



OFFICE OF THE COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE AND PLANNING

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TO,
THE SECRETARY,
COUNTY EXECUTIVE COMMITTEE,
TURKANA COUNTY GOVERNMENT.

Dear Sir,

RE: TURKANA COUNTY BUDGET REVIEW AND OUTLOOK PAPER 2019.

Pursuant to Section 118 (1) (b) of the Public Finance Management (PFM) Act, 2012 I hereby submit the Turkana County Budget Review and Outlook Paper (CBROP) 2019 for the consideration of the County Executive Committee with a view of approving it with or without amendments. The CBROP is to be approved within fourteen days after its submission.

Yours Sincerely,

THE COUNTY EXECUTIVE
FINANCE & PLANNING
30 SEP 2019
TURKANA COUNTY GOVERNMENT
M.C. BLANNINGO, LODWAR

HON. ROBERT LOTELENG'O
CEC – FINANCE AND ECONOMIC PLANNING
TURKANA COUNTY GOVERNMENT



COUNTY GOVERNMENT OF TURKANA

**OFFICE OF THE COUNTY EXECUTIVE
FINANCE AND ECONOMIC
PLANNING**

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2019

© Turkana Budget Review and Outlook Paper (CBROP) 2019

To obtain copies of the document, please contact:

Directorate of Budget
Finance and Economic
Planning
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P.O. Box 11-30500
LODWAR, KENYA

The document is also available online at: www.turkana.go.ke

Foreword

The 2019 Turkana County Budget Review and Outlook Paper (CBROP) has been prepared against a backdrop of reported weakening global economy majorly driven by tighter world-wide financial conditions, escalating trade sanctions and tensions and the uncertainties surrounding policy directions across world economies. The Global economic activity is reported to slow and reduce to 3.2 percent in 2019 from the 3.6 percent recorded in 2018 with prospects expected across the globe. The sub-Saharan African economic growth prospects are projected to grow by 0.3 percent to 3.4 percent in 2019 up from 3.1 percent in 2018.

Despite the emerging global challenges, the Kenyan economy has sustained resilience and remained strong. This has been enabled by stable macroeconomic conditions and the continuing public and private investments. The National economy is reported to have continued with its 6.3 percent 2018 economic growth into the first quarter of 2019 and expanded by 5.6 percent despite the erratic late rainfall season, after which the economic growth momentum is expected to continue and an overall 6 percent growth attained in 2019 driven by services sector resilience and positive business prospects.

On the domestic Turkana County scene, the county's pastoral economy majorly driven by the services sector and the livestock production, experienced and suffered sustained drought and insecurity shocks. Delayed rains affected many livelihoods which deteriorated into an emergency forcing the County Government to reorganize the FY 2018/19 budget to free funds for emergency supplies currently ongoing. The insecurity along the borders created displacements and loss of property and lives, thus disrupting economic activities and resulting into Internally Displaced Persons settlements. Highway banditry and robberies disrupted flow of goods and services leading to low collection of local revenue. The FY 2018/19 budget fiscal performance was commendable at 77% absorption rate despite the several challenges encountered in the course of the year including revenue shortfall, delayed approval of the supplementary budgets, delayed release of funds from the Exchequer and the drought. The overall revenue performance was 78% of the targeted annual revenue, including Equitable Share, Grants and OSR. The County government will continue seeking new frontiers to improve local revenue base, collection and administration. More resources will be directed to completion and implementation of the county-wide flagship capital projects.

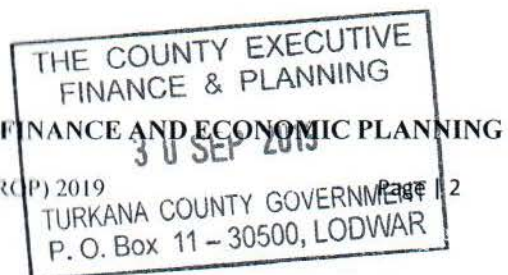
We anticipate to have an improved Own Source Revenue collection in the FY 2019/20 owing to peace initiatives and actions that have restored calm, improved rainfall effects and enhanced Own Source Revenue collection administration measures. The County Government will continue instituting pragmatic measures geared towards boosting Own Source revenue levels in the wake of dwindling Equitable Share from the National Government.

As we embark on the FY 2020/21 budget preparation, we shall lay a lot of emphasis on the funding and implementation of identified high impact flagship projects that support attainment of the Governor's "Five point" agenda and the National "Big Four" plan. The Sector Working Groups will therefore be expected to allocate resources to the uncompleted ongoing development projects linked to the realization of the Governor's agenda and National "Big Four" plan. Sector Working Groups are also expected to undertake a thorough scrutiny of proposed departmental Budgets for the FY 2020/21 to ensure they are directed to creation of high impact capital projects and aligned to the realization of the Governor's Five-point agenda and the National "Big Four" plan. May I take this early opportunity to request everyone to adhere to the issued deadlines for the finalization and delivery of the FY 2020/21 budget.



HON. ROBERT ERENG LOTELENG'O.

COUNTY EXECUTIVE COMMITTEE MEMBER – FINANCE AND ECONOMIC PLANNING



Acknowledgement

The Turkana County Budget Review and Outlook Paper 2019 has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its provisions. This document provides an overview of the FY 2018/19 budget actual fiscal performance. It also provides fiscal macro-economic projections and sector ceilings for the FY 2020/21 Medium Term Budget.

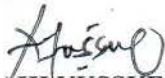
Despite the several challenges encountered during the year including local revenue shortfall, delay in disbursements of funds from the National Government, bureaucracies in the approval of the budget including supplementary budgets and the drought, the implementation of the FY 2018/19 budget was fast tracked. The overall absorption rate stands at 77%, with commendable recurrent expenditure performance and low development expenditure performance. The continued low performance of development expenditure is attributed to the long processes encountered in the procurement and implementation of the projects and delayed release of funds from the Exchequer. The issue of low absorption rate particularly for the development expenditure remains a top worry for the County Government and the government will continue seeking new frontiers to improve capital expenditure absorption rate.

We are at the tail end of the first quarter of the FY 2019/20. The FY 2019/20 budget implementation has not picked up yet because of the recent events of delayed approval of the County budget and the delayed approval of the County Allocation of Revenue Bill 2019. We anticipate the budget implementation to pick up at the beginning of the second quarter. As we commence FY 2020/21 Medium Term Budget preparations, we wish to remind everyone on our resolve to ensure we get value for money. I urge county entities to maximize local revenue collection and focus spending on the high impact flagship projects to hasten realization of the Governor's agenda and the National Government "Big Four" plan.

This document was produced by the immense collaborative effort from various County Government entities. We are grateful to all departments for the provision of the important information and data on their budget performance that has gone into producing this 2019 CBROP. We would also like to regrettably point out the late provision of the data and information by the entities. This delayed production of this document. We hope this will be improved going forward.

I would also like to recognize the invaluable inputs and support from the Economic planning department and the incredible production and coordination of the preparation of this document by the Directorate of Budget. We are grateful to AHADI for the incredible professional review of this document.

Allow me to conclude by pointing out the importance of public and stakeholder's participation in the FY 2020/21 Medium Term Budget preparation. We would like the Sector Working Groups to develop an approach that will effectively bring into the budget making process the useful inputs and proposals from the public and the stakeholders.



ABDULAHY YUSSUF AHMED
CHIEF OFFICER ECONOMIC PLANNING
TURKANA COUNTY GOVERNMENT.



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ABBREVIATIONS AND ACRONYMS

BS	Budget Statement
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
FY	Fiscal Year /Financial Year
MTEF	Medium Term Expenditure Framework
MoU	Memorandum of Understanding
PFM	Public Finance Management Act
OSR	Own Source Revenue
SWGs	Sector Working Groups

GLOSSARY OF TERMS

Appropriation in Aid- These are receipts which may be retained by a department to offset expenditure instead of being paid into the exchequer account of the central fund

Budget Statement- It sets out the Administrations priority programs to be implemented in the Medium Term Development under a devolved system of government

County Fiscal Strategy Paper- This is an overview of how a county plans to raise and spend money for the next year while considering a 2-3 year perspective.

County Integrated Development Plan- This is a super plan for an area that gives an overall framework for development. It aims to coordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in an area. The plan should look at economic and social development for the area as a whole.

Gross Domestic Product - This is the aggregate measure of production equal to the sum of the gross value-added of all resident institutional units engaged in all production (plus any taxes, and minus any subsidies, on products not included in the value of their output.

Medium Term Expenditure Framework-It is an integrated approach to policy, planning and budgeting by developing countries that estimate expenditures of three years from the present.

Real GDP- This is a macroeconomic measure of the value of economic output adjusted for price changes i.e. inflation or deflation.

Sector Working Groups- These are forums to discuss and build consensus about development priorities and improve sectoral aid coordination and effectiveness.

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

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

1) The County Treasury shall prepare and submit to County Executive Committee for approval, by 30th September in each financial year, a County Budget Review and Outlook Paper which 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 in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

2) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view of approving it, with or without amendments, within fourteen days after its submission

3) Not later than seven days after the County Budget Review and Outlook Paper (CBROP) has been approved by the County Executive Committee, the County Treasury shall:

- a. Submit the paper to the Budget Committee of the County Assembly to be laid before County Assembly; and
- b. Publish and publicize the paper not later than fifteen days after laying the Paper before the Assembly.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution of Kenya 2010, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 107) 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 percent of the County government's budget shall be allocated to the development expenditure.
3. The County government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government's total revenue as prescribed by the County Executive Member Finance regulations and approved by the County Assembly.
4. 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.
5. The County debt shall be maintained at a sustainable level as approved by the County Assembly
6. Fiscal risks shall be managed prudently.
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.

EXECUTIVE SUMMARY

The Turkana County 2019 Budget Review and Outlook Paper has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its provisions, detailing actual fiscal performance for the FY 2018/2019, macro-economic projections and the sector ceilings for the FY 2020/21 Medium Term Budget. It explicitly shows whether the actual performance of the FY 2018/19 complied with the fiscal responsibility principles and financial objectives as spelt out in the PFM Act as well as the Turkana County Fiscal Strategy Paper 2019.

Provisional fiscal outcome for the FY 2018/19 indicates cumulative actual revenue received for the county including Equitable Share, Own Source Revenue and Donor Funds at KES. **11,569,449,440.00** visa-vis revenue a targeted of KES **14,924,810,127.70**. During the year under review, the total OSR collected amounted to **KES. 174,345,685.00** representing **70%** performance against a target of **KES. 250 Million**. Although the target was not achieved, there was a notable 21% growth in the OSR collection in the year under review compared to the previous year FY 17/18 where the total revenue collected was **KES. 144 Million** against a target of **KES. 200 Million**. The highest OSR collection was realized in the month of June 2019 while the least was collected in the month of August 2018. June being the end of the financial year, most revenue is received from the Exchequer and thus a lot of spending is experienced while August being one of the months in the first quarter experiences low revenue receipt from the Exchequer.

Total expenditure for the county as at the end of June 2019 was KES. **11,558,662,453.00** against an estimated target of KES. **14,924,810,127.70**. This underperformance was as a result of challenges encountered in the course of the year including revenue shortfall, delayed approval of the supplementary budgets, delayed release of funds from the Exchequer and the drought that negatively impacted businesses. The overall absorption rate is **77%**, with commendable recurrent expenditure performance and low development expenditure performance. The continued low performance of development expenditure is attributable to several risk factors key among them: the long processes encountered in the procurement and financial systems; delayed approval of the completed projects by the relevant bodies and partial and none remittance of some of the conditional grants funding. The issue of low absorption rate particularly for the development expenditure remains a top concern for the County Government and the government will continue seeking new frontiers to improving capital expenditure absorption rate.

Despite the revenue shortfalls and low absorption rate particularly for the development

expenditure, the fiscal performance for the FY 2018/19 was to a large extent satisfactory at 77%. The Fiscal outcome largely adhered to the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012. The development expenditure budget as a percent of total expenditure was at 35.68 percent above the legally required threshold of 30.0 percent while the budget for the county wages and benefits to county government revenues was 25.36 percent, below the required threshold of 35.0 percent.

Fiscal strategies including reforms in revenue administration, continued capacity building in OSR management and administration and the full use of Integrated Financial Management Systems (IFMIS) will improve the fiscal outcome for the FY 2019/20. These strategies, complemented with expenditure rationalization measures will create the necessary fiscal space for the implementation of the “Big Four” Plan, the Turkana CIDP II 2018-2022 and the Governor’s Five Point Agenda and the National “Big Four” plan. The FY 2020/21 resource allocation will largely be guided by the completion of the ongoing capital projects and the establishment of new identified flagship projects geared towards realization of the aforementioned agenda. The County Government will require massive resources to actualize expansion of the existing irrigation schemes, investments in both human and animal health through provision of quality subsidized medical extension services, medical infrastructure improvement and development, construction of mega dams, sand dams, rock dams, construction and upgrading of high yielding boreholes and aquifers development and desalinations. The County Government will continue to seek cooperation and support from the national government, development partners and new frontiers in peace building and conflict management, partnerships and resource mobilization. To this end County Government has embraced Public-Private Initiatives (PPI) such as the multi thronged approaches like for instance the Kalobeyei Social Economic Development Plan (KISED P) for the realization of the Governor’s Five point Agenda.

The FY 2020/21 budgeting will also be guided by the planning documents, the second generation CIDP and the ADP to link these documents to budgeting to ensure budget credibility and coherence.

CHAPTER ONE: INTRODUCTION

Objective of the 2019 Turkana County Budget Review and Outlook Paper

1. The 2019 Turkana County Budget Review and Outlook Paper (CBROP) provides a review of fiscal performance for the FY 2018/19 and how its performance impacts on the financial objectives and fiscal responsibility principles set out in the County Fiscal Strategy Paper (CFSP) 2019. It also provides a basis for the revision of the current budget (FY 2019/20) in the context of Supplementary Estimates and the broad fiscal parameters that will determine the FY 2020/21 budget and the medium term. The specifics of the fiscal framework and the medium term policies will be firmed up in the CFSP 2020.
2. The shortfall in both revenues and expenditures in the FY 2018/19 had implications on the financial objectives outlined in the CFSP 2019 and the fiscal projections of the 2019/20 Budget. This CBROP presents a fiscal outlook underpinned by revenue administration and financial management measures to promote compliance. The county government has also taken a deliberate move to cut down on non-priority expenditures including a freeze on recruitments and fleet management policy, thereby availing resources for high priority projects that are life changing.
3. As required by the PFM Act, 2012, the aim of the budget process is to promote the efficient and effective use of resources. To meet the resource requirements of the FY 2020/21 budget and the medium term, the County Government will continue to implement prudent measures aimed at enhancing the revenue and rationalizing expenditures. In this regard, the CBROP provides sector ceilings which will set in motion the budget preparation for the FY 2020/21 and the medium term. The sector ceilings are guided by the overall resource envelope that is informed by macroeconomic and fiscal outlook as presented in Chapters III and IV of this document.
4. This 2019 CBROP is a key document that links policy to plans and budgets. Budgetary allocations in this CBROP is in line with the needs of the “Big Four” Plan, the Turkana CIDP II 2018-2022 and the Governor’s Five Point Agenda namely: Water Development, Mineral Exploration and Natural Resource Management; Food Security; Peace Building and Conflict Management; Investment and Partnership Development; and Resource Mobilization and Prudent Resource Utilization.
5. To realize the commitments as contained in the above plans and the 2019/20 Budget, the County Government will supplement the National sharable revenue by maximizing

Own Source Revenue collection through Revenue Automation, minimizing leakages and stabilize its revenue streams. In addition, the Government will continue to gradually reduce non-priority expenditures and improve on financial discipline and management.

6. This document therefore is organized as follows: Chapter I gives the objectives of the paper. Chapter II reviews the fiscal performance for the FY 2018/19 and its implications on the financial objectives set out in the CFSP 2019. Chapter III highlights the recent economic developments and outlook. Chapter IV details the proposed Resource Allocation Framework while Chapter V concludes this paper.

CHAPTER TWO: REVIEW OF FISCAL PERFORMANCE IN 2018/19

Overview

7. The fiscal performance for the FY 2018/19 budget was generally satisfactory, despite the drawbacks with shortfall in revenues and growing expenditure pressures.
8. Total County revenue received included OSR, Grants and sharable revenue amounting to **KES. 11,569,449,440.00** or **78%** of revenue target against budget revised estimates of **KES. 14,924,810,127.70**.
9. The unmet OSR target was attributed to a number of factors among them slow legislation enactment especially the Rating Act which would have guided the collection of land rates, poor inter-ministerial coordination, unremitted royalties, CESS fees from corporate clients such as Tullow Oil and Oil movers, insecurity in some parts of the county which inhibited revenue collection and the prolonged drought which affected business operations.
10. Total expenditure by end of June 2019 was **KES. 11,559 Million** against the actual revenue received into CRF account of **KES. 11,569 Million**, resulting to an unutilized funds of **KES. 10 Million** by the end of the financial year. The Recurrent expenditure was **KES. 9,486 Million** and the Development expenditure was **KES. 2,073 Million**.
11. Overall, the county absorption rate at **77%** was satisfactory with recurrent and development absorption rates being **99%** and **39%** respectively. The low development absorption rate has remained a big concern to the county government. Bureaucracies in the designs, procurement and financial processes and legal requirements have largely contributed to low absorption of capital expenditure.
12. The fiscal outcome for the FY 2018/19 budget adhered to the provisions set out in the PFM Act, 2012. The County Government development expenditure budget as a percent of total budget was 35.68 percent way above the ceiling of 30.0 percent; the share of County Government wages and benefits to County Government revenues was 25.36 percent, below the required threshold of 35.0 percent.

FY 2018/19 FISCAL PERFORMANCE

Revenue Performance

13. During the year under review, the anticipated total county revenue envelop amounted to **KES. 14,924,810,127.70** (see **Table 1 below**) comprising: unutilized balance from the previous financial year of **KES. 2,769,421,948.70**; equitable share of **KES. 10,770,200,000**; conditional grants of **KES. 1,135,188,179.00** and own source revenue of **KES. 250,000,000**.

Table 1: FY 18/19 Estimated Revenue Envelop.

REVENUE STREAM	Revised Revenue Estimate
1. National Revenue	
Equitable share	10,770,200,000.00
Equalization fund	-
Compensation for User Fees	25,634,941.00
Leasing of Medical Equipment	200,000,000.00
Roads Maintenance Levy Fund	283,569,986.00
RMLF CARA FY 2017/18 released in FY 2018/19	80,149,474.00
Youth Polytechnics	25,285,000.00
Transforming Health Systems	100,000,000.00
National Agricultural and Rural Inclusive Growth Project	140,435,163.00
Agricultural Sector Development Support Programme II B/F 2017/18	31,376,224.00
Kenya Devolution Support Programme Level I	65,446,016.00
Kenya Urban Support Programme	136,223,200.00
DANIDA Grant for Universal Health	33,766,875.00
FAO-Vaccination Programmes for PPR, SGP and Disease Surveillance and Kalobeyei Support	13,301,300.00
Balance B/F from FY 2017/18	2,769,421,948.70
Projected Revenue From Local Sources	250,000,000.00
TOTAL	14,924,810,127.70

Source: Directorate of Budget, Turkana County

14. The aforementioned revenue envelop was not entirely realized. The county received its full share of equitable revenue. The county did not realize all the conditional grants and also did not meet its own source revenue target. Overall, 78% revenue budget was attained. Table 2 below summarizes revenue performance.

Table 2: FY 2018/19 Revenue Performance

REVENUE STREAM	Revised Revenue Estimate	Actual Revenue Received	Unremitted Revenue	Revenue Performance
I. National Revenue				
Equitable share	10,770,200,000.00	10,770,200,000.00	-	100%
Equalization fund	-	-	-	
Compensation for User Fees	25,634,941.00	25,634,941.00	-	100%
Leasing of Medical Equipment	200,000,000.00	-	200,000,000.00	0%
Roads Maintenance Levy Fund	283,569,986.00	283,569,986.00	-	100%
RMLF CARA FY 2017/18 Not Released	80,149,474.00	-	80,149,474.00	0%
Youth Polytechnics	25,285,000.00	-	25,285,000.00	0%
Transforming Health Systems	100,000,000.00	48,512,781.10	51,487,218.90	49%
National Agricultural and Rural Inclusive Growth Project	140,435,163.00	50,078,476.00	90,356,687.00	36%
Agricultural Sector Development Support Programme II B/F 2017/18	31,376,224.00	-	31,376,224.00	0%
Kenya Devolution Support Programme Level I	65,446,016.00	-	65,446,016.00	0%
Kenya Urban Support Programme	136,223,200.00	136,223,200.00	-	100%
DANIDA Grant for Universal Health	33,766,875.00	33,766,875.00	-	100%
FAO-Vaccination Programmes for PPR, SGP and Disease Surveillance and Kalobeyei Support	13,301,300.00	10,641,040.00	2,660,260.00	80%
Balance b/f	2,769,421,948.70		2,769,421,948.70	0%
Returned CRF Issues	0	36,476,456.00	(36,476,456.00)	
Projected Revenue From Local Sources	250,000,000.00	174,345,685.00	75,654,315.00	70%
TOTAL	14,924,810,127.70	11,569,449,440.10	3,355,360,687.60	78%

Source: County Treasury

15. During the year under review, the total OSR collected amounted to **KES. 174,345,685.00** (see Table 3 below) representing 70% OSR performance against a target of **KES. 250,000,000**. There was a shortfall of **KES. 75,654,315.00**. Although the target was not achieved, there was 21% increase in the OSR growth for the year under review compared to the previous year FY 2017/18 where the total revenue collected was **KES. 144 Million** against a target of **KES. 200 Million**.
16. The unmet OSR target was attributable to a mix of risk factors key among them slow legislation enactment especially the Rating Act which has delayed the collection of land

rates, poor inter-ministerial coordination in local revenue collection, accrued and unpaid royalties, unpaid CESS fees from corporate clients such as Tullow Oil and Oil movers, insecurity in some parts of the county that hindered realization and collection of revenue, the prolonged drought that impacted on businesses and unrealistic monthly revenue targets.

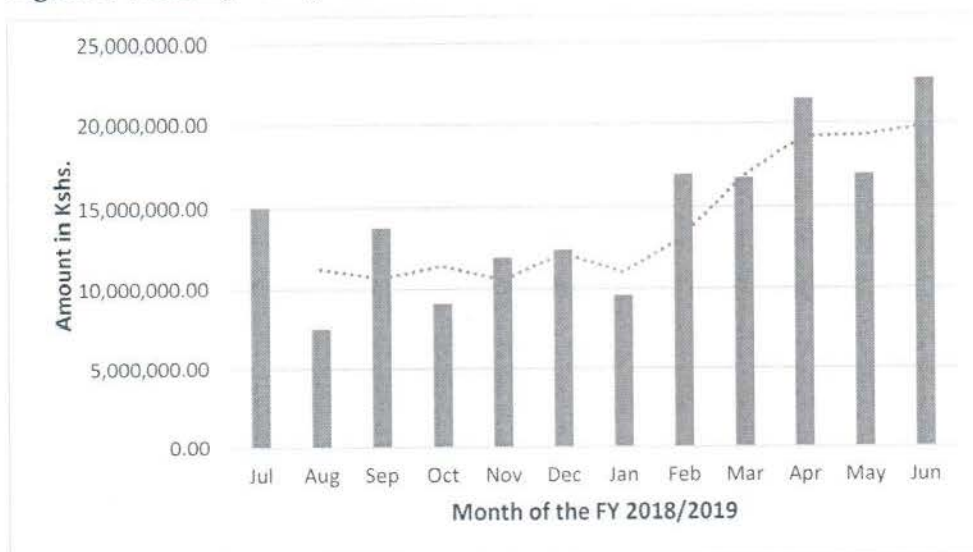
Table 3: Total Monthly OSR collection for FY 2018/2019

Month	Amount Collected in KES	Cumulative Collections
Jul	15,008,834.05	15,008,834.05
Aug	7,515,540.35	22,524,374.40
Sep	13,837,237.06	36,361,611.46
Oct	9,057,480.00	45,419,091.46
Nov	12,021,350.10	57,440,441.56
Dec	12,480,730.45	69,921,172.01
Jan	9,568,107.50	79,489,279.51
Feb	16,911,880.00	96,401,159.51
Mar	16,726,790.00	113,127,949.51
Apr	21,559,086.00	134,687,035.51
May	16,928,755.00	151,615,790.51
Jun	22,729,894.49	174,345,685.00
Total Collections for FY 2018/2019		174,345,685.00

Source: Revenue Directorate, Turkana County

17. From **Figure 1** below, we can clearly observe that the highest OSR collection was realized in the month of June 2019 while the least was collected in the month of August 2018. Clearly from the OSR monthly collection figures above, it is evident that the size of the revenue collected is dependent on the payments made to the local business by the county. June being the end of the financial year, most revenue is received from the Exchequer and thus a lot of payments to businesses are done and spending is experienced while August being the month in the first quarter of the financial year experiences zero or low revenue from Exchequer.

Figure I: Monthly Analysis of OSR.



Source: Analysis by Directorate of Budget, Turkana County

18. According to **Table 4** below, the highest and the lowest OSR generating streams were **CESS at 24.7%** and **Liquor License at 0.1%** respectively. The County Government in collaboration with the National Government and other development actors will continue to invest in requisite infrastructure and cooperation to open up the county to the rest of the country, the region and beyond. One such initiative is the recent signing of the Cross border peace MoU in Moroto, Uganda that will bring peace within the county's borders and reduce cross border trade barriers. This action is anticipated to grow our OSR.

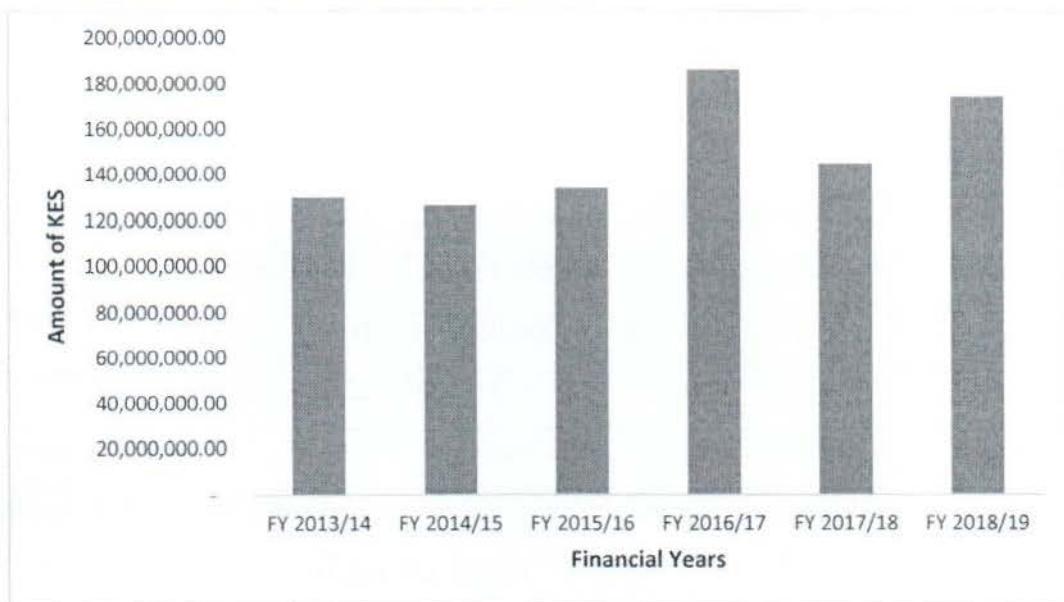
Table 4: FY 2018/19 OSR Collection by Stream

REVENUE STREAM	Amount Collected in Kes	%
CESS	43,267,800.00	24.8%
TRANSPORT OPERATION FEE	5,955,940.00	3.4%
SLAUGHTER/AUCTION FEE	4,747,660.00	2.7%
ADVERTISEMENT	1,061,760.00	0.6%
PARKING FEE	4,098,640.00	2.4%
LAND SURVEY/APPLICATION/ BUILDING APPROVAL FEE	16,219,619.35	9.3%
HOUSE RENT/KIOSKS/STALLS	902,950.00	0.5%
ROYALTIES	22,060,957.00	12.7%
LIQUOR LICENCES	102,500.00	0.1%
PUBLIC HEALTH & COST SHARING	30,503,670.85	17.5%
SINGLE BUSINESS PERMIT	35,088,370.00	20.1%
MARKET FEE	3,743,790.00	2.1%
WEIGHTS AND MEASURES	681,000.00	0.4%
OTHER FEES AND CHARGES	5,911,027.80	3.4%
TOTAL	174,345,685.00	100.0%

Source: Revenue Directorate, Turkana County

19. Over the previous financial years, the OSR has been steadily growing as shown in Figure II below, with a peak being realized in FY 2016/17. A slight slump was experienced in FY 17/18 due to prolonged electioneering period spillover effects.
20. However, there is improved OSR growth in FY 2018/19 revenue collection due to automation of revenue system, increased awareness and strengthening of the revenue enforcement unit. There was also increased economic activities brought about by economic growth and timely disbursement of recurrent funds from the exchequer.

Figure II: Annual OSR Trend (2013-2019)



Source: Analysis by Directorate of Budget, Turkana County

21. During the year as shown in **Table 5** below, the CRF received equitable share amounting to **KES. 10,770,200,000**, conditional grants of **KES. 588,427,299.10**, and OSR of **KES. 174,345,685.00** and exchequer refunds to an amount of **KES. 36,476,456.00**.

Table 5: FY 2018/19 County Revenue Fund Receipts

COUNTY REVENUE FUND RECEIPTS FY 2018/19				
Month of the Year	Equitable Share(A)	Grants (B)	OSR (C)	Returned CRF Issues (D)
Jul-18	-	-	15,008,834.05	
Aug-18	-	-	7,515,540.35	
Sep-18	538,510,000.00		13,837,237.06	
Oct-18	753,914,000.00	20,333,074.50	9,057,480.00	
Nov-18	969,318,000.00	16,883,438.00	12,021,350.10	
Dec-18	-	95,023,200.00	12,480,730.45	
Jan-19	2,154,040,000.00		9,568,107.50	
Feb-19		16,043,210.80	16,911,880.00	
Mar-19	1,884,785,000.00	1,694,500.00	16,726,790.00	
Apr-19	969,318,000.00	16,883,437.00	21,559,086.00	
May-19	861,616,000.00	50,000,000.00	16,928,755.00	
Jun-19	915,467,000.00	330,366,438.80	22,729,894.49	
Jul-19	1,723,232,000.00	41,200,000.00		36,476,456.00
Total Per Category	10,770,200,000.00	588,427,299.10	174,345,685.00	36,476,456.00
Total Receipts (A+B+C+D)	11,569,449,440.10			

Source: Treasury Directorate, Turkana County

22. The Revenue budget deficit of KES 622,415,194.90 (see Table 6 below) arose from the shortfall in the OSR of KES. 75,654,315.00 and unremitted conditional grants of KES. 546,760,879.90.

Table 6: FY 2018/19 Unrealized Revenue

Financial Year 2018/19 Unmet Revenue			
Revenue Source	Printed Estimates	Actual Received	Revenue Shortfall
Leasing of Medical Equipment	200,000,000.00	-	200,000,000.00
Roads Maintenance Levy Fund	363,719,460.00	283,569,986.00	80,149,474.00
Youth Polytechnics	25,285,000.00	-	25,285,000.00
Transforming Health Systems	100,000,000.00	48,512,781.10	51,487,218.90
National Agricultural and Rural Inclusive Growth Project	140,435,163.00	50,078,476.00	90,356,687.00
Agricultural Sector Development Support Programme II	31,376,224.00	-	31,376,224.00
Kenya Devolution Support Programme Level I	65,446,016.00	-	65,446,016.00
FAO-Vaccination Programmes for PPR, SGP and Disease Surveillance and Kalobeyei Support	13,301,300.00	10,641,040.00	2,660,260.00
Own Source Revenue	250,000,000.00	174,345,685.00	75,654,315.00
TOTAL	1,189,563,163.00	392,802,283.10	622,415,194.90

Source: Analysis by Directorate of Budget, Turkana County

Expenditure Performance

23. Total expenditures by end of June 2019 was **KES. 11,559 Million** against the revised budget estimates of **KES. 14,924 Million**, falling short of the revised target by **KES. 3,366 Million** as shown in the **Table 7** below.

Table 7: FY 2018/19 Total Expenditure

EXPENSE CATEGORY	ANNUAL BUDGET	TOTAL EXPENDITURE	VARIANCE (KES)	ABSORPTION RATE (%)
CURRENT	9,600,335,130	9,485,710,328.55	114,624,802	99%
DEVELOPMENT	5,324,474,997	2,072,952,124.45	3,251,522,873	39%
TOTAL	14,924,810,128	11,558,662,453.00	3,366,147,675	77%

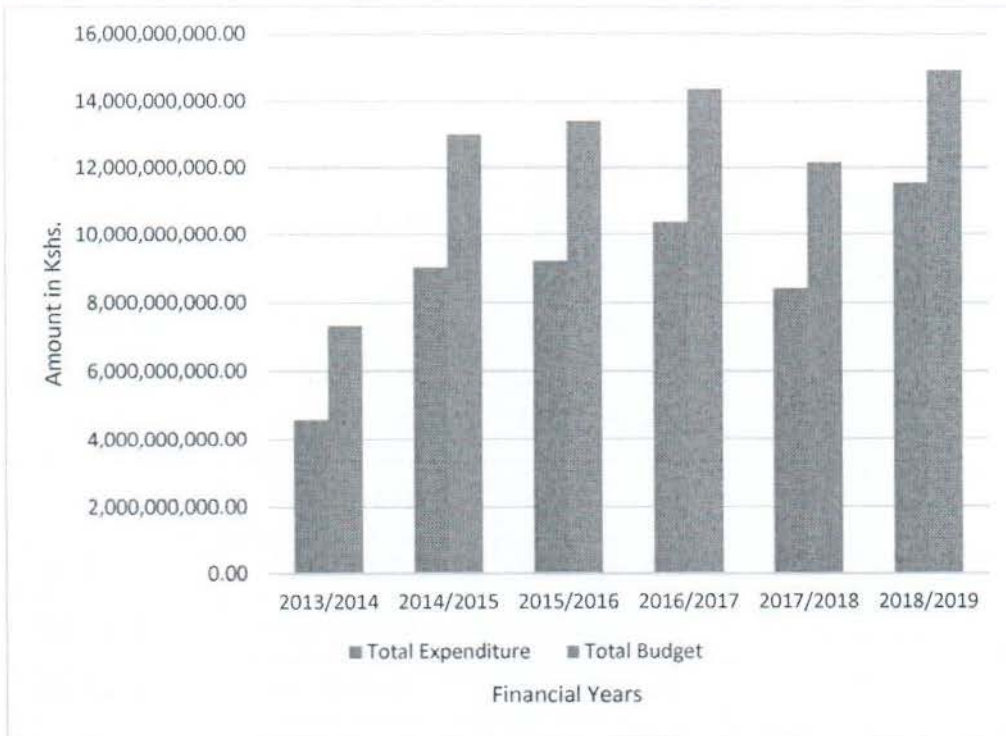
Source: Analysis by Directorate of Budget, Turkana County

24. The county absorption rate at **77%** was satisfactory with recurrent and development being **99%** and **39%** respectively. Bureaucracies in the designs and their approvals by the relevant bodies, delays in the procurement and financial processes and legal requirements have largely contributed to low absorption of capital expenditure.
25. The County Government's recurrent expenditure amounted to **KES. 9,485 Million** against a revised budget of **KES. 9,600 Million**, representing an under-spending of **KES. 115 Million** Or **1 %** deviation from the revised recurrent budget. Total actual Personnel Emolument amounted to **KES. 3,867 Million** Or **27.04 %** percent of the total revenue basket. Development expenditure for the period under review amounted to **KES. 2,072 Million** against a revised estimate of **KES. 5,324 Million**, leading to an underspending of **KES. 3,251 Million** Or **61 %**.

Year to Year Expenditure

26. The expenditures over the years have been fluctuating in accordance with the corresponding fluctuations in the respective budgetary allocations over the years. From **Figure III** below, it can be seen that the highest expenditure ever recorded was in FY 2018/19 which also had the highest budgetary allocation. Notably, FY 2013/14 which also had the lowest budgetary allocation recorded the lowest expenditure.

Figure III: Year to Year Analysis of Expenditure (2013-2019)



Source: Analysis by Directorate of Budget, Turkana County

Expenditure by Entity

27. The table below represents total expenditure by vote as at 30th June 2019. The department of Public Service, Administration & Disaster Management recorded the highest (because of the personnel emoluments and other benefits therein) absorption rate of 105 % while the department of Trade, Gender and Youth Affairs recorded the lowest rate of 38%. See table 8 below.

Table 8: Expenditure by Entity

Department	Annual Budget (1)	Total Expenditure (2)	Variance (3)	Absorption Rate(%) (4)
		July 2018-June 2019	(1-2)	(2/1)
Governance	603,079,037.50	370,893,182.10	232,185,855	61%
Office of the Deputy Governor	24,422,699.00	13,159,728.75	11,262,970	54%
County Attorney	125,270,000.00	97,982,904.40	27,287,096	78%
Finance and Economic Planning	971,770,270.00	984,809,457.80	-13,039,188	101%
Water Services, Environment and Mineral Resources	891,101,058.00	510,045,534.00	381,055,524	57%
Health & Sanitation Services	1,596,053,420.53	1,106,213,754.23	489,839,666	69%
Trade, Gender and Youth Affairs	558,679,738.00	214,844,478.75	343,835,259	38%
Education, Sports and Social Protection	1,376,381,422.27	734,003,353.55	642,378,069	53%
Public Service, Administration & Disaster Management	4,903,013,634.75	5,132,990,176.66	-229,976,542	105%
Infrastructure Transport & Public Works	882,816,288.13	372,001,087.69	510,815,200	42%
Agriculture, Pastoral Economy & Fisheries	929,309,543.16	415,264,158.46	514,045,385	45%
Tourism, Culture and Natural Resources	268,255,043.49	150,340,384.80	117,914,659	56%
Lands, Energy, Housing & Urban Areas Mgt.	376,097,077.63	192,471,789.12	183,625,289	51%
County Assembly	1,291,581,887.60	1,180,346,495.28	111,235,392	91%
County Public Service Board	126,979,007.63	83,295,967	43,683,040	66%
TOTAL	14,924,810,127.70	11,558,662,453.00	3,366,147,674.70	77%

Source: Analysis by Directorate of Budget, Turkana County

Expenditure by Month

28. Monthly expenditure analysis for the period under review is demonstrated in **Table 9 below**. The month of June 2019 recorded the highest expenditure of **KES. 3,798 Million** while the month of July 2018 recorded the least expenditure of **KES. 301 Million**. The high expenditure in June 2019 is largely attributed to corresponding high exchequer releases at the close of the financial year while July 2018 being the beginning of the financial year recorded the least expenditure.

Table 9: Expenditure by Month

FINANCIAL YEAR 2018/19	
Month	TOTAL MONTHLY EXPENDITURE
July	301,181,972.76
August	424,527,380.43
September	603,156,119.96
October	633,882,453.81
November	614,182,306.38
December	1,044,850,104.73
January	715,192,327.01
February	1,017,662,242.05
March	705,467,537.75
April	682,037,434.82
May	1,018,498,328.35
June	3,798,024,244.95
Total Exp	11,558,662,453.00

Source: County Treasury.

Expenditure analysis by Category

29. The total recurrent expenditure for FY 2018/19 amounted to **KES. 9,486 Million** representing 99% performance of the revised budget estimates while the development expenditure amounted to **KES. 2,072 Million** representing 39% of the revised budget estimates. This is summarized in **Table 10** below.

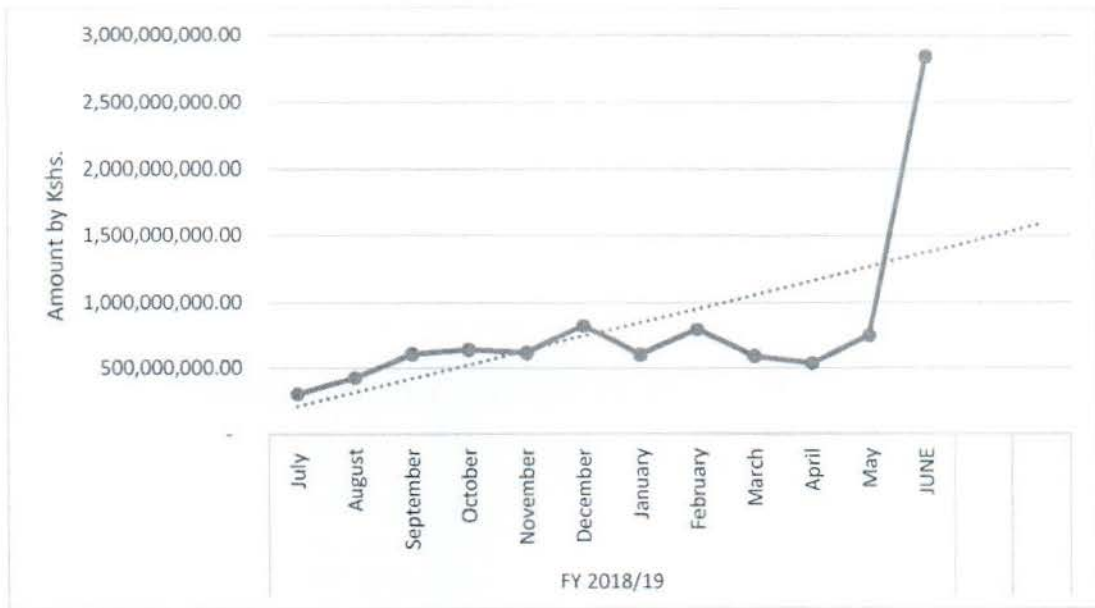
Table 10: Expenditure by Category

Department	recurrent Expenditure	Development Expenditure	Total Expenditure Year-To-Date	Absorption Rate (%)
Governance	370,893,182.10	0.00	370,893,182.10	61%
Office of the Deputy Governor	13,159,728.75	0.00	13,159,728.75	54%
County Attorney	97,982,904.40	0.00	97,982,904.40	
Finance and Economic Planning	714,940,697.55	269,868,760.25	984,809,457.80	101%
Water Services, Environment and Mineral Resources	231,240,374.20	278,805,159.80	510,045,534.00	57%
Health & Sanitation Services	934,722,961.48	171,490,792.75	1,106,213,754.23	69%
Trade, Gender and Youth Affairs	109,618,187.35	105,226,291.40	214,844,478.75	38%
Education, Sports and Social Protection	400,291,321.60	333,712,031.95	734,003,353.55	53%
Public Service, Administration. & Disaster Management	5,122,698,186.06	10,291,990.60	5,132,990,176.66	105%
Infrastructure Transport & Public Works	48,012,059.39	323,989,028.30	372,001,087.69	42%
Agriculture, Pastoral Economy & Fisheries	218,386,376.81	196,877,781.65	415,264,158.46	45%
Tourism, Culture and Natural Resources	127,280,021.80	23,060,363.00	150,340,384.80	56%
Lands, Energy, Housing & Urban Areas Mgt.	132,351,373.65	60,120,415.47	192,471,789.12	51%
County Assembly	881,485,486.00	298,861,009.28	1,180,346,495.28	91%
County Public Service Board	82,647,467.41	648,500.00	83,295,967.41	66%
TOTAL	9,485,710,329	2,072,952,124	11,558,662,453	77%

Source: Analysis by Directorate of Budget, Turkana County

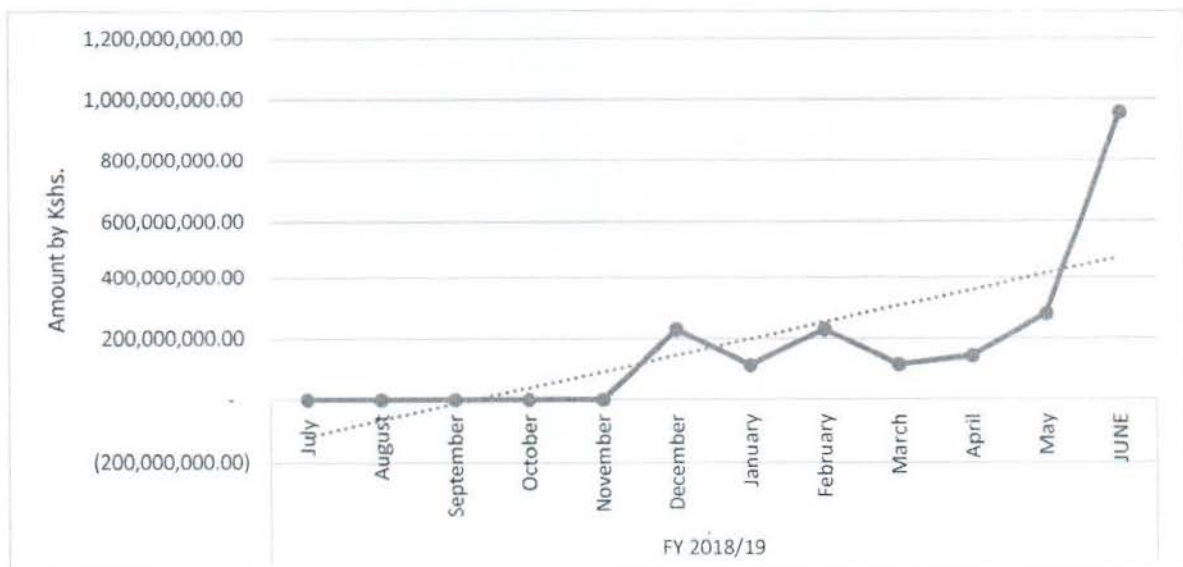
30. The uneven monthly expenditure patterns exhibited by **Figures IV and V** below is attributable to the irregular piecemeal release of funds by the Exchequer. As can also be seen from the below figures, expenditure increases steadily towards the end of the financial year, demonstrating the Exchequer's behavior of releasing most funds at the tail end of the financial year.

Figure IV: Monthly Analysis of Recurrent Expenditure



Source: Analysis by Directorate of Budget, Turkana County

Figure V: Monthly Analysis of Development Expenditure



Source: Analysis by Directorate of Budget, Turkana County

Compensation to Employees

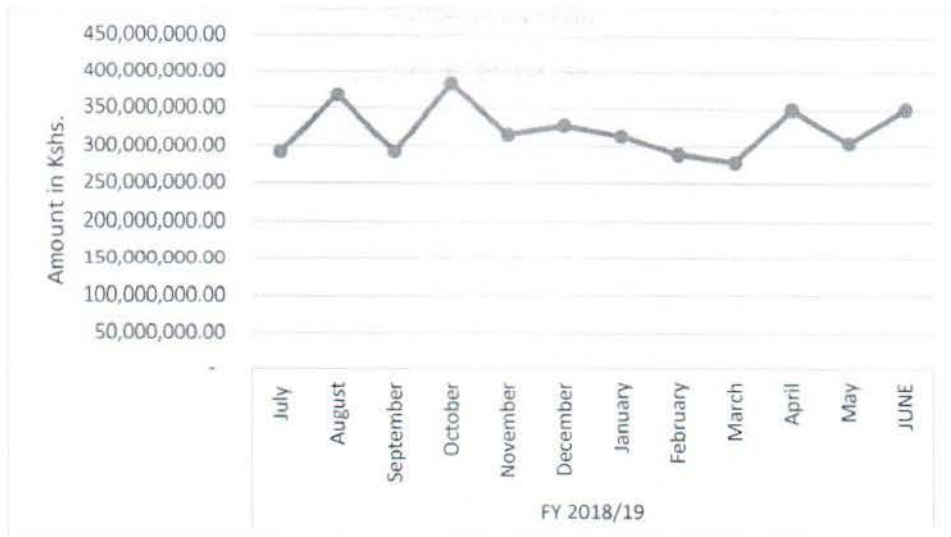
31. As can be seen from **Table 11** below, the total Personnel Emolument amounted to **KES. 3,867 Million** or 27.04 % percent of the total revenue which is below the required 35% threshold. The Personnel Emolument monthly expenditure is as shown in **Figure V** below. The month of October 2018 recorded the highest expenditure of **KES. 383 Million** while the month of March 2019 recorded the lowest expenditure of **KES. 278 Million**. The uninform monthly personnel emoluments is attributable to the human resource adjustments from new appointments, exits and gratuities paid to the staff leaving the service.

Table 11: Compensation to Employees

FY 2018/19 PE MONTHLY EXPENDITURE	
Month	Amount
Jul	292,094,477.86
Aug	367,778,306.05
Sep	292,458,268.25
Oct	383,286,435.76
Nov	316,060,950.93
Dec	328,703,332.28
Jan	314,185,745.35
Feb	288,960,418.35
Mar	278,863,525.00
Apr	350,183,459.42
May	304,352,833.40
Jun	351,018,740.85
Total	3,867,946,493.50

Source: Directorate of Human Resource, Turkana County

Figure V: Monthly Analysis of Compensation to Employees



Source: Analysis by Directorate of Budget, Turkana County

Challenges Encountered in the FY 2018/19 Budget Implementation

32. The revenue department did not hit the OSR target of **KES. 250,000,000**. This target was not achieved due to the following bottlenecks;
- i. Poor inter-ministerial coordination in revenue collection.
 - ii. Slow legislation enactment especially the Rating Act which would have guided the collection of rent and rates.
 - iii. Unremitted royalties and CESS fees from corporate clients such as Tullow Oil, Oil movers and Chinese Construction Company.
 - iv. Insecurity in some parts of the county
 - v. Prolonged drought
 - vi. Unrealistic OSR targets.
33. In the FY 2018/19, the County scaled up its utilization of Integrated Financial Management Information System (IFMIS) with most of the payment conducted in Internet Banking (IB) platform. The scale up presented a number of challenges, key among them being staff incapacities and poor connectivity. The county continues to undertake IFMIS trainings on various modules targeting relevant staff and still working on enhancing connectivity.
34. Pending Bills from previous years had to be provisioned and paid from the FY 2018/19 budget.
35. Delayed approval and disbursement of funds from the National Government delayed payments to suppliers and businesses and expenditure reporting.

36. Delay in the approval of supplementary budgets consequently delayed approval and release of funds from the National Government.
37. Bureaucracies in project designs, procurement and financial processes thus delaying commencement of project implementation. By the end of the year constructions of many capital projects were still ongoing, uncompleted and some had not been began.
38. Partial and none remittance of some of the Conditional Grants funding as summarized in **Table 6** above slowed down and affected activities related to those grants. The newly established Resource Mobilization Directorate will actively be involved in mapping and establishing a data base for all conditional grants donors and ensure follow ups to ensure realizations of such grants.

Implication of 2018/19 fiscal performance on fiscal responsibility principles and financial objectives contained in the 2019 CFSP.

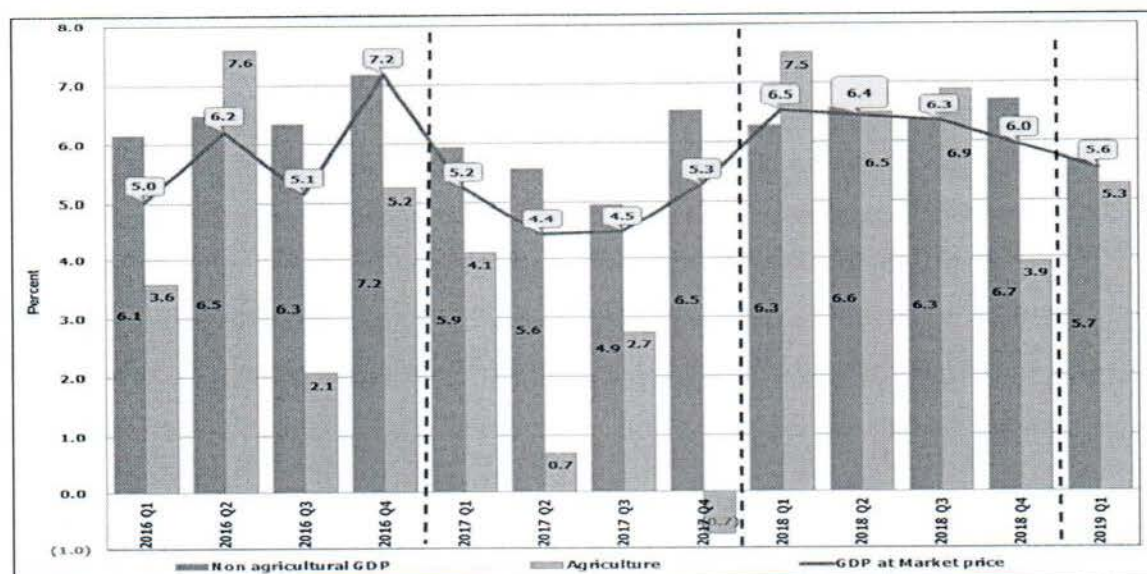
39. The performance in the FY 2018/19 has affected the financial objectives set out in the Budget for the FY 2019/20 in the following ways:
 - i. The OSR for FY 2018/19 did not meet the expected target of KES. 250 Million affecting implementation of FY 2018/19 Budget. Although the OSR target was not met in the previous year due to aforementioned reasons, we have prospects to meet this year's OSR target. We will adjust the FY 2019/20 fiscal parameters according to prevailing OSR performance.
 - ii. Taking into account the slower pace of execution of the development budget by the departments in FY 2018/19, there is need to enhance and fast-track project execution by departments in this year to improve development absorption rate. Projects' designs will be prepared and approved early enough, the county entities will ensure timely spending and reporting to ensure funds are released and approved by the Exchequer.
 - iii. The baseline ceilings for departments will be adjusted in line with the revised resource envelope under the updated macroeconomic framework in the CFSP 2019. In addition, the revisions will take into account the performance in project execution in the FY 2019/20 budget by departments and any identified one-off expenditures;
40. The adjustments in revenues and expenditures will be based on the revised macroeconomic assumptions which will be firmed up in the context of the CFSP 2020. 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 CFSP to reflect the changed circumstances.

CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

Economic Outlook as reported by National Treasury

41. On the global scene, economic growth slightly went down to 3.6 percent in 2018 compared to 3.8 percent in 2017. This was as a result of increased trade tensions and tariff hikes between China and United States, weakening of consumer and business confidence in the Euro area and tightening of financial conditions for emerging markets. Growth in Sub-Saharan Africa region remained strong at 3.1 percent in 2018 up from 2.9 percent in 2017 owing to improved intra-regional trade in Sub-Saharan Africa.
42. The Kenyan economy continues to register strong economic performance despite the global economic challenges. The economy expanded by 6.3 percent in 2018 up from a growth of 4.9 percent in 2017. This growth was supported by strong agricultural and manufacturing activities, vibrant service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business confidence. The outlook for Kenya's economy is strong, projected at 6.0 percent in 2019. In the first quarter of 2019, the economy expanded by 5.6 percent compared to a growth of 6.5 percent in the same quarter of 2018 supported by strong growth in the service sector industries despite contraction in agricultural activities due to delayed rains.
43. The economy continues to register macroeconomic stability with low and stable interest rates and competitive exchange rate to support exports. The overall year on year inflation remained within target at 5.0 percent in August 2019 compared to 4.0 percent in August 2018.
44. The foreign exchange market remains stable supported by a narrower current account deficit. The current account deficit narrowed to 3.8 percent of GDP in June 2019, from 5.4 percent in June 2018, reflecting strong growth of agricultural exports particularly horticulture and coffee, resilient diaspora remittances, and improved tourism receipts. The international reserves accumulation stood at US\$ 9,656 million equivalent to 6 months of import cover.

Figure VI: Kenyan Quarterly Economic Growth Rates, Percent (2016-2019)



Source of Data: Kenya National Bureau of Statistics

45. The non-agricultural sector (service and industry) remained resilient and grew by 5.7 percent in the first quarter of 2019, down from 6.3 percent in the same quarter of 2018. The service and industry sector contributed 3.6 percentage points to real GDP growth in the first quarter of 2019 mainly supported by service sector.

Table 12: Sectoral GDP Performance

SECTORS	Real GDP growth by Sector				Sectoral Contribution to Real GDP Growth Rate			
	2016	2017	2018	2019	2016	2017	2018	2019
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
Primary sector	3.7	4.1	7.3	5.2	1.0	1.1	2.0	1.4
Agriculture, forestry and fishing	3.6	4.1	7.5	5.3	1.0	1.1	2.0	1.4
Mining and Quarrying	5.8	5.8	2.4	2.2	0.1	0.1	0.0	0.0
Secondary sector	4.7	4.3	5.0	4.3	0.8	0.7	0.9	0.7
Manufacturing	1.4	1.6	4.0	3.2	0.2	0.2	0.4	0.3
Electricity and Water supply	10.3	8.2	6.5	6.1	0.2	0.2	0.2	0.2
Construction	9.2	7.9	6.6	5.6	0.4	0.4	0.3	0.3
Tertiary Sector	6.8	6.1	6.5	5.8	3.1	2.9	3.1	2.8
Wholesale and Retail trade	2.9	3.4	5.9	5.3	0.2	0.2	0.4	0.4
Accommodation and Restaurants	8.3	24.2	13.1	10.1	0.1	0.3	0.2	0.1
Transport and Storage	8.2	7.3	8.5	6.7	0.5	0.4	0.5	0.4
Information and Communication	10.5	13.4	12.5	10.5	0.4	0.5	0.5	0.4
Financial & Insurance	7.8	3.8	5.2	5.0	0.5	0.2	0.3	0.3
Public administration	6.0	3.8	6.2	6.5	0.2	0.1	0.2	0.2
Others	6.8	5.4	5.1	4.6	1.3	1.1	1.0	0.9
of which: Real estate	9.6	6.4	5.3	4.2	0.7	0.5	0.4	0.3
GDP at Market Prices	5.0	5.2	6.5	5.6	5.0	5.2	6.5	5.6
of which Non-Agricultural GDP	6.2	5.9	6.3	5.7	3.8	3.7	4.1	3.6

Source of Data: Kenya National Bureau of Statistics

CHAPTER FOUR: RESOURCE ALLOCATION FRAMEWORK

51. In the wake of ballooning current expenditure, the County Government will continue with its policy of growing OSR, expenditure rationalization with a view to funding only planned and identified flagship projects, core services and reducing costs through the elimination of duplication, inefficiencies and wasteful expenditure.

Adjustments to the FY 2019/20 Budget

52. The Medium Term Fiscal Framework (MTFF) for the FY2019/20 emphasizes on efficiency and effectiveness of public spending and improving revenue while at the same time supporting rapid and inclusive economic growth and continued fiscal discipline.

53. As we start preparation of the FY 2020/21 medium-term budget, it is worth noting that the implementation of the FY 2018/19 budget experienced challenges emanating from OSR shortfall and unremitted conditional grants among other risk factors. The outturn for the FY 2018/19 necessitates review of the projected revenues in FY2019/20 in order to take into account the lower than expected revenue performance in the base year.

54. Expenditure projections for FY2019/20 will be revised to accommodate some of these challenges through tradeoffs and reallocations of the existing budgetary provisions on less productive areas of spending across the departments.

55. The FY 2019/20 budget will be readjusted to reflect the extra equitable shareable revenue of **KES. 216,450,000** as reflected in the just approved County Allocation of Revenue Act 2019.

FY 2020/2021 Budget Framework

56. The FY 2020/21 budgeting will be guided and informed by the planning documents, the second generation CIDP and the ADP to link these documents to budgeting to ensure budget credibility and coherence.

57. H.E Governor Nanok's Five Point agenda for Turkana County from 2017 and beyond envisions a prosperous county. This is clearly depicted in his manifesto's slogan "atoduko Turkan kaapei" meaning let us build Turkana together. The agenda focuses on five key areas namely;

- Water Development, Mineral Exploration and Natural Resource Management
- Food Security
- Peace Building and Conflict Management
- Investment and Partnership Development

- Resource Mobilization and Prudent Utilization

58. The resource allocation for the FY 2020/2021 will be based on the continued implementation of the Governor's Five Point Agenda with consideration of the Big Four Agenda. To realize these the County Government will require massive resources to actualize expansion of the existing irrigation schemes, investments in both human and animal health through provision of quality subsidized medical extension services, medical infrastructure improvement and development, construction of mega dams, sand dams, rock dams, construction and upgrading of high yielding boreholes and aquifers development. The County Government will continue to seek cooperation and support from the national government, development partners and new frontiers in peace building and conflict management, partnerships and resource mobilization. To this end County Government has embraced Public-Private Initiatives (PPI) such as the multi thronged approaches like the Kalobeyei Social Economic Development Plan (KISEDPP) for the realization of the Governor's Five point Agenda.
59. The deficiency in the revenue especially failing to meet the OSR target, none remittance of conditional grants funds and none adherence to the budget by some county entities has resulted into the pending bills burden. The net pending bills liabilities as at the end of the FY 2018/19 is reported to be in the region of **KES 815,270,512**. The County Government is in the process of establishing a pending bills committee to review and audit all pending bills to ensure only genuine bills are allocated resources.

Medium Term Fiscal Projections

60. The medium term fiscal projections have been estimated and presented in **Table 13** and **Table 14** below for revenue and expenditure projections respectively.
61. The revenue projections are based on the actual performances of the previous years. Equitable share projections have been calculated based on the average of the actual equitable share for the past five financial years (FY 2015/16-FY 2019/20). Looking at the previous OSR actual trends, OSR has never hit the 200 Million mark. Given the current strategies which includes deepened revenue collection automation, revenue staff training, prospects in improving business environment amongst other factors, OSR is expected to grow and is projected to hit KES 200 Million and KES 220 Million in the FY 2019/20 and FY 2020/21 years respectively. Generally conditional grants have been growing steadily over the years and this trend is expected to continue. Notably the funding for the Kenya Devolution Support Programme (KDSP) is expected to increase

by KES 150 Million funding in Level II from KES 30 Million funding in level I to KES 180 Million.

Table 13: Medium Term Revenue Projections

REVENUE STREAM	Actual Revenue Received FY 2018/19	Projected Revenue FY 2019/20	Projected Revenue FY 2020/21	Projected Revenue FY 2021/22
I. National Revenue				
Equitable share	10,770,200,000.00	10,323,000,000.00	10,539,632,019.60	10,539,632,020.60
Compensation for User Fees	25,634,941.00	28,198,435.10	31,018,278.61	34,120,106.47
Roads Maintenance Levy Fund	283,569,986.00	311,926,984.60	343,119,683.06	377,431,651.37
Transforming Health Systems	48,512,781.10	53,364,059.21	58,700,465.13	64,570,511.64
National Agricultural and Rural Inclusive Growth Project	50,078,476.00	55,086,323.60	60,594,955.96	66,654,451.56
Kenya Devolution Support Programme Level 1	-	-	30,000,000.00	30,000,000.00
Kenya Devolution Support Programme Level 2			150,000,000.00	150,000,000.00
Kenya Urban Support Programme	136,223,200.00	149,845,520.00	164,830,072.00	181,313,079.20
DANIDA Grant for Universal Health	33,766,875.00	37,143,562.50	40,857,918.75	44,943,710.63
FAO-Vaccination Programmes for PPR, SGP and Disease Surveillance and Kalobeyi Support	10,641,040.00	11,705,144.00	12,875,658.40	14,163,224.24
Returned CRF Issues	36,476,456.00			
Projected Revenue From Local Sources	174,345,685.00	200,000,000.00	220,000,000.00	242,000,000.00
TOTAL	11,569,449,440.10	11,170,270,029.01	11,651,629,051.51	11,744,828,755.70

Source: Directorate of Budget, Turkana County

62. The medium term expenditure framework has been estimated based on the provisional actual expenditure for FY 2018/19 as the base year.

Table 14: Medium Term Expenditure Projections

COUNTY ENTITY	Class	Actual Expenditure FY 2018/19	Expenditure Projections FY 2019/20	Expenditure Projections FY 2020/21	Expenditure Projections FY 2021/22
Governance (Office of the Gvn and Liaison)	Rec	370,893,182	407,982,500	448,780,750	493,658,825
	Dev	-	-	-	-
Office of the Deputy Governor	Rec	13,159,729	14,475,702	15,923,272	17,515,599
	Dev	-	-	-	-
County Attorney	Rec	97,982,904	107,781,195	118,559,314	130,415,246
	Dev	-	-	-	-
Finance and Planning	Rec	714,940,698	786,434,767	865,078,244	951,586,068
	Dev	269,868,760	296,855,636	326,541,200	359,195,320
Water Services, Environment and Mineral Resources	Rec	231,240,374	254,364,412	279,800,853	307,780,938
	Dev	278,805,160	306,685,676	337,354,243	371,089,668
Health & Sanitation Services	Rec	934,722,961	1,028,195,258	1,131,014,783	1,244,116,262
	Dev	171,490,793	188,639,872	207,503,859	228,254,245
Trade, Gender and Youth Affairs	Rec	109,618,187	120,580,006	132,638,007	145,901,807
	Dev	105,226,291	115,748,921	127,323,813	140,056,194
Education, Sports and Social Protection	Rec	400,291,322	440,320,454	484,352,499	532,787,749
	Dev	333,712,032	367,083,235	403,791,559	444,170,715
Public Services, Decentralized Administration & Disaster Management	Rec	5,122,698,186	5,634,968,005	6,198,464,805	6,818,311,286
	Dev	10,291,991	11,321,190	12,453,309	13,698,639
Infrastructure Transport & Public Works	Rec	48,012,059	52,813,265	58,094,592	63,904,051
	Dev	323,989,028	356,387,931	392,026,724	431,229,397
Agriculture, Pastoral Economy & Fisheries	Rec	218,386,377	240,225,014	264,247,516	290,672,268
	Dev	196,877,782	216,565,560	238,222,116	262,044,327
Tourism, Culture and Natural Resources	Rec	127,280,022	140,008,024	154,008,826	169,409,709
	Dev	23,060,363	25,366,399	27,903,039	30,693,343
Lands, Energy, Housing & Urban Areas Mgt.	Rec	132,351,374	145,586,511	160,145,162	176,159,678
	Dev	60,120,415	66,132,457	72,745,703	80,020,273
County Assembly	Rec	881,485,486	969,634,035	1,066,597,438	1,173,257,182
	Dev	298,861,009	328,747,110	361,621,821	397,784,003
County Public Service Board	Rec	82,647,467	90,912,214	100,003,436	110,003,779
	Dev	648,500	713,350	784,685	863,154
EXECUTIVE BUDGET		11,558,662,453	12,714,528,698	13,985,981,568	15,384,579,725

Source: Directorate of Budget, Turkana County

CHAPTER FIVE: CONCLUSION AND NEXT STEPS

63. The FY 2020/21 MTEF budget is being prepared within the context of steadily improving national economic growth. As we continue with implementation of Turkana CIDP II (2018 – 2022), there is need to allocate resources efficiently in order to achieve value for money and economic growth. The aim of the MTEF is therefore to strike an appropriate balance between support for county economic growth and continued fiscal discipline.
64. Sectors Working Groups (SWGs) will be required to conduct a thorough scrutiny of all proposed Departmental Budgets for FY 2020/21 to ensure that they are not only directed towards improving productivity but also aligned to the achievement of the objectives of the CIDP II either directly as drivers or indirectly as enablers. As such, the fiscal strategy in this CBROP will focus on enhancing fiscal performance of the county government.
65. SWGs are required to prepare medium-term budgets that are consistent with the Medium-Term Fiscal Framework and CBROP 2019. The ceilings which will be finalized in the County Fiscal and Strategy Paper (CFSP 2020) by end of February 2020 will inform the next Budget Proposals FY 2020/21.
66. All county government entities attention is drawn to the FY 2020/2021 MTEF Budget Circular issued in August for further guidelines including the timelines for the preparation and finalization of FY 2020/21 Budget.

ANNEXES

Annex 1: CFSP CEILINGS 2019

COUNTY ENTITY	APPROVED CFSP 2019 CEILINGS			Percentage	MTEF PROJECTIONS	
	RECURRENT ALLOCATION	DEVELOPMENT ALLOCATION	TOTAL ALLOCATION		FY 2020/21	FY 2021/22
Governance	334,347,889.54	92,513,484.50	426,861,374.04	3.60%	469,547,511.44	516,502,262.58
Office of the Deputy Governor	60,575,089.06	-	60,575,089.06	0.51%	66,632,597.96	73,295,857.76
County Attorney	123,770,000.00	-	123,770,000.00	1.04%	136,147,000.00	149,761,700.00
Finance and Economic Planning	485,925,939.84	147,544,614.00	633,470,553.84	5.34%	696,817,609.22	766,499,370.14
Water Services, Environment and Mineral Resources	108,980,572.03	518,644,054.09	627,624,626.12	5.29%	690,387,088.73	759,425,797.60
Health & Sanitation Services	749,746,681.75	284,379,862.00	1,034,126,543.75	8.71%	1,137,539,198.13	1,251,293,117.94
Trade, Gender and Youth Affairs	114,038,117.03	252,045,700.00	366,083,817.03	3.08%	402,692,198.74	442,961,418.61
Education, Sports and Social Protection	575,099,716.10	217,026,430.63	792,126,146.73	6.67%	871,338,761.40	958,472,637.54
Public Service, Administration. & Disaster Management	4,268,335,053.36	22,347,324.48	4,290,682,377.84	36.15%	4,719,750,615.62	5,191,725,677.19
Infrastructure Transport & Public Works	76,069,868.03	552,169,281.00	628,239,149.03	5.29%	691,063,063.93	760,169,370.33
Agriculture, Pastoral Economy & Fisheries	185,261,709.06	836,140,303.25	1,021,402,012.31	8.61%	1,123,542,213.54	1,235,896,434.90
Tourism, Culture and Natural Resources	190,897,962.13	109,400,000.00	300,297,962.13	2.53%	330,327,758.34	363,360,534.17
Lands, Energy, Housing & Urban Areas Mgt.	86,530,751.99	385,187,109.00	471,717,860.99	3.97%	518,889,647.09	570,778,611.80
County Assembly	873,358,603.21	110,000,000.00	983,358,603.21	8.29%	1,081,694,463.53	1,189,863,909.88
County Public Service Board	107,231,182.56	1,512,707.37	108,743,889.93	0.92%	119,618,278.92	131,580,106.81
TOTAL EXPENDITURE	8,340,169,135.69	3,528,910,870.32	11,869,080,006.01	100.00%	13,055,988,006.61	14,361,586,807.27
Percentage	70%	30%				

Annex 2: 2018/19 Revised Budget Estimates

MINISTRY	RECURRENT	DEVELOPMENT	TOTAL BUDGET	Percentage
Governance	397,940,772.50	205,138,265.00	603,079,037.50	4.04%
Office of the Deputy Governor	24,422,699.00	-	24,422,699.00	0.16%
County Attorney	125,270,000.00	-	125,270,000.00	0.84%
Finance and Economic Planning	587,193,456.00	384,576,814.00	971,770,270.00	6.51%
Water Services, Environment and Mineral Resources	225,890,151.00	665,210,907.00	891,101,058.00	5.97%
Health & Sanitation Services	1,046,282,133.28	549,771,287.25	1,596,053,420.53	10.69%
Trade, Gender and Youth Affairs	105,429,539.00	453,250,199.00	558,679,738.00	3.74%
Education, Sports and Social Protection	699,711,869.27	676,669,553.00	1,376,381,422.27	9.22%
Public Service, Administration. & Disaster Management	4,860,714,734.00	42,298,900.75	4,903,013,634.75	32.85%
Infrastructure Transport & Public Works	45,930,803.00	836,885,485	882,816,288.13	5.92%
Agriculture, Pastoral Economy & Fisheries	221,933,717.94	707,375,825.22	929,309,543.16	6.23%
Tourism, Culture and Natural Resources	158,526,816.49	109,728,227.00	268,255,043.49	1.80%
Lands, Energy, Housing & Urban Areas Mgt.	138,412,333.00	237,684,744.63	376,097,077.63	2.52%
County Assembly	839,300,000.00	452,281,887.60	1,291,581,887.60	8.65%
County Public Service Board	123,376,106.00	3,602,901.63	126,979,007.63	0.85%
TOTAL EXPENDITURE	9,600,335,130.48	5,324,474,997.22	14,924,810,127.70	100.00%
Percentage	64.32%	35.68%		

Annex 3: FY 2018/19 OWN SOURCE REVENUE

REVENUE STREAM	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	TOTALS
CESS	4,171,140	2,800,300	810,650	3,392,190	3,428,630	2,663,420	4,196,230	1,247,850	5,954,000	4,678,010	4,972,190	4,953,190	43,267,800
TRANSPORT OPERATION FEE	146,300	277,560	2,199,140	808,530	410,130	112,890	277,360	274,170	707,910	336,790	152,350	252,810	5,955,940
SLAUGHTER/AUCTION FEE	366,450	220,990	209,840	443,720	385,810	373,260	434,190	561,750	666,020	447,370	344,600	293,660	4,747,660
ADVERTISEMENT	33,200	16,000	826,820	51,000	7,000	7,760	3,880	58,000	13,500	13,000	10,000	21,600	1,061,760
PARKING FEE	36,200	164,500	38,080	70,350	32,450	49,750	14,800	3,312,520	111,650	35,200	202,140	31,000	4,098,640
LAND SURVEY/APPLICATION/ BUILDING APPROVAL Fee	3,028,179	1,719,060	947,900	839,000	1,759,540	2,741,140	499,900	646,000	1,143,000	1,119,500	1,120,400	656,000	16,219,619
HOUSE RENT/KIOSKS/STALLS	92,100	201,250	97,500	51,500	35,500	14,000	151,000	102,600	37,400	-	74,000	46,100	902,950
ROYALTIES	4,989,877	813,620	1,139,700	899,810	1,026,100	2,302,000	1,203,200	2,168,660	2,353,080	2,113,990	1,901,460	1,149,460	22,060,957
LIQUOR LICENCES	-	-	-	-	-	76,400	-	-	-	26,100	-	-	102,500
Public health & cost sharing	80,400	30,400	6,334,247	1,394,360	3,811,570	1,045,630	1,346,085	6,162,965	1,187,870	1,500,055	1,374,845	6,235,244	30,503,671
SINGLE BUSINESS PERMIT	1,255,400	731,400	644,900	692,300	624,300	2,250,900	349,900	1,767,600	3,787,970	10,120,950	6,087,600	6,775,150	35,088,370
MARKET FEE	273,570	220,840	474,560	258,460	273,010	486,200	281,540	290,020	337,190	310,080	245,890	292,430	3,743,790
WEIGHTS AND MEASURES	78,700	25,000	-	-	38,400	5,500	99,900	142,400	212,400	-	78,700	-	681,000
OTHER FEES AND CHARGES	457,318	294,620	113,900	156,260	188,910	351,880	710,123	177,345	214,800	858,041	364,580	2,023,251	5,911,028
TOTAL	15,008,834	7,515,540	13,837,237	9,057,480	12,021,350	12,480,730	9,568,108	16,911,880	16,726,790	21,559,086	16,928,755	23,412,961	174,345,685

Annex 4: FY 2018/19 COMPREHENSIVE EXPENDITURE

VOTE	Class	July	August	September	October	NOV	DEC	JAN	FEB	MARCH	APRIL	19-May	JUNE	TOTAL EXPENDITURE.
Governance (Office of the Gvn and Liaison)	Rec	-	-	3,745,200	29,750,060	27,435,434	25,510,170	18,496,435	40,440,950	14,024,525	30,117,111	20,789,696	160,583,600	370,893,182
	Dev					-								-
Office of the Deputy Governor	Rec		209,600	534,000	1,636,200	2,816,000	1,929,380	-	950,460	-	1,068,000	1,327,178	2,688,911	13,159,729
	Dev					-								-
County Attorney	Rec				5,818,172	4,269,700	38,325,963	4,743,800		1,207,500		3,234,600	40,383,169	97,982,904
	Dev					-								-
Finance and Planning	Rec	-	9,261,191	73,967,347	54,856,560	66,543,450	24,820,020		67,126,465	44,344,189	14,452,977	110,911,348	248,657,151	714,940,698
	Dev					-	13,092,414		113,271,198	5,371,771	16,000,000	15,663,387	106,469,991	269,868,760
Water Services, Environment and Mineral Resources	Rec		2,045,344		4,772,744	19,800,831	3,365,722	10,914,530	9,433,828	20,639,980	8,137,102	9,085,457	143,044,835	231,240,374
	Dev					-	32,833,014		34,331,625	14,855,837	46,650,552	21,217,947	128,916,185	278,805,160
Health & Sanitation Services	Rec			5,353,279	38,569,454	31,679,369	103,282,782	113,537,710	80,227,975	76,767,684	39,006,818	42,361,835	403,936,056	934,722,961
	Dev					-	65,832,486		21,175,702	14,824,005	22,096,296		47,562,303	171,490,793
Trade, Gender and Youth Affairs	Rec				6,407,646	14,373,845	1,655,665	10,473,525	16,298,766	12,816,350	7,294,350	4,890,013	35,408,028	109,618,187
	Dev					-	32,844,565		18,130,933	10,959,644	1,055,581	9,696,932	32,538,636	105,226,291
Education, Sports and Social Protection	Rec				5,488,689	5,837,874	204,152,629	7,131,710	36,120,102	13,136,533	59,963,824	5,452,554	63,007,405	400,291,322
	Dev					-	67,971,286		39,164,963	58,473,956	31,913,454	20,760,443	115,427,930	333,712,032
Public Services, Decentralized Administration & Disaster Management	Rec	289,464,725	292,021,551	478,085,450	323,453,848	313,041,221	305,222,496	330,944,711	310,411,703	314,332,314	284,714,416	449,243,073	1,431,762,678	5,122,698,186
	Dev					-							10,291,991	10,291,991
Infrastructure Transport & Public Works	Rec			4,364,425	7,954,812	4,027,752	6,442,941	6,657,155		2,101,260	654,225	4,472,685	11,336,804	48,012,059
	Dev	-	-	-	-	-	12,916,654	-	-	1,534,076	318,768	108,058,614	201,160,916	323,989,028
Agriculture, Pastoral Economy & Fisheries	Rec	-	-	3,639,600	23,981,903	12,245,930	11,900,118	14,603,055	31,385,764	23,167,338	6,070,050	12,017,760	79,374,858	218,386,377
	Dev	-	-	-	-	-	4,000,000		4,000,000	1,178,603	23,800,392	62,349,016	101,549,771	196,877,782
Tourism, Culture and	Rec		2,946,865	1,457,100	7,083,776	10,936,898	2,096,556	5,621,260	14,587,622	11,993,702	5,039,636	2,837,200	62,679,407	127,280,022
	Dev	-	-	-	-	-	-	-		9,520,735	803,759	218,500	12,517,370	23,060,363

Natural Resources														
Lands, Energy, Housing & Urban Areas Mgt.	Rec	-	-	-	6,221,835	8,719,890	5,159,186	14,830,755	5,303,700	5,215,895	7,914,003	216,591	78,769,518	132,351,374
	Dev	-	-	-	-	-	-	-	-	-	2,090,274	41,544,358	16,485,784	60,120,415
County Assembly	Rec	11,717,248	116,484,329	31,387,519	113,468,655	88,209,541	78,160,257	52,725,973	169,071,177	37,980,826	70,702,631	70,661,139	40,916,192	881,485,486
	Dev							114,601,398					184,259,611	298,861,009
County Public Service Board	Rec	-	1,558,500	622,200	4,418,100	4,244,572	3,335,800	9,910,310	6,229,307	11,020,816	2,173,217	1,488,000	37,646,646	82,647,467
	Dev	-	-	-	-	-	-	-	-	-	-	-	648,500	648,500
EXECUTIVE BUDGET		301,181,973	424,527,380	603,156,120	633,882,454	614,182,306	1,044,850,105	715,192,327	1,017,662,242	705,467,538	682,037,435	1,018,498,328	3,798,024,245	11,558,662,453

Annex 5: Analysis of Expenditure by Economic Classification

EXPENSE CATEGORY	ANNUAL BUDGET	TOTAL EXPENDITURE	VARIANCE (KES)	ABSORPTION RATE (%)
CURRENT	9,600,335,130	9,485,710,328.55	114,624,802	99%
DEVELOPMENT	5,324,474,997	2,072,952,124.45	3,251,522,873	39%
TOTAL	14,924,810,128	11,558,662,453.00	3,366,147,675	77%

Source: Analysis by Directorate of Budget Department of Economic Planning, Turkana County

