation (%)	Annual Budget Allocation (%)
		Annual Budget Allocation (in KShs)	Actual Receipts in FY 2022/23 (in KShs)	Annual CGAAA 2022 Allocation (in KShs)	Annual Budget Allocation (in KShs)	Actual Receipts in FY 2022/23 (in KShs)	Actual Receipts as % of Annual Allocation		
A	Conditional Allocations from National Government Revenue								
1	Supplement for Construction of County HQts	0	-	42,000,000	42,000,000	-	0.00%	16.85%	14.81%
3	VTCSG	2,535,447	2,535,447	-	-	-	-	0.00%	0.00%
4	Road Maintenance Fuel Levy (RMFL)	232,356	232,356	-	-	-	-	0.00%	0.00%
5	Transforming Health System for Universal Care Project (THSUCP)	18,706,508.85	-	-	-	-	-		
6	Primary Health Care Support program	28,959.00	-	-	-	-	-		
7	Livestock Support Program	1,104,095	-	-	-	-	-		
B	Conditional Allocations from Development partners								
8	World Bank-NAVCDP-State Department of Crop Development	-	-	70,000,000	70,000,000	67,192,729	95.99%	28.09%	24.69%
9	Kenya Climate Smart Agriculture Project (KCSAP)	0	-	82,386,194	82,386,194	82,386,194	100.00%	33.06%	29.06%
10	DANIDA (Universal Healthcare in Devolved System Program)	0	-	18,835,313	18,835,313	18,733,152	99.46%	7.56%	6.64%
11	Instrument for Devolution Advice and Support (IDEAS)	-	19,563,267	-	34,290,638	19,563,267	57.05%	0.00%	12.09%
12	FLLoCA	0	-	22,000,000	22,000,000	22,000,000	100.00%	8.83%	7.76%
13	Agricultural Sector Development Support Programme (ASDSP) II	0.00	-	11,668,855	11,668,855	10,012,439	85.80%	4.68%	4.12%
14	Kenya Urban Support Project (KUSP) - Urban Development Grant (UDG)	0	-	2,339,915	2,339,915	2,339,915	100.00%	0.94%	0.83%
15	Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG)	0	-	-	-	-	-		0.00%
Grand Total		22,607,366	22,331,070	249,230,277	283,520,915	222,227,696	78.38%	100.00%	100%

Source – County Treasury, 2023

2.2.1.3. County Own Source Revenue

13. The total amount of county own source revenue collected in the FY 2022/23 amounted to KShs. 65.27 million. This represented an underperformance of 25.53 percent on the annual own source revenue target of KShs 87.75 million. The collected amount represents an overall decrease in revenue collection of about 9 per cent as compared to the FY 2021/22.
14. An analysis of the actual revenue collected in the FY 2021/22 and FY 2022/23 reveals that there are some significant variations in collection among the various revenue streams in the two FYs. Significant reduction in revenue collected was in cesses (Kshs. 15.47m), A-in-A from Health facilities transferred to the Exchequer (Kshs. 10.7m) and slaughter houses administration. On the other hand, increases in revenue collected was registered in business permits (Kshs. 9.1m).
15. The analysis also reveals that there are revenue streams that recorded nil revenue in the FY 2022/23. These include sale of tender documents, administrative services fees in the Department of Lands and Physical Planning, housing, and environment and conservancy administration. The County Treasury needs to step up efforts in coordinating with the respective County departments to strengthen the collections from these revenue streams.
16. The table below shows an analysis of revenue collection for the period under review:

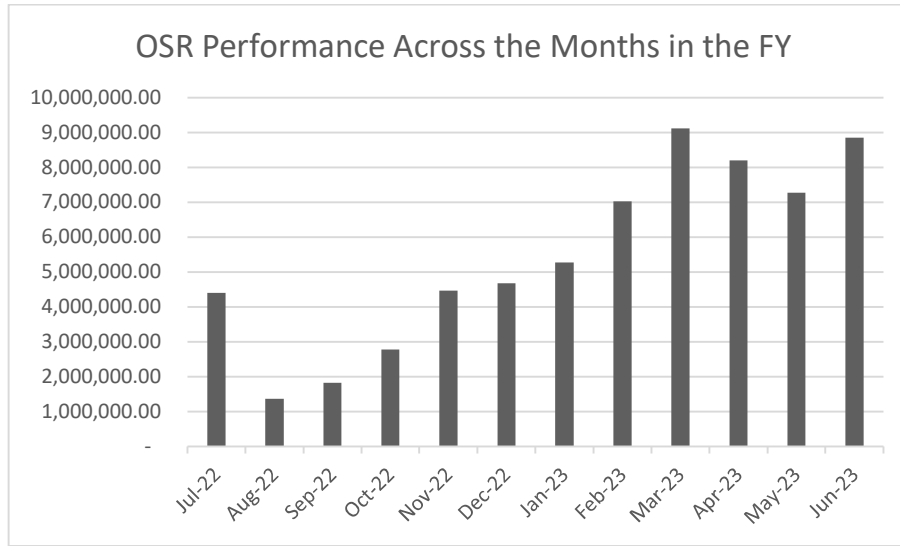
Table 3: Analysis of OSR Collection Per Revenue Stream

Source of Revenue	FY 2021/22 Actual	FY 2022/23 Target	FY 2022/23 Actual	Variance of 2022/23 from 2021/22	Variance of 2022/2023 from Estimates
	(a)	(b)	(c)	(c) - (a)	(c) - (b)
Receipts from sale of incidental goods	-	1,693,032	-	-	- 1,693,032
Sale of Tender Documents	-	1,693,032	-	-	- 1,693,032
Receipts not classified elsewhere	3,609,784	14,108,600	3,385,020	- 224,764	-10,723,580
A.I.A (Health facilities) transferred to Exchequer	3,609,784	14,108,600	3,385,020	- 224,764	- 10,723,580
Land rates	3,776,748	4,514,752	5,573,330	1,796,582	1,058,578
Land rates / leases	3,776,748	4,514,752	5,573,330	1,796,582	1,058,578
Business Permit	16,934,242	9,170,590	18,270,870	1,336,628	9,100,280
Permit fees	16,934,242	9,170,590	18,270,870	1,336,628	9,100,280
Cesses	23,211,033	28,067,862	12,596,670	-10,614,363	-15,471,192
Rice & paddy	-	3,600,000	-	-	- 3,600,000
Maize	-	3,500,000	-	-	- 3,500,000
Fruits & vegetables/Produce cess	23,211,033	6,737,862	12,596,670	- 10,614,363	5,858,808
Charcoal	-	3,230,000	-	-	- 3,230,000
Livestock & fish	-	7,000,000	-	-	- 7,000,000

Others	-	4,000,000	-	-	- 4,000,000
Plot rents	1,013,225	2,116,290	1,585,000	571,775	- 531,290
Plot rent	1,013,225	2,116,290	1,585,000	571,775	- 531,290
Administrative services fees	912,494	2,539,548	-	- 912,494	- 2,539,548
plot application fees	859,294	1,000,000	-	- 859,294	- 1,000,000
plot transfer fees	53,200	769,774	-	- 53,200	- 769,774
Plot Sub-letting/Plot Sub-division	-	769,774	-	-	- 769,774
County's natural resources exploitation	15,820,800	12,824,717	13,625,000	- 2,195,800	800,283
Sand, gravel & ballast extraction fees	3,514,400	4,000,000	-	- 3,514,400	- 4,000,000
Quarry extraction fees (Consent to mining)	-	4,211,000	-	-	- 4,211,000
Gypsum extraction fees	12,306,400	4,613,717	13,625,000	1,318,600	9,011,283
Market / Trade centre fees	1,638,365	2,116,290	2,427,566	789,201	311,276
Market entrance Fees	1,638,365	2,116,290	2,427,566	789,201	311,276
Vehicle parking fees	3,057,358	987,602	1,490,000	- 1,567,358	502,398
Bus park fees	-	570,802	390,000	390,000	- 180,802
Toll fees	3,057,358	416,800	1,100,000	- 1,957,358	683,200
Housing	-	352,715	-	-	- 352,715
water charges/House Rent	-	352,715	-	-	- 352,715
Environment & conservancy administration	838,700	818,299	-	804,230	- 667,330
Conservancy fees	838,700	818,299	-	- 838,700	- 818,299
Slaughter houses administration	2,121,840	2,398,462	-	- 2,121,840	- 2,398,462
Slaughter Fees	2,121,840	1,598,462	-	- 2,121,840	- 1,598,462
Hides & skins	-	800,000	-	-	- 800,000
Technical services	665,904	6,137,241	6,312,073	5,646,169	174,832
beacon search pointing fees	-	600,000	-	-	- 600,000
Survey Fees	-	437,241	-	-	- 437,241
building plan preparation fee (PPI Forms)	-	600,000	-	-	- 600,000
Building Plan appv. Fees	-	500,000	6,312,073	6,312,073	5,812,073
building plan approval fee	665,904	580,000	-	- 665,904	- 580,000
Building Inspection Fee	-	2,400,000	-	-	- 2,400,000
wayleave fees	-	700,000	-	-	- 700,000
sign boards & advertisements fee	-	320,000	-	-	- 320,000
GRAND TOTAL	73,600,493	87,846,000	65,265,529	- 6,692,034	-22,429,502
PERCENTAGE				- 9.09	- 25.53

Source – Directorate of Revenue

Figure 2: Month-on-Month OSR Performance



(Source – Directorate of Revenue)

17. As indicated in the above diagram, in the FY 2022/2023, revenue collection was spread out throughout the financial year but was highest in the third and fourth quarters. Revenue collection was highest in March, 2023 followed by June, 2023 and lowest in August, 2022. The low collection between July, 2022 and December, 2022 is due to the activities around the General Elections. In a bid to plug leaks in OSR, collection 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.

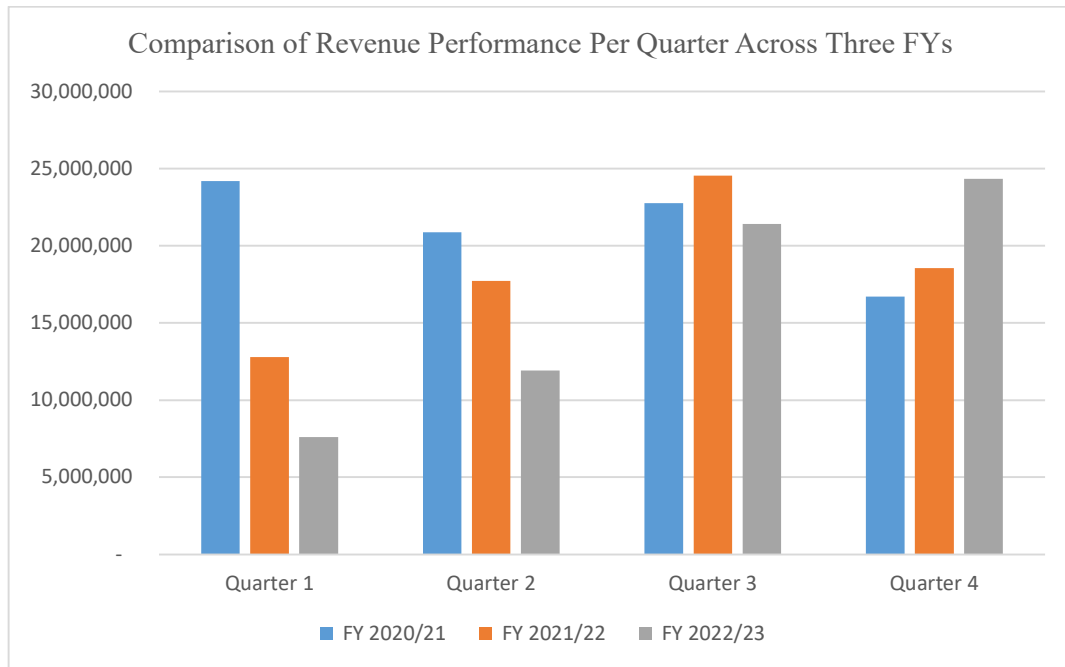
18. The total revenue for the years FYs 2020/21, 2021/22 and 2022/23 was approximately KShs. 158.1 million. The respective revenue for each year is provided in Table 5. The data shows that, on average, more revenue was collected during the 3rd and 4th quarters over the years. However, in each FY, in a different quarter is revenue collected the highest (Quarter 1 in FY 2020/21, Quarter 3 in FY 2021/22 and Quarter 4 in FY 2022/23).

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
FY 2020/21	24,186,948	20,870,074	22,763,569	16,702,004	84,522,595
FY 2021/22	12,783,115	17,713,035	24,554,988	18,549,356	73,600,493
FY 2022/23	7,601,348	11,923,731	21,416,467	24,323,983	65,265,529
Total Collection	41,197,353	38,380,046	67,251,997	67,730,325	158,123,088

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

19. The total approved expenditure for the financial year was Kshs. 7.980 billion, comprising of Kshs. 5.47 billion (69%) recurrent expenditure and Kshs. 2.51 billion (31%) development expenditure.

During the FY 2022/23, the County received Kshs. 7.333 billion comprising of Kshs. 7.051 billion as equitable share of revenue raised nationally, Kshs. 222.2 million as conditional grants, Kshs. 59.17 million from own source revenue and Kshs. 534.51 million as balance brought forward from the FY 2021/22.

2.2.2.1. Budget absorption and comparison between CFSP 2022 Ceilings and FY 2022/23 Budget

Table 5: Budget Absorption and Comparison between CFSP 2022 Ceilings and FY 2022/23 Budget

Department	Ceilings in 2022 CFSP (Kshs. Million)			Budget Allocation in FY 2022/2023 (Kshs. Million)			Exchequer Issues in the FY 2022/23 (Kshs. Million)		Expenditure in The FY 2022/23 (Kshs. Million)			FY 2022/23 Expenditure to Exchequer Issues (%)		FY 2022/23 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	788,396,751	325,000,000	1,113,396,751	788,396,752	325,000,000	1,113,396,752	-	-	-	-		0%	0%	-	-	-	0%
Office of The Governor and Deputy Governor	451,768,101	-	451,768,101	537,038,748	-	537,038,748	534,692,769.76	-	431,656,410.15	-	431,656,410.15	81%		80	-	80	19%
Finance and Planning	644,583,051	466,446,398	1,111,029,449	709,442,615	466,446,398	1,175,889,013	708,980,084.42	213,893,805.30	650,012,468.00	212,009,616.05	862,022,084.05	92%	99%	92	45	73	6%
Public Service Board	73,355,104	-	73,355,104	79,739,901	-	79,739,901	78,396,624.77	-	75,217,221.00	-	75,217,221.00	96%		94	-	94	9%
Trade, Tourism, Wildlife and Cooperative Development	33,599,698	72,000,000	105,599,698	47,999,698	72,000,000	119,999,698	47,757,399.98	8,015,553.60	30,743,893.00	13,103,696.40	43,847,589.40	64%	163%	64	18	37	14%
Agriculture, Livestock, Fisheries and Veterinary	155,152,784	304,875,396	460,028,180	163,232,784	385,845,687	549,078,471	163,102,670.90	311,592,568.55	109,046,312.00	231,250,629.35	340,296,941.35	67%	74%	67	60	62	19%
Culture, gender, Youth, Sports and Social Services	47,683,447	37,000,000	84,683,447	52,683,447	37,000,000	89,683,447	52,563,721.01	26,100,000.00	26,873,520.00	20,000,000.00	46,873,520.00	51%	77%	51	54	52	6%
Education and Vocational Training	194,650,656	103,000,000	297,650,656	199,130,656	103,000,000	302,130,656	198,730,460.15	56,139,971.00	188,752,076.00	43,014,370.45	231,766,446.45	95%	77%	95	42	77	2%

Medical Services, public Health and sanitation	1,181,679,110	170,000,000	1,351,679,110	1,194,974,923	170,000,000	1,364,974,923	1,187,876,703.55	17,266,312.60	1,048,746,590.25	42,266,312.00	1,091,012,902.25	88%	245%	88	25	80	1%
Special program	144,797,767	-	144,797,767	146,797,767	-	146,797,767	145,505,966.99	-	142,767,940.00	-	142,767,940.00	98%		97	-	97	1%
Roads, Transport, Public works, Housing and Urbanisation	67,988,739	537,482,356	605,471,095	96,988,739	475,482,356	572,471,095	95,957,176.04	357,988,386.40	84,204,415.00	302,941,836.00	387,146,251.00	88%	85%	87	64	68	-5%
Water, Irrigation, Environment and Natural Resources	119,421,037	401,500,000	520,921,037	132,421,037	401,500,000	533,921,037	121,324,530.29	126,423,942.35	59,229,590.00	122,522,417.30	181,752,007.30	49%	97%	45	31	34	2%
Public Service, Administration and Citizen participation	1,474,926,960	45,000,000	1,519,926,960	1,243,659,221	45,000,000	1,288,659,221	1,235,998,600.39	42,024,238.00	1,053,958,627.65	11,081,511.20	1,065,040,138.85	85%	26%	85	25	83	-15%
Lands and Physical Planning	34,446,563	30,000,000	64,446,563	36,446,562	30,000,000	66,446,562	36,041,479.65	14,742,745.00	27,217,673.00	7,013,000.00	34,230,673.00	76%	48%	75	23	52	3%
Hola Municipality	36,450,000	-	36,450,000	39,789,915	-	39,789,915	38,895,476.67	-	32,465,406.00	-	32,465,406.00	83%	0%	82	-	82	9%
TOTAL	5,448,899,768	2,492,304,150	7,941,203,918	5,468,742,765	2,511,274,441	7,980,017,206	4,645,823,665	1,174,187,523	3,960,892,142	1,005,203,389	4,966,095,530.80	85%	86%	72	40	62	0%

Budget Allocation:

20. From the above tabulation, it is observed that the following County departments received a significant allocation of development funds during in the FY 2022/23: Roads, Transport, Public Works, Housing and Urbanization (Kshs. 572 million); Finance and Economic Planning (Kshs. 466 million); Water, Irrigation, Environment & Natural Resources (Kshs. 402 million) and Agriculture, Livestock, Fisheries and Veterinary Services (Kshs. 385 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. 709 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:

21. For the FY 2022/2023, The County achieved an overall absorption on the Budget allocation of 62 percent with an average of 72 percent for recurrent and 40 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: Water, Energy, Mining and Natural Resources, and Environment and Climate Change (combined at 34%), and Trade, Tourism, Wildlife and Corporate Development (37%). Departments with a higher proportion of recurrent expenditure had a higher absorption rate than those with a significant development expenditure. These include Cohesion and Special Programs (97%), County Public Service Board (94%) and Department of Public Service Management, Administration and ICT (83%). Departments with a high absorption rate in development expenditure are Roads, Transport, Public Works, Housing and Urbanization (64%), and Agriculture, Livestock, Fisheries and Veterinary Services (60%).

22. The overall under absorption was a result of delayed remittance of April, May and June equitable share disbursement which was released in June 2023. Additionally, the County's

supplementary budget was operationalized late in the FY occasioning delays in implementation of the same.

Expenditure to Exchequer Issues:

23. The County, on average spent 85% of the requisitioned funds; 85 percent being for recurrent and 86 percent for development expenditure. Two departments spent more than the Exchequer requisition: Department of Medical Services (245% in Development expenditure) and Trade, Tourism and Industry (163% in development expenditure). The lowest absorption rates were recorded in the departments of Water and Environment (49% in recurrent expenditure) and Culture and Gender (51% in recurrent expenditure).

Deviation from CFSP:

24. The budget deviated from the CFSP that was submitted to the County Assembly by an average factor of 23 percent. This deviation was caused by the balance brought forward (Kshs. 1.080 billion) from the previous financial year and conditional grant allocations (Kshs. 241.5 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

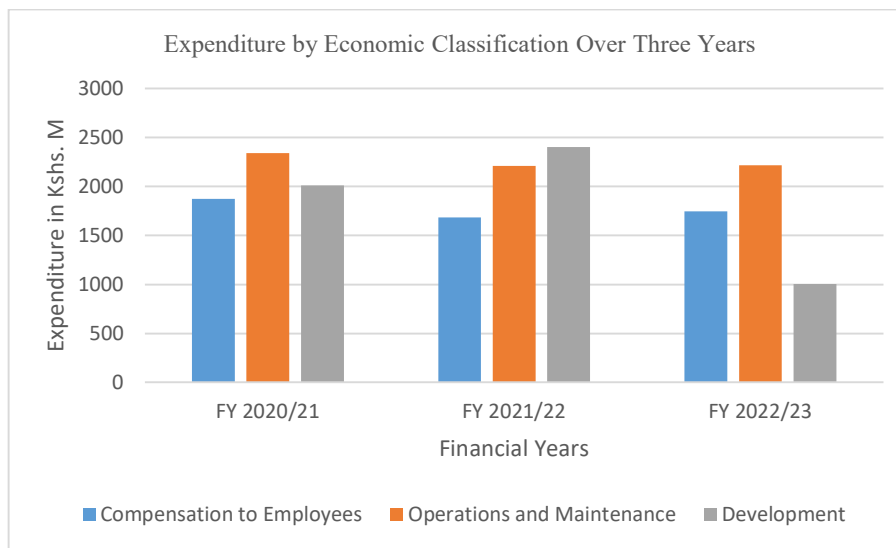
25. In the Budget Estimates for the FY 2022/23, the bulk of the expenditure was recurrent in nature with a recurrent to development expenditure ratio of 69:31. The allocation for development expenditure amounted to Ksh 2.511 billion. The County Assembly, the Departments of Finance and Economic Planning, Health, and Public Service Administration, Management and ICT had the high allocations in the budget. This is to provide for the settlement of pending bills, the human resources for health, salaries of most of the County departments.

26. Considering actual expenditure, the largest amount of the development budget in the FY 2022/2023 was spent in the Department of Roads, Public Works, Housing and Urbanization (Kshs. 302.94 million out of the Kshs. 936.38 million spent). The department of Finance played a key role in the settlement of pending bills having absorbed Kshs. 212 million of its development expenditure. 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

27. During the FY 2022/2023, the County spent Kshs 4.966 billion, which was 71.7 per cent of the total funds released (Kshs.7.333 billion). This was a decrease from Kshs 6.295 billion spent in FY 2021/22. Of the Kshs 4.966 billion spent, a total of KShs. 3.960 billion was spent on recurrent expenditures while KShs. 1.005 billion was spent on development activities. The recurrent expenditure comprised of Kshs. 1.745 billion for Personnel Emoluments and Kshs. 216 billion for Operation and Maintenance. Figure 4 presents a comparison between the total expenditure in the FY 2020/21, FY 2021/22 and the FY 2022/2023.

Figure 4: Expenditure by Economic Classification in the FY 2021/22 and the FY 2022/23



Implications for the FY 2022/2023 Performance

28. The underperformance in Own Source Revenue (OSR) has a downward effect adjustment in ordinary revenues for FY 2022/23 and the medium term. This in turn affects effective implementation of programs and projects due to budget deficits. The County Treasury will focus on partnering with KIPPRA and other agencies to harmonize OSR forecasting and implement measures to improve and meet future collection targets.

Table 6: County Government Fiscal Projections in the Medium Term

		FY 21/22	FY 2022/23		FY 2023/24		FY 2024/25		FY 2025/26		FY 2026/27	
		Actual	Budget	Actual	Budget	CBROP 2022	CBROP 2023	CFSP 2024	CBROP 2024	CFSP 2025	CBROP 2024	CFSP 2026
Revenue (Total)	(f) = (d)+(e)	8,426,332,066	7,980,017,206	7,839,198,210	8,869,497,865	8,869,497,865	9,312,972,758	9,312,972,758	9,778,621,396	9,778,621,396	10,267,552,465	10,267,552,465
Unspent Bal b/f \Previous FY	(e)	1,504,916,022	1,080,241,526	507,115,875	1,109,178,403	1,109,178,403	1,159,805,793	1,159,805,793	1,212,481,400	1,212,481,400	1,267,259,318	1,267,259,318
Total Revenue & Grants	(d) = (a) + (b)+(c)	6,921,416,044	6,899,775,680	7,332,082,335	7,760,319,462	7,760,319,462	8,153,166,965	8,153,166,965	8,566,139,996	8,566,139,996	9,000,293,147	9,000,293,147
Equitable Share Allocation	(c)	6,503,832,312	6,528,408,765	7,050,681,467	6,790,702,542	6,790,702,542	7,130,237,669	7,130,237,669	7,486,749,553	7,486,749,553	7,861,087,030	7,861,087,030
Local Revenue	(b)	72,260,813	87,846,000	59,173,171	96,630,600	96,630,600	106,293,660	106,293,660	116,923,026	116,923,026	128,615,329	128,615,329
Grant (Total)	(a)	345,322,919	283,520,915	222,227,697	872,986,320	872,986,320	916,635,636	916,635,636	962,467,418	962,467,418	1,010,590,789	1,010,590,789
Total Expenditure	(k) = (j) + (i)	6,295,874,044	7,980,017,206	4,966,095,531	8,869,497,865	8,869,497,865	9,312,972,758	9,312,972,758	9,778,621,396	9,778,621,396	10,267,552,466	10,267,552,466
Recurrent	(j) = (g) + (h)	3,893,837,000	5,468,742,765	3,960,892,142	5,215,039,606	5,215,039,606	5,475,791,586	5,475,791,586	5,749,581,166	5,749,581,166	6,037,060,224	6,037,060,224
Recurrent as % of CG Total Budget		62%	69%	80%	59%	59%	59%	59%	1	59%	1	59%
Personnel Emolument	(g)	1,683,780,354	2,075,223,161	1,744,563,618	2,408,039,249	2,408,039,249	2,528,441,211	2,528,441,211	2,654,863,272	2,654,863,272	2,787,606,436	2,787,606,436
Operations & Maintenance	(h)	2,210,056,646	3,393,519,604	2,216,328,524	2,807,000,357	2,807,000,357	2,947,350,375	2,947,350,375	3,094,717,894	3,094,717,894	3,249,453,788	3,249,453,788
PE as % of CG Budget		27%	26%	35%	27%	27%	27%	27%	0	27%	0	27%
Development	(i)	2,402,037,044	2,511,274,441	1,005,203,389	3,654,458,259	3,654,458,259	3,837,181,172	3,837,181,172	4,029,040,231	4,029,040,231	4,230,492,242	4,230,492,242
Dev'tt as % of CG Total Budget		38%	31%	20%	41%	41%	41%	41%	0	41%	0	41%
Unspent Bal Current FY	(m) = (f) - (k)	2,130,458,022	0	2,873,102,679	0	0	0	0	0	0	0	0

3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1. Overview

29. This CBROP is set against the backdrop of 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 lingering ripple effects of the COVID-19 Pandemic and extensive drought associated with the adverse effects of climate change which impacted highly on agriculture and food security. The economy registered a 4.8 percent expansion in 2022, with projections indicating a 5.5 percent growth in 2023 and a consistent percentage over the medium term (WEO July 2023).
30. The country experienced severe climate related shocks in 2022. This impact was felt heaviest in ASAL counties, and subjected households to food insecurity, loss of lives, livelihoods and loss of livestock occasioned by severe drought. This led to a subsequent contraction of the agriculture sector by 1.6 percent in 2022.
31. The performance of the industry sector slowed down to 3.5 percent in 2022 compared to a growth of 6.8 percent in 2021 on account of a slowdown in activities in the manufacturing, electricity and water supply and construction sub-sectors. In the year, services sector remained strong growing at 6.7 percent, with improved performance in information and communication, financial and insurance and professional, administrative and support services sub-sectors.
32. Available economic indicators in the first three quarters of 2023 remain strong with the continued recovery in the agricultural sector and sustained performance of the services sector. In this respect, economic growth is projected at 5.5 percent in 2023 and 5.7 percent in 2024 supported by broad-based private sector growth and sustained government investment in the nine priority value chains (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials)
33. Inflation remained above the Government target range of 5 ± 2.5 percent from June 2022 to June 2023. In order to anchor inflation expectations and bring down inflation within the target range, the Monetary Policy Committee (MPC) gradually raised the policy rate (Central Bank Rate (CBR)) from 7.50 percent in May 2022 to 10.50 percent in June 2023.

34. The Kenyan foreign exchange market remained under pressure as global economic uncertainty regarding the ongoing Russian-Ukraine conflict as well as increase in interest rates in advanced economies in response to inflationary pressures weighed on the exchange rate. Specifically, the headwind from a strengthening dollar, boosted by rising US interest rates and elevated commodity prices, the exchange rate to the Kenya shilling weakened at a rate of 20.5 percent in the 12 months to August 2023 compared to 9.3 percent in the 12 months to August 2022. The Kenya shilling exchanged at Ksh 143.9 in August 2023 compared to Ksh 119.5 in August 2022. Against the Euro, the Kenya shilling weakened to exchange at Ksh 157.1 in August 2023 compared to Ksh 121.0 in August 2022 while against the Sterling Pound the Kenyan shilling weakened to exchange at Ksh 182.9 compared to Ksh 143.5, over the same period.

3.2. Recent Economic Developments

35. The county witnessed a reduction in economic development owing to the 2022 general elections and the resultant slump in economic activities, rising inflation and resultant higher cost of doing business due to high fuel prices. The rise in fuel prices was occasioned by removal of the fuel subsidy and ripple effect of the ongoing Russia – Ukraine conflict. Depressed rainfall in many parts of the country (including Tana River) led to a decrease in agricultural and livestock activities. However, despite the respective challenges sectors including health, water, and infrastructure continued to cushion the livelihoods of residents of Tana River County during the financial year under review due to decisive investments by the administration.

36. 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 sector has also constructed a newly equipped modern laboratory to increase accessibility and affordability of the health services to its citizens. The department also prioritized the construction of mortuary in Ngao and Hola to eliminate the need to travel to Malindi for morgue services. The department continues to focus on preventive and promotive health services to reduce the burden on the curative services.

37. With a view to addressing the challenge of accessibility to clean water, 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 piping of water to the new County Headquarters in Dayate, construction of Bura – Chifiri water pipeline, Kelokelo Water Works and elevated steel tank in Madogo ward. Additional investments in the water sector include the new pipeline to the Ward Administrator’s office in Kipini West, clear water tank in Malindi ya Ngwena and Chewani water project. The Department of Environment and Natural Resources successfully implemented several projects such as; garbage collection within 5 urban centers, management of sea water intrusion at Kalota (Ozi), established a report from the feasibility studies on the sea water intrusion for further action, establishment and development of 3 sub counties public parks. 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. The department will shift its focus on investing in garbage collection equipment and collection through the Hola Municipality staff to reduce the costs of collection in and around the urban centres.
38. Considering that agriculture is major contributor to the county economy, significant efforts were made to boost the sector including; training of lead farmers on Good Agricultural Practices (GAPS) in Tana North (40 groups), land preparation through ploughing, harrowing and ridging across the county (5,100 acres), capacity building (training) of mango farmers in Tana North (400 farmers), exchange program of fishers to Kisumu and Kilifi counties, Dunga and Ngomeni BMUs respectively and distribution of boats, cooler boxes, hooks and nets to BMUs. The department also oversaw operationalization of the Small-scale Irrigation project through which 12 irrigation projects have been supported.
39. The Department of Lands and Physical Planning focused on finalization of the County Spatial Plan, which includes the identification and mapping of key urban towns and development of Eco-villages/clusters which is both a solution to planned and organized settlement as well as 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.

40. Municipality Board is in place and a Municipality Manager has been officially appointed. The board in place will ensure that there is efficient service delivery in the municipality that will in turn bring about economic growth. During the period under review, the Municipality did not have a development expenditure, therefore only carrying out activities recurrent in nature.
41. 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 youth through provision of best employable skill training and equipping of vocational training centers with modern tools and equipment. The Tana River Youth Empowerment and Innovation Centre was launched and decisive investment made to operationalize the facility for skills development. The department also released a total of Kshs. 150 million to Ward Bursary Fund to benefit needy students.
42. The Department of Roads, Transport, Public Works, Housing and Urbanization achieved a number of milestones. The Roads and Transport sub sector oversaw the improvement of various roads including; Madogo market access roads to cabro standards, upgrading of Bura township roads to bitumen standard, rehabilitation of Sailoni – Mwina – Kirete road and rehabilitation of B89 – Handampia road. The Public Works sub sector oversaw the continued construction of the County Headquarters in Dayate, with the project currently at 80% completion. The department 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 oversaw 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.
43. 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* and public participation forums during the planning, budget and M&E processes.. Construction of Ward Administrators’ offices is also on going in various wards.

44. The Department of Finance and Economic Planning, has ensured usage of e-procurement by all county departments and agencies and focused on timely financial reporting, formulation of the County Budget and other policies. In the FY 2023/24, the department has prioritized payment of pending bills to allow for completion of stalled projects and spur economic growth through the resultant liquidity of merchants operating in the county economy. The department also reduced on the revenue collection on cash basis in favour of till and paybill numbers.
45. During the period under review, collection in local revenue declined, with 18% decrease collected compared to the FY 2021/22. 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 underperformance 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

46. For the financial year 2023-2024, 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.
47. 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 across the County, and expansion of the county medical workforce in areas that require specialization. In agriculture, the county is implementing three projects: KCSAP, ASDSP and NAVCDP 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.

48. 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 the completion and launch of the Third Generation CIDP and the CIDP III Indicator handbook and improving the human resource capacity for budget, planning and 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.
49. 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.
50. 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.

3.4. Risks to the Outlook

51. 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 Ukraine – Russia conflict, weakening of the Kenyan shilling against global currencies as well as increased fuel prices. 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.
- iv. The impending *Elnino* rainfall will have a major impact on Agricultural and economic activities across the country.

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.
52. 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), Jumuiya ya Kaunti za Pwani and other partners to mitigate the expected flood situation by reaching those who are most vulnerable while putting in place measures to address related risks before the onset of the heavy rains.

3.5. County Economic Outlook and Policies

53. 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.
54. 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.
55. 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.
56. 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.
57. 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.

58. 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.

3.6. Risks to the Outlook

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

c. Macro-economic risks include;

- v. 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.
- vi. Depreciation of the Kenya shilling against the US dollar had a negative effect on the Consumer price index inflation leading to increased inflation.
- vii. 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.

d. Micro-economic risks include;

- i. The impending El Nino that is likely to affects the movement of goods and people, destroy critical infrastructure in the County and increase the burden of human and livestock diseases.
- ii. 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.
- iii. Accessibility to some key areas of the county has been a challenge due 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.

60. 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* has been rolled out to avail affordable credit to SMEs in the County.

61. 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

62. 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.
63. 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. Pending Bills Reports: Report of the Tana River County Ineligible Pending Bills Resolution Committee for the pending bills for the FYs 2018/19 and FY 2019/20. Consideration shall also be made to settle pending bills for the FYs 2020/21, 2021/22 and 2022/23.
 - iv. Emerging priorities
 - v. County-specific development plans including the Annual Development Plan for the FY 2024/25 and the 3rd Generation County Integrated Development Plan.
 - vi. Medium Term Plan IV (2023 - 2027) of the Kenya Vision 2030.

4.2. Adjustment to the FY 2022/2023 Budget

64. Adjustments expected in the 2023/2024 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. Preparedness actions against El Nino and the need to support recovery from EL Nino and provide for risk of other disasters such as floods.
 - b. Pending bills based on the report of the Report of the Tana River County Ineligible Pending Bills Resolution Committee for the pending bills for the FYs 2018/19 and FY 2019/20.

65. The Tana River County Treasury has prepared the FY 2023/2024 Budget taking into consideration the development aspirations as pronounced by H.E the Governor and those prioritized by the communities in the County.
66. 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.
67. 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

68. 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.
69. 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.

70. 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 2024/2025 to 2026/2027 MTEF by department.

Table 7: Summary of Indicative Ceiling for FY 2024/2025 and the MTEF

Departments	Total Budget Estimates in KShs					% Share of Total Expenditure				
	Revised Estimates	Estimates	Projections			Estimates	Ceilings	Projections		
	2022/23	2023/24	2024/25	2025/26	2026/27	2022/23	23/24	24/25	25/26	26/27
County Assembly	1,113,396,752	1,008,437,753	1,058,859,640	1,111,802,622	1,167,392,753	14%	11%	11%	11%	11%
Office of The Governor and Deputy Governor	537,038,748	436,641,663	458,473,747	481,397,434	505,467,306	7%	5%	5%	5%	5%
Finance and Planning	1,175,889,013	1,108,674,422	1,164,108,143	1,222,313,550	1,283,429,228	15%	12%	12%	12%	12%
County Public Service Board	79,739,901	73,355,104	77,022,859	80,874,002	84,917,702	1%	1%	1%	1%	1%
Trade, Tourism, Wildlife and Cooperative Development	119,999,698	215,599,698	226,379,683	237,698,667	249,583,600	2%	2%	2%	2%	2%
Agriculture, Livestock, Fisheries and Veterinary	549,078,471	1,114,127,611	1,169,833,992	1,228,325,691	1,289,741,976	7%	13%	13%	13%	13%
Culture, gender, Youth, Sports and Social Services	89,683,447	102,683,447	107,817,619	113,208,500	118,868,925	1%	1%	1%	1%	1%
Education and Vocational Training	302,130,656	439,302,116	461,267,222	484,330,583	508,547,112	4%	5%	5%	5%	5%
Medical Services, public Health and sanitation	1,364,974,923	1,439,761,277	1,511,749,341	1,587,336,808	1,666,703,648	17%	16%	16%	16%	16%
Special program	146,797,767	150,234,635	157,746,367	165,633,685	173,915,369	2%	2%	2%	2%	2%
Roads, Transport, Public works, Housing and Urbanisation	572,471,095	693,771,095	728,459,650	764,882,633	803,126,764	7%	8%	8%	8%	8%
Water, Irrigation, Environment and Natural Resources	533,921,037	414,547,278	435,274,642	457,038,374	479,890,293	7%	5%	5%	5%	5%
Public Service, Administration and Citizen participation	1,288,659,221	1,452,318,017	1,524,933,918	1,601,180,614	1,681,239,644	16%	16%	16%	16%	16%
Lands and Physical Planning	66,446,562	133,593,750	140,273,437	147,287,109	154,651,465	1%	2%	2%	2%	2%
Hola Municipality	39,789,915	86,450,000	90,772,500	95,311,125	100,076,681	0%	1%	1%	1%	1%
Total	7,980,017,205	8,869,497,866	9,312,972,759	9,778,621,397	10,267,552,467	100%	100%	100%	100%	100%

4.3.1. Proposed 2022/2023 Budget Framework

PROPOSED REVENUE	2022/2023	2023/24	2024/25	2025/26	2026/27
Balance B/F	1,080,234,257	1,109,178,403	1,164,637,322.63	1,222,869,188.76	1,284,012,648.19
Equitable share	6,528,408,765	6,790,702,542	7,130,237,669.10	7,486,749,552.56	7,861,087,030.18
Local revenue	87,846,000	96,630,600	101,462,130.00	106,535,236.50	111,861,998.33
Conditional Allocations	249,230,277	872,986,320	916,635,635.96	962,467,417.76	1,010,590,788.64
Total Revenue	7,945,719,299	8,869,497,864	9,312,972,758	9,778,621,396	10,267,552,465

71. 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

72. 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

73. 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.

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

75. 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	Budget Estimates	Projected Estimates		
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Personnel Emoluments	1,744,563,618	2,408,039,249	2,528,441,211	2,654,863,272	2,787,606,436
Operations & Maintenance	2,216,328,524	2,807,000,357	2,947,350,375	3,094,717,894	3,249,453,788
Development	1,005,203,389	3,654,458,259	3,837,181,172	4,029,040,231	4,230,492,242
Unspent Bal FY	2,873,102,679	0	0	0	0
Total	7,839,198,210	8,869,497,865	9,312,972,758	9,778,621,396	10,267,552,466

5. CONCLUSION

76. The County is making progress in addressing some of the challenges previously identified as affecting budget implementation.
77. 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. Overcommitment on the approved budgets resulting in pending bills
78. 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 2023 Finance Bill.
 - c. The county should spend within its means and avoid any leakages.

ANNEX: CALENDAR FOR FY 2024/25 BUDGET PROCESS

No.	Activity	Responsibility	Deadline	
1.	Develop and issue MTEF Guidelines	County Treasury	28-Aug-23	
2.	Submission of the ADP	County Treasury	01-Sep-23	
3.	Launch of Sector Working Groups	County Treasury	15-Sept-23	
4.	Programme Performance Reviews (PPRs)	CDAs	30-Sept-23	
	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	29-Sept-23	
	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	“		29-Sep-23
	5.6 Approval of CBROP by Executive Committee	“		13-Oct-23
	5.7 Submit Approved CBROP to County Assembly	“		20-Oct-23
6.	Preparation of MTEF budget proposals	Line Departments		28-Nov-22
	6.1 Retreats to Draft sector report	Sector Working Group	24 Oct – 3 Nov, 2022	
	6.2 Briefing Sector Chairpersons and Accounting Officers on Sector Draft Reports.		07-Nov-22	
	6.3 Convene public sector hearing	County Treasury	08-10-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	16-Nov-22	
7.	Draft County Fiscal Strategy Paper (CFSP)	Macro Working Group	28-Feb-23	
	7.1 Draft CFSP	Macro Working Group	14-Dec-22	
	7.2 Public/Stakeholders Participation	County Treasury	30-Jan – 01-Feb-23	
	7.3 Review and Incorporation of Stakeholder Inputs in the Sector Proposals	“	06-Feb-23	
	7.4 Submission of CFSP to County Executive for approval	“	08-Feb-24	
	7.5 Approval of CFSP by the County Executive Committee		16-Feb-24	
	7.5 Submission of CFSP to County Assembly for approval.	“	28-Feb-24	

8.	Preparation And Approval of Final CDAs Programme Budgets		30-Apr-24
	8.1 Develop and issue final guidelines on preparation of 2023/24 MTEF budget	County Treasury	01-Mar-24
	8.2 Submission of the budget proposals to the County Treasury	CDAs	15-Mar-24
	8.3 Consolidation of the Draft Budget estimates	County Treasury	05-Apr-24
	8.4 Submission of Draft Budget Estimates and Accompanying Documents to County Executive Committee	"	19-Apr-24
	8.5 Submission of Draft Budget Estimates and Accompanying Documents to County Assembly	"	30-Apr-24
	8.6 Review of Draft budget Estimates by County Assembly	County Assembly Committees	17-May-24
	8.7 Report on Draft Budget Estimates from County Assembly	"	31-May-24
	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

