

COUNTY GOVERNMENT OF ISIOLO



COUNTY FINANCE & ECONOMIC PLANNING

2020 COUNTY FISCAL STRATEGY PAPER

**HARNESSING SUSTAINABLE COUNTY ECONOMIC
DEVELOPMENT**

FEB 2020

FOREWORD

Isiolo County Fiscal Strategy Paper 2020 sets out the County policy goals and Strategic priorities that will form the basis for the formulation of the County's Financial Year 2020/2021 budget and the medium-term projections. This is an Annual Planning Document that shows the various fiscal strategies that the County Government of Isiolo intends to employ to meet its overall objective of improving the livelihoods of its citizens. Preparation of this Paper is a requirement under Section 117 of the Public Finance Management Act (PFM), 2012.

The Fiscal Strategy Paper outlines the Medium-Term Fiscal Framework, which offers mechanisms for entrenching sustainable growth and development for efficient service delivery in Isiolo County. This calls for openness, transparency, accountability, responsiveness, and abiding by the rule of law to facilitate fiscal discipline and maintain macroeconomic stability.

In compliance with the mandate bestowed upon the County Governments by the Constitution of Kenya, 2010, County Government of Isiolo is dedicated to prudently utilizing the available resources and enhancing fiscal discipline so as improve the living standards of its residents. Significant progress has been made in the implementation of 2019/2020 budget so far. However, some challenges have been encountered especially on the release of funds from the National Government and delays in e-Procurement process. The County Government will therefore fast track the funds requisition and procurement processes.

The County Government of Isiolo will focus on implementing priority areas identified in 2018-2022 County Integrated Development Plan (CIDP) and 2019 Annual Development Plan (ADP) that includes: Enhancing County Food Security; Investing in Quality, Affordable and Accessible Health Services; Increase Water Reticulation; Expanding and maintaining the road network; Investing in Education and Vocational Training; Good Governance; and Urban Development.

This Paper articulates Economic Policies and Structural Reforms as well as sector-based expenditure Programmes that the County intends to implement in order to achieve the broad goal of its development agenda of employment creation and poverty reduction. It emphasizes on continued shift of resources in favor of programmes that enhance growth, job creation, and to support stronger private sector investment in pursuit of new opportunities in a changing economic environment.

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ACKNOWLEDGEMENT

The 2020 County Fiscal Strategy Paper (CFSP) is envisaged to play a critical role in influencing the pace at which the County's economy will grow. It provides a framework under which the County will deal with the key strategic priority issues and challenges in the next three years and beyond. It also outlines a summary of Government spending plans as a basis for the 2020/21 budget.

The County would like to thank all the individuals who played various roles during the preparation of this County Fiscal Strategy Paper. We are grateful for their inputs. We especially acknowledge the dedication of core team of technical staff from the Economic Planning department.

The team undertook the preparation task with the support and guidance of H.E the Governor, Deputy Governor, County Executive Committee Members (CECMs) and Chief Officers. The draft 2020 CFSP document was presented to the various institutions and members of the public for their inputs and direction. Equally, my special thanks go to all who are not mentioned but took part in this exercise; you remain an asset to this County.

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ABBREVIATIONS AND ACRONYMS

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

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OUTLINE OF CFSP 2020

The CFSP is organized into seven chapters detailed as follows.

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

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

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

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

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

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

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

CHAPTER ONE

INTRODUCTION

1.1 Overview

- 1 The preparation of the County Fiscal Strategy Paper (CFSP) is a requirement of Section 117 of the Public Finance Management (PFM) Act, 2012 and thus plays an integral part in the budget making process. It specifies the Broad Strategic Priorities and policy goals and guides the County Government in preparing its budget for the coming financial year and over the medium term period.
- 2 The CFSP 2020 forms the basis for implementation of the second-generation County Integrated Development Plan (CIDP 2018-2022). This Paper has, therefore, been formulated by adopting the priority areas as outlined in the Annual Development Plan(ADP), 2019 namely:
 - i. Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock and crop production
 - ii. Investment in Infrastructure development and expansion i.e. Roads, Water Supply, Market development
 - iii. Investing in quality, affordable and accessible Health Services (i.e. preventative, curative and rehabilitative health care services).
 - iv. Investing in modern urban infrastructure and sustainable land management for socio economic development
 - v. Investing in Education, focusing on construction of more ECDE structures and equipping of youth polytechnics as well as social development of the communities through social programs.
 - vi. Promotion of Tourism, trade and industrial development for a rapidly industrializing economy.
 - vii. Enhancing governance, transparency and accountability in the delivery of services.
 - viii. Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society where all have access to equitable share of resources;

1.2 Legal Basis for County Fiscal Strategy Paper

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

1.2.1 Constitution of Kenya, 2010

- 4 Article 220 (1) states that budgets of the National and County Governments shall contain: -
- a) Estimates of revenue and expenditure, differentiating between recurrent and development expenditure.
 - b) Proposals for financing any anticipated deficit for the period to which they apply; and
 - c) Proposals regarding borrowing and other forms of public debt during the following year.

Sub-article (2) National legislation shall prescribe –

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

1.2.2 Public Finance Management (PFM) Act, 2012

- 5 The County Fiscal Strategy Paper is prepared in accordance with section 117 of the Public Finance Management Act, 2012 which states that:
- a) The County Treasury shall prepare and submit to the County Executive Committee a County Fiscal Strategy Paper (CFSP) for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year
 - b) The County Treasury shall align its County Fiscal Strategy Paper with the National objectives in the Budget Policy Statement.
 - c) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the Medium Term.
 - d) The County Treasury shall include in its Fiscal Strategy Paper, the Financial Borrowing for the financial year and over the Medium Term.
 - e) In preparing the Fiscal Strategy Paper, the County Treasury shall seek and take into account views of:
 - i. The Commission on Revenue Allocation (CRA).
 - ii. The Public.
 - iii. Any interested persons or groups; and
 - iv. Any other forum that is established by legislation.

- f) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County assembly, the County assembly shall consider and may adopt it with or without amendments.
- g) The County Treasury shall consider any recommendations made by the County Assembly in finalizing the budget proposal for the financial year concerned; and
- h) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

1.3 Principles of Public Finance and Fiscal Responsibility Principles

1.3.1 Principles of Public Finance

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

1.3.2 Fiscal Responsibility Principles

- 7 The Public Finance Management (PFM) Act, 2012 sets out the following fiscal responsibility principles to ensure prudence and transparency in the management of public resources:
- a) The County Government's recurrent expenditure shall not exceed the County government's Total Revenue.
 - b) Over the Medium Term, a minimum of 30 percent of the County government's budget shall be allocated to the Development expenditure.
 - c) The County Governments' expenditure on wages and benefits for its public officers shall not exceed a percentage of the County government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly and in line with the PFM act.
 - d) Over the Medium Term, the government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.

- e) The County debt shall be maintained at sustainable level as approved by County Assembly.
- f) The fiscal risks shall be maintained prudently; and
- g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future.

1.4 Budgeting Approach

- 8 The formulation of the CFSP 2020 takes into consideration the classification of devolved functions as a basis for revenue sharing as illustrated in Table 1 below.

Table 1: Departmental Programmes

Code	Department	Program
3511000000	County Assembly Services	0721003510 P21 County Assembly infrastructure, policy and service support
		0722003510 P22 Legislative and oversight
		0724003510 P24 Administration and support services
3512000000	County Executive	0713003510 P13 County Governance and Coordination Affairs
		0716003510 P16 County Devolved Administration Affairs
		0701003510 P1 County Governance and Coordination Affairs Deputy governor
		0708003510 P8 Governors Delivery Unit
		0723003510 P23 County Public Service
3513000000	Finance, Economic Planning, Cohesion Special Programme	0709003510 P9 Administration and support services
		0710003510 P10 Public financial management
		0711003510 P11 Economic Planning and Coordination Services
		0712003510 P12 Cohesion and Peace Building
		0725003510 P25 Special programmes
		0726003510 P26 KDSP (Kenya Devolution Support Programme) Conditional Grant
3514000000	Lands, Urban Planning, Roads, Infrastructure, Housing, And Public Works	0107003510 P7 Housing and urban development and public works
		0109003510 P9 Land Survey and land use planning
		0204003510 P4 Road improvement, accessibility, Logistic and connectivity
3515000000	Agriculture, Livestock and Fisheries Development	0101003510 P1 Livestock Resource Management and Development
		0102003510 P2 Fisheries Development and Management
		0103003510 P3 Administrative, planning, and support services
		P4 Crop Development and Management
		0105003510 P5 Veterinary Services
3518000000		0501003510 P1 General Administration, Planning and Support Services.

Code	Department	Program
	Education, Vocational Training, Youth Sports Culture Gender and Social Services	0502003510 P2 Early Childhood Development
		0503003510 P3 Technical and Vocational Training
		0504003510 P4 Sports development and Youth Empowerment
		0505003510 P5 Culture and Social Services
3519000000	Tourism, Wildlife Trade Cooperatives Enterprise Development, Administration and Public Service Management	0719003510 P19 Public Service Management and Transformation
		0301003510 P1 Trade development and promotion
		0303003510 P3 Co-Operative Development
		0304003510 P4 Tourism Development Promotion
3521000000	Water, Sanitation, Energy, Environment and Natural Resource	1001003510 P1 Administration, Planning and Support services
		1002003510 P2 Water supply and storage services
		1003003510 P3 Environment and Natural resources
3522000000	Health Services	0401003510 P1 Preventive and Promotive services
		0402003510 P2 Administration and planning Support services
		0403003510 P3 Curative Health Services
3524000000	Municipal Administration	0206003510 P6 KUSP
		0207003510 P7 Municipal Administration

1.5 CFSP Preparation Methodology

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

CHAPTER TWO

RECENT ECONOMIC AND FISCAL DEVELOPMENT

2.1 Economic and Fiscal Overview

2.1.1 Global and Regional Overview

- 10 The global economy is projected to grow by 3.4 percent in 2020 compared to the 3.0 percent growth rate in 2019, reflecting primarily a projected improvement in economic performance in a number of emerging markets in Latin America, the Middle East, and emerging and developing Europe that are under macroeconomic strain.
- 11 In the first half of 2019, the volume of global trade stood just 1 percent above its value one year ago—the slowest pace of growth for any six-month period since 2012. The major contributors to the weakening in global imports from a geographical standpoint were China and East Asia (both advanced and emerging) and emerging market economies under stress. Downturns in global trade are related to reduce investment spending—as was the case, for instance, in 2015–16.
- 12 In the advanced economies, growth stabilized in the first half of 2019, after a sharp decline in the second half of 2018. Growth is forecast to remain broadly stable for the advanced economy group at 1¾ percent in 2020, with a modest pickup in the euro area offsetting a gradual decline in US growth which shifted to a slower pace of expansion (about 2 percent on an annualized basis) as the boost from the tax cuts of early 2018 faded.
- 13 Over the medium term, growth in advanced economies is projected to remain subdued, reflecting a moderate pace of productivity growth and slow labor force growth as population's age.
- 14 The UK economy slowed, with investment held back by Brexit-related uncertainty while the euro area economy registered stronger growth in the first half of 2019 than in the second half of 2018. The German economy however contracted in the second quarter as industrial activity slumped. In general, weak exports have been a drag on activity in the euro area since early 2018, while domestic demand has, so far, stayed firm. Japan posted strong growth in the first half of 2019, driven by robust private and public consumption.
- 15 The groups of emerging market economies that have driven part of the decline in growth in 2019 and account for the bulk of the projected recovery in 2020 include those that have either been under severe strain or have underperformed relative to past averages. In particular, Argentina, Iran, Turkey, Venezuela, and smaller countries affected by conflict, such as Libya and Yemen, have been or continue to be experiencing very severe macroeconomic distress.

- 16 The IMF has indicated that global output is projected to increase to 3.8% in 2018 up from 3.6% in 2017 and 3.2% in 2016 with notable upward surprises in Europe and Asia. Data from the IMF also shows that some 120 economies, accounting for three quarters of the world GDP have seen a pickup in growth in year on year terms in 2017, the broadest synchronized global growth upsurge since 2010.
- 17 In the advanced economies, growth is expected to pick up to 2.3 percent in 2018 and 2017, up from 1.7 percent in 2016. This forecast reflects the expectation that favorable global financial conditions and strong sentiment will help maintain the recent acceleration in demand, especially in investment with a noticeable impact on growth in economies with large exports. In addition, the U.S. tax reform and associated fiscal stimulus are expected to temporarily raise U.S. growth, with favorable demand spill over for U.S. trading partners especially Canada and Mexico.
- 18 Growth in the Sub-Saharan African region is projected to rise to 3.6 percent in 2020 from 3.2 percent in 2019 largely on account of improved commodity prices and access to capital markets.
- 19 Growth in the East African Community (EAC) region is estimated to improve to 6.0 percent in 2020 from 5.6 percent in 2019 mostly supported by the stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and strong private consumption.

2.1.2 National Economic Overview

- 20 On the domestic scene, Kenya's economic growth has remained strong and resilient even under emerging global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The economy grew by 6.3 percent in 2018 up from a growth of 4.9 percent in 2017. In the year 2019, the economy is estimated to have expanded by 5.6 percent in part reflecting the impact of delayed rainfall in the first half of 2019 that affected agricultural production. The economy is projected to further expand by above 6.1 percent in 2020 and 7.0 percent over the medium term. This growth will be supported by the strong services sector, stable macroeconomic environment and ongoing investments strategic priorities of the Government under the "Big Four" Agenda.
- 21 The Kenya Shilling has continued to display relatively less volatility, compared to most Sub-Saharan currencies. This stability reflects strong inflows from tea and horticulture exports, resilient Diaspora remittances and improved receipts from services particularly tourism. The Kenya Shilling has also shown relative stability supported by continued narrowing of the current account deficit and adequate foreign reserve buffer. The Shilling appreciated against the US Dollar and the Euro exchanging at an average of Ksh.101.4 and Ksh.112.7 in December 2019 from Ksh.102.3 and Ksh.116.4 in December 2018, respectively. However, against the Sterling Pound, the Shilling

weakened exchanging at an average of Ksh.133.0 in December 2019 compared to Ksh.129.7 in December 2018.

- 22 Activity in the capital market picked up in December 2019 compared to December 2018, with equity share prices rising as shown by the NSE 20 Share Index. The NSE 20 Share Index was at 2,654.4 points by end of December 2019 compared to 2,383.8 points by end December 2018. On the other hand, market capitalization improved from Ksh.2, 102.0 billion to Ksh.2, 540.0 billion over the same period.
- 23 Growth in broad money supply, M3, slowed down to 5.9 percent in the year to November 2019 compared to a growth of 8.4 percent in the year to November 2018. This was due to the decline in both net foreign assets (NFA) and net domestic assets (NDA). Despite the slowdown, growth in M3 was supported by an improvement in the growth of demand deposits despite a decline in the time and savings deposits, foreign currency deposits, and currency outside banks.
- 24 Foreign exchange reserves have increased from around 3.0 months of import cover in 2003 to above 5.0 months of import cover in 2019. This fulfils the requirement to maintain at least 4 months of imports cover, and the EAC region's convergence criteria of 4.5 months of imports cover and thus provide an adequate buffer against short term shocks in the foreign exchange market. The banking system's foreign exchange holding remained strong at US\$ 13,343.9 million in October 2019 from US\$ 11,667.9 million in October 2018. The official foreign exchange reserves held by the Central Bank improved to US\$ 9,336.8 million (5.7 months of import cover) in October 2019 compared with US\$ 8,553.9 million (5.6 months of import cover) in October 2018. Commercial banks holdings stood at US\$ 4,007.2 million in October 2019 up from US\$ 3,114.0 million in October 2018.
- 25 Services remained the main source of growth and expanded by 5.7 percent in the third quarter of 2019 compared to a growth of 6.5 percent in the same quarter of 2018. The service sector was supported by improved growth in accommodation and restaurant (9.0 percent), transport and storage (7.1 percent) and financial and insurance (5.6 percent). Growth of activities in information and communication (8.4 percent) and real estate (4.9 percent) also remained vibrant. The services sector contributed 3.0 percentage points to real GDP growth in the third quarter of 2019 largely supported by Transport and storage (0.5 percentage points), wholesale and retail trade (0.4 percentage points) and Real estate (0.4 percentage points).
- 26 The performance of industry declined to 4.5 percent in the third quarter of 2019 compared to 5.8 percent in the same quarter in 2018 following subdued activities in the manufacturing, electricity and water supply and construction sectors. The slowdown in the manufacturing sector was attributed to the fall in agro-processing activities, a reflection of declining agricultural production. Growth in the electricity and water supply remained vibrant, driven by increased use of less input intensive sources of

energy such as hydro generated electricity supported by enough rainfall, wind power and geothermal power generation coupled with growth of thermal generation.

- 27 Year-on-year overall inflation remained low, stable and within the Government target range of 5+/-2.5 percent in December 2019 at 5.8 percent up from 5.7 percent in December 2018 reflecting higher food prices. Core inflation (Non-Food-Non-Fuel) remained below 5.0 percent in the period under review reflecting subdued demand pressures in the economy. Fuel inflation declined from 6.9 percent in December 2018 to 2.5 percent in December 2019 on account of declining energy prices.
- 28 Interest rates were low and stable for the period 2008 to 2011 due to ample liquidity in the money market. However, interest rates increased in 2012 following tight monetary policy stance in order to ease inflationary pressures. Interest rates remained stable and low in the period 2013 to October 2019, except from June to December 2015 when world currencies were under pressure. During the period, the Central Bank Rate (CBR) was adjusted appropriately to anchor inflation expectations. The Central Bank Rate was reduced to 8.5 percent on 25th November 2019 from 9.0 percent in August 2018 as there was room for easing monetary policy stance to support economic activity.

2.1.3 National Fiscal Overview

- 29 Budget execution started on a slow note in the first quarter of the FY 2019/20. The slowdown was due to delays in the county allocation of revenue proposed in the revised Division of Revenue Bill, 2019. In addition, expenditure rationalization was meant to reflect lower revenues after the realization that the revenues would perform less than earlier projected leading to a wider fiscal deficit. The exercise to clean-up the development project portfolio triggered by the budget rationalization on inclusion of new projects in the budget also slowed down the uptake of development expenditures in the first quarter of FY 2019/20. However, this picked up strongly in the second quarter of FY 2019/20.
- 30 Revenue collection to December 2019 grew by 15.9 percent compared to the same period in the FY 2018/19. This growth was driven in part by a rebound effect, after the poor performance in the previous financial year as well as the effect of the tax policy measures introduced in the Finance Act 2019. Despite the growth, cumulative ordinary revenue fell short of the December target by Ksh.138.7 billion. The shortfall was in all broad categories of ordinary revenues with income tax recording the highest shortfall on account of depressed performance in Pay as You Earn followed by excise tax and VAT. This shortfall is expected to close in the second half of the financial year as the yields from the full impact of the revenue policy measures take effect and the continued implementation of the Revenue Enhancement Initiatives (REI) by the Kenya Revenue Authority (KRA).
- 31 Total expenditure and net lending for the period ending December 2019 amounted to Ksh.1144.9 billion which was below the projected amount by Ksh.163.1 billion. Recurrent spending amounted to Ksh.772.5 billion while development expenditures

and transfer to County Governments (equitable share only) were Ksh.250.2 billion and Ksh.112.0 billion respectively. Recurrent spending was below the projected target by Ksh.24.8 billion mainly on account of lower than targeted pensions. The shortfall in pensions & other consolidated fund services (CFS) was due to slower than targeted processing of pension payments in the recurrent category. Similarly, development expenditures were below target by Ksh.98.0 billion on the account of below target absorption of foreign and domestically financed development expenditure by Ksh.42.3 billion and Ksh.52.6 billion respectively.

- 32 Fiscal operations of the Government by end of December 2019 in the FY 2019/20 resulted in an overall deficit of Ksh.214.0 billion against a projected deficit of Ksh.232.2 billion. This deficit was financed through net domestic borrowing of Ksh.152.9 billion and net foreign borrowing of Ksh.78.8 billion.

2.2 County Economic and Fiscal Overview

2.2.1 County Economic Overview

- 33 Livestock keeping is the mainstay of Isiolo County economy. About 80 percent of the inhabitants derive their livelihood from livestock enterprise. The livestock production employs about 70 percent of the rural labour force. The County is endowed with enormous livestock resources. The estimated livestock population is 198,424 heads of cattle, 398,903 goats, 361,836 sheep and 39,084 camels (2009 census). The main drawbacks to the improvement of the livestock production include: poor governance of the rangelands largely due to the absence of an appropriate legal framework of land tenure, livestock diseases, frequent droughts and sometimes flooding, lack of an organized market for livestock and livestock products, and inappropriate and inadequate systems of social and financial service provision.
- 34 The optimal operationalization of Isiolo International Airport, completion of both LAPSSSET Project and Isiolo resort city is expected to stimulate rapid economic growth. These projects will turn Isiolo county and its environs into a major tourist destination and a Regional Economic Hub. It will open the northern frontier, thereby attracting both domestic and foreign investments. The completion of Isiolo abattoir will also improve the livelihoods of Isiolo people through improvement of livestock market.

2.2.2 County Fiscal Overview

- 35 The revised Approved Budget under supplementary I for the Financial Year 2019/20 amounts to Kshs. 5,751,157,218 with Kshs. 3,401,671,428 (59 percent) allocated for Recurrent Expenditure and Kshs. 2,349,485,790 (41 percent) for Development Expenditure.

2.2.2.1 County Revenue Analysis

- 36 To be able to finance the budget for the Financial Year 2019/20, the County Government is expected to receive the following total revenue of Kshs. 5,751,157,218 whose breakdown is as shown in the table 2 below.

Table 2: 2019/20 Supplementary 1 Expected Revenue

TITLE	Printed Estimates FY 2019/20	approved sup 1FY 2019/20	%
REVENUE BUDGET			
EXTERNAL REVENUE ESTIMATES			
EQUITABLE SHARE	4,154,000,000	4,241,100,000	73.7%
General Provisions (Equitable Share)	4,154,000,000	4,241,100,000	73.7%
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT	255,692,197	562,182,394	9.8%
Funds Received from Road Maintenance Levy Fund	120,386,438	120,386,438	2.1%
Funds Received from Road Maintenance Levy Fund B/F 2018/19		92,443,056	1.6%
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	3,472,461	0.1%
Supplement for Construction of County Headquarters	121,000,000	121,000,000	2.1%
Conditional Allocation for Development of Youth Polytechnic	10,833,298	10,833,298	0.2%
UHC		142,698,094	2.5%
UHC B/F 2018/19		71,349,047	1.2%
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	403,048,854	651,989,352	11.3%
Current Grants from Foreign Governments DANIDA	16,572,474	16,572,474	0.3%
Kenya Devolution Support Programme (KDSP) World bank	30,000,000	30,000,000	0.5%
Kenya Devolution Support Programme (KDSP) World bank bal not received b/f 2018-19		38,668,826	0.7%
World Bank Loan for Transforming Health Systems for Universal Care Project	64,373,437	64,373,437	1.1%
World Bank Loan for Transforming Health Systems for Universal Care Project B/F		17,986,573	0.3%
Climate Smart Agricultural Project	170,794,330	170,794,330	3.0%
Climate Smart Agricultural Project B/F 2018/19		37,829,823	0.7%
Urban Support Project Development B/F 2018/19	93,968,100	93,968,100	1.6%
Urban Support Project Development B/F 2018/19		93,968,100	1.6%
Urban Support Institutional Grant	8,800,000	8,800,000	0.2%
Urban Support Institutional Grant B/F 2018/19		41,200,000	0.7%
Food and Agriculture Organization of the United Nations-Livestock grant B/F 2018/19		5,652,760	0.1%
Sweden Agricultural Sector Development Support Programme (ASDSP)	18,540,513	18,540,513	0.3%
Sweden Agricultural Sector Development Support Programme (ASDSP)		13,634,416	0.2%
GROSS COUNTY EXTERNAL REVENUE ESTIMATES	4,812,741,051	5,455,271,746	94.9%
B/FB/F 2018/19		125,024,134	2.2%
INTERNAL COUNTY OWN REVENUE ESTIMATES			0.0%
GROSS INTERNAL REVENUE ESTIMATES	155,861,338	170,861,338	3.0%
GROSS COUNTY REVENUE ESTIMATES	4,968,602,389	5,751,157,218	100.0%

37 The total revised budget under supplementary 1 revenue estimate for fiscal year 2019/20 is Kshs. 5,751,157,218 that includes Kshs. 170,861,338 from local revenue

sources, Kshs. 4,241,100,000 from equitable share of revenue from National Government, Kshs. 562,182,394 from additional Conditional Allocations from the National Government (includes Ksh 163,792,103 being Balance brought forward from financial year 2018/19), and Kshs. 651,989,352 from Conditional Allocation from development partners from loans and grants to County Government (includes Ksh 230,953,925 being balance brought forward for FY 2018/19), Balance brought forward for financial year 2018/19 amounting to Ksh 125,024,134.

Revenue Received from exchequer as at 31st December 2019

38 In the first half of financial year 2019/20, the County had receipts of Ksh. 2,038,868,474 comprising of Ksh. 1,501,349,400 from the National Government as a direct transfer to the County Revenue Fund Account, kshs 224, 779,405 Conditional Allocations from Development Partners, Kshs 92,443,056 Conditional Allocations from National Government (2018/19 fuel levy balance), 95,272,479 from local sources and a balance brought forward of kshs125, 024,134 from financial year 2018/19. The table below provides a summary of the revenues received from the National Government and balances brought forward during the first half of the financial year 2019/20.

Table 3: Direct Transfers from National Government

REVENUE SOURCE	Approved Budget FY 2019/20	Approved Supplementary 1 FY 2019/20	Actual Cumulative Receipts Kshs
REVENUE BUDGET			
EXTERNAL REVENUE ESTIMATES			
EQUITABLE SHARE	4,154,000,000	4,241,100,000	1,501,349,400
General Provisions (Equitable Share)	4,154,000,000	4,241,100,000	1,501,349,400
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT	255,692,197	562,182,394	92,443,056
Funds Received from Road Maintenance Levy Fund	120,386,438	120,386,438	
Funds Received from Road Maintenance Levy Fund B/F		92,443,056	92,443,056
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	3,472,461	
Supplement for Construction of County Headquarters	121,000,000	121,000,000	
Conditional Allocation for Development of Youth Polytechnic	10,833,298	10,833,298	
UHC		142,698,094	
UHC B/F 2018/19		71,349,047	
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	403,048,854	651,989,352	224,779,405
Current Grants from Foreign Governments DANIDA	16,572,474	16,572,474	5,859,375
Kenya Devolution Support Programme (KDSP) World bank	30,000,000	30,000,000	
Kenya Devolution Support Programme (KDSP) World bank bal not received b/f 2018-19		38,668,826	
World Bank Loan for Transforming Health Systems for Universal Care Project	64,373,437	64,373,437	14,251,777
World Bank Loan for Transforming Health Systems for Universal Care Project B/F		17,986,573	
Climate Smart Agricultural Project	170,794,330	170,794,330	65,496,042

Climate Smart Agricultural Project B/F 2018/19		37,829,823	
Urban Support Project Development B/F 2018/19	93,968,100	93,968,100	
Urban Support Project Development B/F 2018/19		93,968,100	93,968,100
Urban Support Institutional Grant	8,800,000	8,800,000	
Urban Support Institutional Grant B/F 2018/19		41,200,000	41,200,000
Food and Agriculture Organization of the United Nations-Livestock grant		5,652,760	4,004,111
Sweden Agricultural Sector Development Support Programme (ASDSP)	18,540,513	18,540,513	
Sweden Agricultural Sector Development Support Programme (ASDSP) B/F 2018/19		13,634,416	
GROSS INTERNAL REVENUE ESTIMATES	155,861,338	170,861,338	95,272,479
CRF B/F 2018/19		125,024,134	125,024,134
GROSS COUNTY REVENUE ESTIMATES	4,968,602,389	5,751,157,218	2,038,868,474

Source: County Treasury

2.2.2.2 Internal Revenue

39 In the first half of financial year 2019/20, the County collected Ksh. **95,272,479** out of a half year target of Ksh. **77,930,669** with the largest revenue contributors being Game fees (70%). This shows an overall increase of 9 percent in the total local revenue realized. Overall all revenue sources reflected an incline except weights and measures, plot transfer approval, public works and the Agriculture training Centre.

40 The table below provides a summary of the revenues received from the various streams during the first half of the financial year 2019/20 against their set targets.

Table 4: Local Revenue Collection Performance in the First half year of FY 2019/20

No	Revenue Source	Target	Actual Receipt
1.	Plot Application Transfer/Sub-Division/Approval	600,000	666,000
2.	Land Rent & Rates-Current	3,630,669	2,199,064
3.	Land Rents & Rates Arrears	5,000,000	4,268,571
4.	Livestock Auction	1,750,000	1,887,116
5.	Sand Cess	5,500,000	4,096,500
6.	Liquor License Application & License	2,000,000	2,814,000
7.	S.B. P	3,750,000	933,764
8.	Produce Cess/Banter	400,000	743,610
9.	Stand Premium	100,000	35,000
10.	Clearance and Consent	100,000	89,000
11.	Plot Transfer Approval	150,000	41,000
12.	Lease Extension	100,000	0
13.	Veterinary Meat Inspection	500,000	562,168
14.	Weight & Measures	250,000	8,600

No	Revenue Source	Target	Actual Receipt
15.	Public Health Charges	750,000	193,590
16.	Tractor Hire/Rural Training Control	200,000	182,750
17.	Billboards/Signboard/Promotion Fees	500,000	298,000
18.	Public Works	250,000	0
19.	Hospital Cost Sharing	1,500,000	2,683,010
20.	Hides and Skin	100,000	0
21.	Market Stages/Rent	100,000	111,200
22.	Parking Fees	2,000,000	2,567,950
23.	Slaughter Fees	950,000	894,900
24.	Planning Fees	1,000,000	0
25.	Land Rent/Rates Penalties	500,000	1,097,248
26.	Miraa Export	1,250,000	1,288,950
27.	Game	57,500,000	66,974,988
28.	Agriculture Training Centre	200,000	40,000
29.	Receipt from Admin Fees/Application	600,000	589,000
30.	Building Plan Approval/Survey	500,000	6,500
	TOTAL	77,930,669	95,272,479

Source: County Treasury, 2020

Analysis of performance of local revenue in the first half of FY 2013/14 to first half of FY 2019/20(in Ksh. Millions)

Table 5: Half year OSR performance FY 2013/13 to FY 2019/20

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

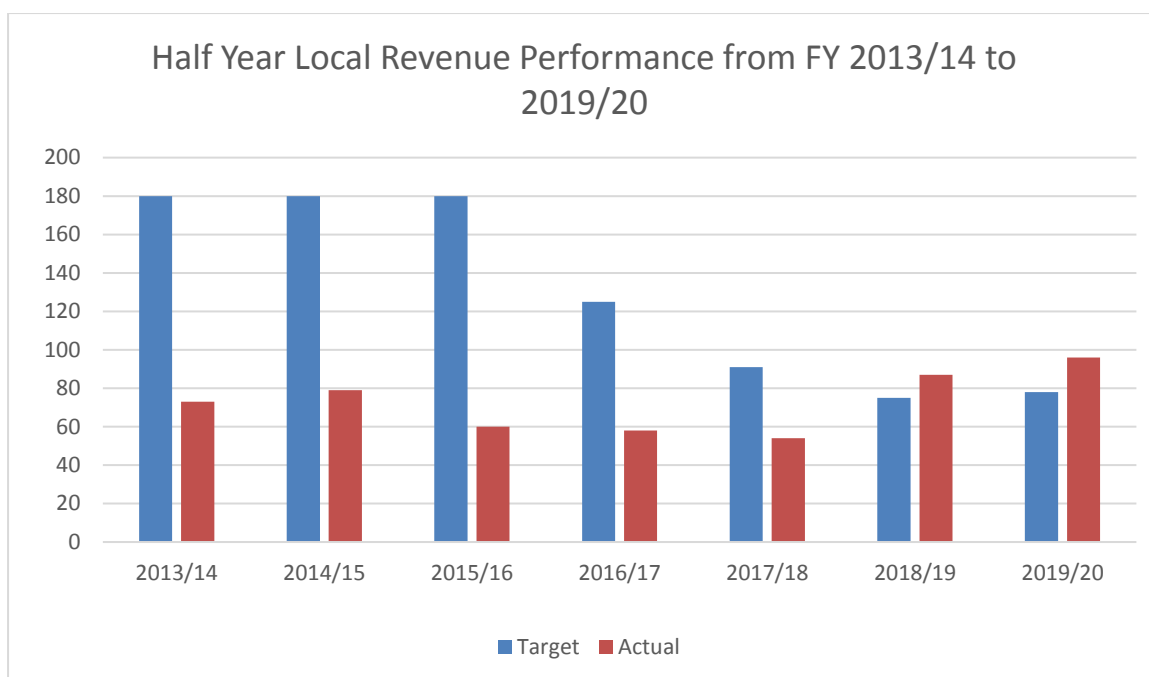


Figure 1: Half Year Local Revenue Performance from FY 2013/14 to FY 2019/20

41 The table below shows a detailed half year performance of local revenue per revenue stream for the FY 2018/19 and 2019/20.

Table 6: Comparison of Local Revenue Collection Performance for the First half of FY 2018/19 and 2019/20

Revenue Source	Actual Receipts in the first half of 2018/19 (Ksh.)	Actual Receipts in the first half of 2019/20 (Ksh.)	Deviation
SBP & Promotions Fee	1,279,034	1,231,764	-47,270
Agri. Produce Cess/Barter/Market Entrance/Tractor		743,610	743,610
Livestock Cess	1,483,025	1,887,116	404,091
Sand Cess	6,177,389	4,096,500	-2,080,889
Miraa Cess	981,650	1,288,950	307,300
Miscellaneous charges	149,323		-149,323
Clearance & Consent	4,000	89,000	85,000
Tender Doc Sales			0
Water Connection Fee			0
Water Levies			0
Murram Cess	0		0
Other cess or produce	193,880		-193,880
Parking Fee	2,026,837	2,567,950	541,113
Slaughter Fee	609,800	894,900	285,100
Hides & Skin			0
Land Rates & Rents	6,941,169	7,564,883	623,714
Plot transfer/ Subdivision/ Registration/ Approval/Application/public works	534,500	707,000	172,500
Lease Extension	0	0	0
Physical Planner	0	0	0
Planning & Survey Fee	0	0	0
Building Approval	91,500	6,500	-85,000
Stand Premium	65,000	35,000	-30,000

Revenue Source	Actual Receipts in the first half of 2018/19 (Ksh.)	Actual Receipts in the first half of 2019/20 (Ksh.)	Deviation
Market stalls/Kiosks	215,150	111,200	-103,950
Other Sectors			0
Hospital	6,747,624	2,683,010	-4,064,614
Liquor Application	2,341,243	2,814,000	472,757
Fisheries	0	0	0
Public Health	573,405	193,590	-379,815
Livestock/Veterinary/Meat Inspection	0	562,168	562,168
Rent/Hire/Tractor Hire	48,980	182,750	133,770
Movement permit	0	0	0
Weight and Measures	24,100	8,600	-15,500
Agriculture Training Centre	5,000	40,000	35,000
Receipt from Admin Fees/Application	0	589,000	589,000
Game collection	56,767,083	66,974,988	10,207,905
Grand Total	87,259,692	95,272,479	8,012,787

Source: County Treasury, 2020

2.2.3 County Expenditure Analysis

42 The County spent a total of Ksh. 1,384,575,046 during the first half of financial year 2019/20 against a revised annual approved budget of Ksh. 2,875,578,611 which represents an absorption rate of 48.13 percent of the total budget. This reflects a similar expenditure performance to the same period of financial year 2018/19.

43 A total of Ksh 1,138,673,833 was spent on recurrent activities in the first half of financial year 2019/20. The recurrent expenditure for the period under review represented 67 percent of the approved annual recurrent budget, an increment of 7% compared to a similar period in financial year 2018/19. Development expenditure recorded an absorption rate of 27 percent (Ksh. 245,901,213), an increment from 0 percent spent in a similar period of financial year 2018/19.

2.2.3.1 Recurrent Expenditure Analysis

44 The total recurrent expenditure during the review period (first half of the financial year 2019/20) was Ksh. **1,138,673,833** against a total recurrent budget of Ksh. **1,700,835,714** representing an absorption rate of 67 percent. The table below provides the analysis of recurrent expenditure and budget absorption rate by sectors.

Table 7: Departmental Recurrent Expenditure Analysis for the first half of the FY 2019/20

Sector	Approved Recurrent Budget for half Year FY 2019/20	Half Year Revised Budget (Supp 1)	Half Year Actual Recurrent Expenditure for FY 2019/20	Absorption Rate (%)
County Assembly Services	211,473,809	210,677,579	194,453,759	92%
County Executive	207,065,815	207,093,186	129,162,159	62%
Finance, Economic planning and ICT	224,252,116	298,368,942	181,339,649	61%
Land, Roads, Urban planning, Housing and Public works	32,708,861	39,706,876	9,546,224	24%
Agriculture, Livestock, Veterinary and Fisheries	72,678,401	76,423,401	60,276,875	79%
Education, Vocational Training, Youth, Sports and Gender	126,199,390	129,936,891	88,306,203	68%
Tourism, Trade and Enterprise Development	137,834,718	139,838,593	66,924,502	48%
Water, Energy, Environment and Natural Resources	45,957,168	41,302,168	8,215,953	20%
Health services	514,776,530	516,194,537	384,958,686	75%
Municipal Administration	11,618,543	41,293,543	15,489,823	38%
Total	1,584,565,351	1,700,835,714	1,138,673,833	67%

Source: County Treasury, 2020

2.2.3.2 Development Expenditure Analysis

45 The total development expenditure during the review period (first half of the financial year 2019/20) was 245,901,213 against a total revised budget of Ksh 1,171,092,897 representing an absorption rate of 21 percent. The table below provides the analysis of development expenditure during the first half of the financial year 2019/20.

Table 8: Departmental Development Expenditure Analysis for the first half of the FY 2019/20

Sector	Approved Development Budget for half Year FY 2019/20	Half Year Revised Budget (Supp 1)	Half Year Actual Development Expenditure for FY 2019/20	Absorption Rate (%)
County Assembly Services	40,000,000	43,700,000		0%
County Executive	-	-	-	0%
Finance, Economic planning and ICT	147,877,846	175,233,526	0	0%
Land, Roads, Urban planning, Housing and Public works	115,723,443	160,591,400	69,815,211	43%
Agriculture, Livestock, Veterinary and Fisheries	168,175,099	165,225,763	40,468,549	24%
Education, Vocational Training, Youth, Sports and Gender	105,682,457	113,690,241	0	0%
Tourism, Trade and Enterprise Development	28,790,677	36,659,513	0	0%
Water, Energy, Environment and Natural Resources	77,410,304	91,236,874	1,500,000	2%
Health services	101,298,755	220,769,265	33,751,866	15%
Municipal Administration	114,752,265	167,636,315	100,365,587	60%
Total	899,710,846	1,174,742,897	245,901,213	21%

Source: County Treasury, 2020

CHAPTER THREE

FORWARD ECONOMIC AND FISCAL DEVELOPMENTS

3.1 Global Economic Outlook and Fiscal Development

- 46 Owing to weaker trade and investment at the start of the year, global economic growth is expected at 3.4 percent in 2019 from a projection of 3.0 percent in 2019 down from 3.6 percent in 2018. The sluggish growth reflects the continued global trade sanctions between the U.S.A and China, subdued investment and demand for consumer durables in emerging markets and developing economies, rising energy prices and the continued Brexit-related uncertainties.
- 47 As a result of the weaker prospects in the United States as its fiscal stimulus fades and the forthcoming increase in the consumption tax rate in Japan, growth in the advanced economies is expected to ease to 1.7 percent in 2020 from 2.3 percent in 2018.
- 48 Growth in the emerging markets and developing economies is expected to pick up to 4.6 percent in 2020, from an estimated growth of 3.9 in 2019. Similarly, the sub-Saharan Africa region is expected to remain relatively robust growing by 3.6 percent in 2020 from 3.2 percent in 2019.

3.2 National Forward Economic and Fiscal Development

- 49 Despite the challenging global environment, Kenya's economy has remained strong and resilient. The economy expanded by 6.3 percent in 2018 up from the 4.9 percent growth registered in 2017. The growth momentum continued in the first three quarters of 2019, with the economy expanding by an average of 5.4 percent. The latest economic indicators in the third quarter of 2019 point to continued economic recovery that will culminate to an overall projected growth of about 5.9 percent in the FY 2019/20. Economic growth is further projected to rise to 6.2 percent in the FY 2020/21 and 6.9 percent by FY 2023/24.
- 50 The growth outlook for the FY 2019/20 and the medium term is supported by a stable macroeconomic environment, investments in the strategic areas under the "Big Four" Plan and their enablers, and existing business and consumer confidence in the economy. Further, the ongoing public investments in infrastructure projects, growth in tourism, resilient exports and the associated benefits from regional economic integration in the sub region will reinforce the projected growth.

3.3 County Forward Economic and Fiscal Development

- 51 Broad strategic priorities and policy are specified in the CFSP that will guide the County Government in the preparation of the budget for FY 2020/21 and over the medium term. The County Government will ensure that it continues to work with the National Government, development partners and other counties in addressing development challenges facing residents of Isiolo County.
- 52 The County government will implement policies set out in CIDP II over the medium term with a focus on priority programmes identified in public participation forums with a view of securing socio- economic development. The County will focus on resource mobilization through grants and development partners to support development agenda across all sectors over the medium term. Revenue collection will be heightened by ensuring there are sufficient legislations to guide revenue collection, ensure there are no loopholes, improved enforcement and compliance and full integration of revenue collection.

3.3.1 County Fiscal Overview

3.3.1.1 County Revenue Analysis

- 53 The County Government is expected to receive total revenue of Ksh. 5,204,407,238 in the financial year 2020/2021. Whose breakdown are as follows:
- i. National Equitable share Ksh 4,194,960,000,
 - ii. Conditional Grant from National Government transfers amounting to kshs 232,257,737 to enable the County Government to finance the budget for the Financial Year 2020/21 (Fuel Levy worth Ksh.124,519,106, Rehabilitation of Polytechnics worth Ksh.4,266,170, Supplement for construction of County Headquarters worth Ksh. 100,000,000 and User Fee Foregone worth Ksh. 3,472,461).
 - iii. The County is further expected to receive grants and loans worth Ksh.577, 117,295.
 - iv. Local Revenue is however projected at Ksh. 200,072,206.
 - v. Medical equipment worth Ksh.148, 936,170 which is deducted at source therefore not included as revenue to the county.
- 54 The table below provides a summary of the revenue projections.

Table 9: Summary of Revenue Projections for FY 2020/21

REVENUE SOURCE	REVENUE ESTIMATES FOR FY 2020/21	PERCENTAGE
EQUITABLE SHARE	4,194,960,000	81%
General Provisions (Equitable Share)	4,194,960,000	81%
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT	232,257,737	4%
Funds Received from Road Maintenance Levy Fund	124,519,106	2%
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	0%
Supplement for Construction of County Headquarters	100,000,000	2%
Conditional Allocation for Development of Youth Polytechnic	4,266,170	0%
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	577,117,295	11%
DANIDA Grant (Universal Health Care in Devolved System Program)		
Kenya Devolution Support Programme (KDSP) World bank		
World Bank Loan for Transforming Health Systems for Universal Care Project		
Climate Smart Agricultural Project		
Agricultural Sector Development Support Program (ASDSP)		
Urban Support Project Development		
Urban Support Project- institutional Grant		
LOCAL REVENUE	200,072,206	4%
TOTAL REVENUE	5,204,407,238	100%
Leasing of Medical Equipment	148,936,170	Deducted at Source

Source: Budget Policy Statement, 2020

CHAPTER FOUR

STRATEGIC PRIORITIES AND INTERVENTIONS

4.1 Overview

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

4.1.1 Livestock Management and Crop Productivity

56 Low agricultural and livestock productivity, post-harvest losses, value addition, access to markets and financial intermediation and inclusion. Low agricultural productivity arises from inadequate extension services, high reliance on rain fed agriculture, poor quality farm inputs such as seeds and fertilizers, crop and livestock pest diseases and poor farming methods and wildlife destruction. High post-harvest losses are experienced within the county because of poor storage methods, lack of storage facilities and inadequate knowledge on post-harvest management. Poor market linkages and inadequate market information has led to exploitation of farmers by intermediaries hence fetching low prices for produce.

57 The government intends to invest in the following as a means of mitigating the challenges above: Scale-up of appropriate climate resilient technologies and best practices [Soil & water conservation; Rainwater harvesting systems for dry land agriculture, Scale-up adoption of value chain-linked farm pond systems, etc, Scale-up integration of Nutrition-sensitive production, Promote market-linked micro-Irrigation agriculture, Technologies & Best practices on Post-harvest loss management, Agribusiness opportunities for Youth, Women & PLWD, Support livestock value chains including poultry production, Bee keeping, Pasture production (Fodder banks & seed Bulking), Scale-up of village group saving schemes and Micro-finance, Entrepreneurship / Agribusiness Training, Financial literacy skills, etc., Promote agribusiness and Value addition along selected value chains (e.g. camel milk) – youth & women and the Support for innovations for livelihood diversification through but not limited to Income Generation Activities (IGAs).

58 The above interventions are aimed at strengthening the economic base of Isiolo residents thereby enhancing community resilience and sustainably ensure that different households and communities meet their production related infrastructural needs, gain knowledge.

59 The interventions also provide strengthen capacity of all value chain actors –farmers and traders in the various value chain enterprises. Supporting of viable agricultural enterprises targeting youth is geared towards strengthening their resilience. Programme design of the various interventions and programmes therefore takes into account issues of building capacity among households with special interest vested on youth and women to facilitate their transitioning into viable commercial entities. All ensuing

programmes from the above interventions will strengthen the capacity of Project Management Committees (PMCs).

4.1.2 Water Resource Management

- 60 The access to water and its basis for food security and drinking remains the most pressing development need in Isiolo County. The major challenges within this thematic area include; long distance to water points, unavailability of water for domestic use and irrigation, land degradation, depletion of water towers, wetlands and catchment areas as well as water governance challenges. These challenges are mainly because of increase in stalling and incompleteness of water projects, poor rains, inadequate water sources, inadequate distribution of the available water, and siltation of earth dams, poor management of water sources, environmental degradation and climate change.
- 61 To address the water challenges, the county intends to invest in water harvesting across the rivers, repair and restore all broken, stalled and incomplete water projects, finalization of draft water policy to guide on household water harvesting and water governance. The County will conduct prefeasibility studies and design dams, which will be designed to be cross-ward/ sub ward. Moreover, the Government will expand the county water coverage initiative, with a target to increase availability, and access to safe water for communities. This will be done through; Construction of 2 medium sized sand dams, drilling 10 new boreholes and promotion of rainwater harvesting at HH and institutions in the medium term.
- 62 Environmental conservation and afforestation programme will also be key to ensure water sources and catchment areas are protected. Further, climate smart initiatives shall be integrated in all development initiatives. Water resource management and governance programme will ensure sustainability of water projects and effective management.

4.1.3 Health services

- 63 The County has a poorly distributed health facility network with a number in rural areas that affects Access to Quality and Affordable Health Services. The service delivery is equally affected by shortage of technical staff, inadequate supply of medical equipment and medical supplies/commodities. Inadequate personnel, inadequate medical equipment and drugs in health facilities hamper access to quality health care. The sector prioritizes efforts to enhance the community health strategy to improve access to primary health care at the lowest level in the community. Efforts will be geared towards equipping existing facilities.
- 64 The public raised concerns with regard to the county universal health care coverage. It was observed that the uptake of the registration by household is low due to the limited points of registration (majorly Sub County Hospitals). The proposed universal health care policy was discussed with the community members and approved. The government will restructure and automate the universal health care programme to enhance

efficiency in the provision of health care. Emphasis will be laid on preventive health promotion as opposed to curative services.

65 The budget for financial year 2020/21 will focus on reversing the rising burden of communicable and non-communicable conditions by minimizing the health risks through:

- i. Equipping, provision of drugs and medical equipment to all health care centers.
- ii. Rehabilitation, equipping and staffing of the existing health facilities
- iii. Strengthening health management information system; and
- iv. Strengthening collaboration with private and other sectors that have an impact on health improvements

4.1.4 Early Childhood Development and Vocational Development

66 The devolved education function is ECDE and village polytechnics. The public raised concerns about the quality of technical education in which most of the County Technical Training polytechnics are faced with low enrolment, inadequate equipment and learning tools, inadequate infrastructures as well as community apathy towards training at County polytechnic. The county government will invest in upgrading and restructuring the polytechnics to produce market competitive graduates. The communities raised issues on the quality of ECDE education and proposed interventions to address staffing, infrastructure and retention in ECDEs. The county government will continue to support needy students through scholarships.

4.1.5 Lands, Urban Planning and Development

67 This area is critical in enhancing the delivery of basic services to the population and organizes urban development. The challenges posed by poorly organized patterns of settlement in the urban and rural areas making service delivery costly. Further, the public identifies emerging challenging in the sector that includes poor town and market planning, weak implementation of town and market plans, inadequate supportive urban infrastructure poor solid and liquid waste management systems, inadequate time consuming land adjudication services and inadequate survey, mapping and land titles among farmers and land owners in urban areas.

68 To address the challenges the government intends to formulate favorable physical planning, housing and land resource land policies for efficient realization of orderly land use and urban development. This includes improving urban planning and infrastructure development, improving land information management (digitization of land registry and the increasing households with secure land tenure system through the following:

- i. Integrating urban planning, infrastructure development and housing: the focus for intervention will be lighting, drainage, urban road developments, urban land

planning and titling, solid and liquid waste management. Increasing urbanization has led to an increasing demand for low cost modern housing.

- ii. Enhancing Land survey, planning and titling: This will target urban land ownership, mapping and issuance of title deeds throughout the county. Land being a key factor of production, titling will provide an impetus to land development. The county will also target to improve slow land succession processes through collaboration with relevant national agencies to unlock land adjudication within the county.

4.1.6 Sports and Talent Development

69 In sports and talent development, the public identified limited participation in sporting activities due to poor and inadequate sporting activities. The public prioritized sporting funding at the community level to fully engage the idle youths in productive activities, develop talent and ultimately earn livelihood from sports. The county government will invest in nurturing talents; both performing sporting talents and infrastructure across the county to ensure communities earn livelihoods from their talents.

4.1.7 Youth empowerment

70 The youth aged between 18 – 35 years constitute a large proportion of the county population. The main challenge facing the youth is high unemployment, limited access to economic opportunities and limited mentorship. Additionally, the youths are affected by high incidences of drug and substance abuse as well as increased engagement in criminal activities. The county government has prioritized youth empowerment programme, which will focus on.

- i. Enhancing technical training with market driven courses. This will include establishment of innovation hub at the training centres.
- ii. Drug and substance awareness and rehabilitation programme.
- iii. Mentorship programme targeting youths in and out of school on life issues as well as career wise; and
- iv. Mainstreaming youth empowerment across the sectoral intervention

4.1.8 Tourism Development and wildlife Conflict Management

71 The County has a huge potential in tourism since it is strategically endowed with both natural beauty and abundance of fauna and flora including species which are endemic to the region like Grey Zebra, reticulated giraffe, Somali ostrich, lesser kudu and Beisa Oryx. The County is also endowed with diverse and rich cultural heritage from various ethnic groups living within the County which if marketed has the potential to generate income and create jobs.

72 Some sections of the county have been experiencing increased trends of human – wildlife conflict due to the increased competition for limited resources. This has led to loss of livelihoods for farmers and households and in some extreme cases loss of lives

from snakebites and being mauled by wild animals. The county government will collaborate with all agencies and jointly work with the communities to empower them to be part of the solution and not merely victims.

4.1.9 Social Protection

73 Under social protection, the public prioritized empowerment of the persons living with disability to access economic opportunities. Members of the public raised concerns about the cash transfer programmes targeting the elderly, OVCs and severely disabled persons being inadequate and poor targeting. Other notable issues included gender-based violence, child protection rights and PWD support. The sector will address the issues through:

- i. Mainstreaming disability issues within the main interventions across all sectors
- ii. Roll out a comprehensive Gender Based Violence Recovery mechanism that will encompass provision of legal services to victims of gender-based violence; raising awareness in the communities on effects of gender-based violence and sexual harassment. The intervention will include training.
- iii. Community members (development committees and community resource volunteers) on paralegal as well as establishment of safe houses for the victims of GBV as well as rehabilitation centers.
- iv. Enhancing child protection rights through children advocacy forums at the ward level.

4.1.10 County Assembly

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

4.2 CIDP Enablers 2018 – 2022

75 Enablers help to create facilitating environment and support systems for the attainment of desired outcomes out of the county programs and projects. The thematic area involves; road network and connectivity, market infrastructure, access to reliable energy, institutional development and knowledge management, effective citizen engagement and Information Technology Infrastructure.

76 Key development challenges facing our County include poor road infrastructure, low land owners, connectivity to electricity, limited green energy installation and consumption, low literacy levels of the communities including in management and sustainability of projects and usage of ICT, unclear means of government-citizen feedback and redress mechanism, inadequate access to information, low government services automation and integration.

77 To help address poor road infrastructure, the county will develop road network inventory and maintenance modalities to ensure that connectivity is seamless within the county. There is need for development a road network and maintenance policy to guide

road network management. Urban Roads and storm water control Improvement. The government will continue to upgrade Isiolo municipal roads to paved standards. More investments will also be targeted at improving and develop Isiolo municipal drainage systems.

- 78 Limited government services automation and integration hamper service delivery and incapacitate the county in tracking, recording and reporting of county processes and finances. The county will now focus on financing finalization of ICT policy and a master plan to map out automation and integration requirements.
- 79 The County Government will leverage on the fiber optic connectivity to enhance access of ICT in the County. This will be in an effort to ensure proper systems automation and integration of County Government services.
- 80 As a means of enhancing staff capacity building at low cost and internal facilitation, the county will create modalities of creating a depository of information and means of structured staff training one another. The depository is to be expanded to include archiving of county processes and milestones that the county government has gone through since 2013. The depository will also be used in engaging the benchmarking visits from national and international delegations to apprise them of our processes and journey. The depository will later evolve to a county academy offering customized trainings of our processes and models especially those of participatory planning and budgeting, civic education and citizen engagement.
- 81 For the enhancement of access to information and strengthening of the people's sovereignty at the grassroots of the county and the support for elected development committees and project management committees. Further, the county government shall optimize the social halls to make them more available to communities and the governance structures as per the public participation policy.
- 82 As much as the county has instituted performance management, it is now needed to evaluate the impact of the process and flag out issues for improvement. Wide public sector reforms also need to be focused on to improve service delivery. In addition to performance contracting, other public sector reforms for focusing by the county include instituting results based management, performance improvement programs, capacity building and business process re-engineering focusing on redesigning processes based on customer needs and global competitiveness for better service delivery and sustainable results.
- 83 Departments have profiled their legal and regulatory gaps, which need to be addressed as projected in the CIDP 2018-2022. The process needs to be fast tracked and submitted for discussion and approval. This will give government functions legal thrust and legitimacy for implementation.

CHAPTER FIVE

FISCAL POLICY AND BUDGET FRAMEWORK

84 This section presents consolidated fiscal policies and framework for FY 2020/2021 and MTEF; and measures the County Government will take in budget allocation.

5.1 County Fiscal Policy

85 The policy aims at shifting more public resources from recurrent to development expenditure to promote sustainable and inclusive growth in the long run. Specifically, over the medium term, at least 30 percent of the budget shall be allocated to development expenditure.

86 Much emphasis will be put on efficiency and improving the productivity of expenditure while at the same time ensuring that adequate resources are available for operations, maintenance, and development. Expenditure will promote equitable development as well as making provisions for any marginalized groups in the County. Much emphasis is placed on prudent fiscal policy to reinforce County Government's commitment to responsible financial management practices as outlined in the Public Finance Management Act 2012.

87 The County government remains steadfast in implementing sound fiscal policies to create the necessary conditions for enhanced economic prosperity. The policies focus on critical development programmes in livestock management and crop productivity, water resource management, health services, ECDE and vocational development, roads and infrastructural development and tourism and cooperative development. In addition, the County is putting up strategies to improve revenue collection as well as consider external resource mobilization to finance development programmes as outlined in County Integrated Development Plan (CIDP) 2018-2022.

88 The County's fiscal policy for the FY 2020/21 budget and over the medium term aims at:

- i. Reducing recurrent expenditure to devote more to development.
- ii. Expanding investment inflows by encouraging private sector investments.
- iii. Ensuring a balanced budget is maintained.
- iv. Reforming expenditure management and revenue administration.
- v. Productivity reforms of the public sector to improve value for money in service delivery.

5.2 County Fiscal Framework

- 89 Medium-Term Fiscal Framework is aims at stimulating sustainable socio-economic growth and development while achieving a balanced fiscal policy. The main objective is to support speedy investment and effective delivery of public goods and services in a sustainable manner. The overall budget deficit is expected to remain at zero in the short term. In the long term, however, efforts will be made to maintain the budget deficit at less than a figure approved by the County assembly of total expenditure to secure fiscal sustainability.
- 90 The fiscal policy will be achieved through the County Government's commitment in ensuring a strong revenue base. The measures to achieve this is already contained in the County Finance Act, 2015 and is in line with the best practices that will help improve compliance in payment, minimize delays, and strive towards the revenue potential of the County. Further, the County treasury will develop and implement initiatives that will rationalize existing tax incentives, expand the tax base and eliminate the possibility of revenue leakages.

5.2.1 Observing Fiscal Responsibility Principles

- 91 The County Government knows that the fiscal position it takes today will have implications in the future. Therefore, in line with the Constitution and the Public Finance Management (PFM) Act of 2012, the principle of sharing the burdens and benefits of the use of resources between the present and future generation implies that we must make prudent policy decisions.
- 92 The ratio of development to recurrent expenditure will be at least 30:70 over the medium term, as set out in the law. In order to address the risks associated with wage bill and other operational and expense crowding out development, the proportion will be managed in a manner that it should decrease or remain constant as the total expenditure increases. To ensure that the County Government get competitive rates for goods and services from its suppliers, payments shall be made on timely basis to nurture confidence and creditworthiness.
- 93 The County Government is also guided by Article 201 of the Constitution of Kenya that provides the public finance principles to be followed that include openness, accountability and public participation in financial matters. In this regard the County will involve the Public in developing priority programmes/projects for implementation. The County government shall also involve the various stakeholders in determining fees and levies for services offered which are expected to be fair with the overall goal being to promote equitable development of the County.
- 94 The County plans to raise its revenue through efficient collection methods, widening of revenue base, and applying reasonable revenue rates. It is therefore imperative to reform and modernize the revenue regimes to ensure stability of revenue effort, while at the same time continuing to restructure expenditure systems to ensure efficiency and create fiscal space required to fund priority programmes on sustainable basis.

5.2.2 Fiscal and Public Financial Management Reforms

- 95 The County Government shall strengthen enforcement and restructure the organizational structure of finance department to enhance collection of revenues. Revenue automation will be applied to all key revenue collection points.
- 96 Reforms in policy, planning and budgeting will focus on strengthening data collection/analysis and reviewing budget procedures to ensure budget formulation process is appropriately integrated with planning.
- 97 The County Government will undertake several measures in improving revenue and expenditure performance. These include modernizing revenue administration infrastructure to ensure efficient and effective service delivery. The County will continue with expenditure management reforms to improve efficiency and reduce wastage in line with the PFM Act (2012) and embracing the Integrated Financial Management Information System (IFMIS).
- 98 To ensure full stakeholder participation, transparency and accountability, and adherence to the PFM Act on budget process, public consultation shall be ensured on all matters of planning and budgeting.

5.3 Budget Framework for 2020/21

- 99 The budget framework for financial year 2020/21 targets strategic priorities outlined in the ADP for financial year 2020/21 and CIDP 2018-2022. The County Government will continue to re-direct most of its expenditure from non-core recurrent items to finance development activities. During the medium term, the County Government will continue to diversify its revenue sources with great emphasis on developing new revenue streams. Public Private Partnerships (PPPs) will be encouraged in order to create fiscal space, which is important for development.

5.3.1 Revenue Forecasts

- 100 The total revenue projection estimate for the financial year 2020/21 is Kshs 5,204,407,238 which is approximately 0.17% percent less than the revenue estimates of financial year 2019/20 which is Ksh 5,213,400,483. This is due to a reduction in the equitable share allocation to the County which is projected to be Ksh. 4,194,960,000. The local revenue target is expected to be Ksh 200,072,205.

5.3.2 Expenditure Forecasts

- 101 To fully implement the expenditure forecast by sectors for the financial year 2020/21, the expenditure forecast for priority programmes in the financial year 2020/21 stands at Ksh. 5,563,023,046 comprising of a recurrent expenditure forecast of Ksh 3,327,587,236 and development expenditure forecast of Ksh 2,235,435,810. Both recurrent and development expenditure forecasts over the medium term are presented in table 10 and 11 respectively.

- 102 The resources that the County will require to implement priority programmes in the Annual Development Plan, 2020 will be partly met through the Medium-Term

Expenditure Framework (MTEF) budget. The projected revenue target for the Financial Year 2020/21 is Ksh. 5,204,407,238 against the total sector expenditure projections of Ksh 5,563,023,046.

103 Given that the County will be operating within a tight budgetary framework, full realization of the strategic objectives as outlined in the County Annual Development Plan, 2020 will largely depend on the goodwill of other development partners.

5.3.2.1 Recurrent Expenditure Forecasts

104 The table below provides the recurrent expenditure forecast by sectors over the medium term (Financial Year 2020/21 to Financial Year 2022/23).

Table 10: Departmental Recurrent Expenditure Forecast for FY 2020/21 to 2022/23

Sector/ Sub sector	REC ESTIMATES FOR FY 2019/20	REC ESTIMATES FOR FY 2020/21	REC ESTIMATES FOR FY 2021/22	REC ESTIMATES FOR FY 2022/23
COUNTY ASSEMBLY	422,947,617	444,094,998	466,299,748	489,614,735
OFFICE OF GOVERNOR	301,737,492	316,824,367	332,665,585	349,298,865
CPSB	59,375,252	62,344,015	65,461,216	68,734,277
COUNTY SECRETARY	19,994,885	20,994,629	22,044,360	23,146,578
DELIVERY UNIT	8,024,000	8,425,200	8,846,460	9,288,783
DEPUTY GOVERNOR	25,000,000	26,250,000	27,562,500	28,940,625
FINANCE	160,849,902	168,892,397	177,337,017	186,203,868
SPECIAL PROGRAMME	160,057,894	168,060,789	176,463,828	185,287,020
ECONOMIC PLANNING	62,535,239	65,662,001	68,945,101	72,392,356
COHESION	65,061,199	68,314,259	71,729,972	75,316,471
LANDS	32,043,086	33,645,240	35,327,502	37,093,877
ROADS	12,001,117	12,601,173	13,231,232	13,892,793
PUBLIC WORKS& URBAN DEVELOPMENT	21,373,518	24,579,546	25,808,523	27,098,949
MUNICIPAL ADMINISTRATION	23,237,086	26,722,649	28,058,781	29,461,721
AGRICULTURE	50,191,138	52,700,695	55,335,730	58,102,516
LIVESTOCK	95,165,664	99,923,947	104,920,144	110,166,152
EDUCATION & VOCATIONAL TRAINING	216,321,378	227,137,447	238,494,319	250,419,035
YOUTH & SPORTS	16,359,826	17,177,817	18,036,708	18,938,543
CULTURE AND SOCIAL SERVICE	19,717,577	20,703,456	21,738,629	22,825,560
TOURISM	116,105,033	121,910,285	128,005,799	134,406,089
TRADE	20,256,862	21,269,705	22,333,190	23,449,850
PSM	139,307,540	146,272,917	153,586,563	161,265,891
WATER	62,353,668	65,471,351	68,744,919	72,182,164
ENVIRONMENT	29,560,668	31,038,701	32,590,636	34,220,168
HEALTH SERVICES	1,029,553,060	1,111,917,305	1,167,513,170	1,225,888,829
TOTAL	3,169,130,701	3,327,587,236	3,493,966,598	3,668,664,928

5.3.2.2 Development Expenditure Forecast

105 The table below provides the development Expenditure forecast over medium term (Financial Year 2020/21 to Financial Year 2022/23)

Table 11: Departmental Development Expenditure Forecast for FY 2020/21 to 2022/23

Sector/ Sub sector	Total DEV ESTIMATES FY 2019/20	Total DEV ESTIMATES FY 2020/21	Total DEV ESTIMATES FY 2021/22	Total DEV ESTIMATES FY 2022/21
COUNTY ASSEMBLY	80,000,000	83,200,000	99,840,000	119,808,000
OFFICE OF GOVERNOR	-	-	-	-
CPSB	-	-	-	-
COUNTY SECRETARY	-	-	-	-
DELIVERY UNIT	-	-	-	-
DEPUTY GOVERNOR	-	-	-	-
FINANCE	250,467,051	530,467,051	583,513,756	700,216,507
SPECIAL PROGRAMME	45,288,640	-	-	-
ECONOMIC PLANNING	-	-	-	-
COHESION	-	-	-	-
LANDS	50,580,337	20,290,168	22,319,185	26,783,022
ROADS	180,866,549	240,392,631	264,431,894	317,318,273
PUBLIC WORKS& URBAN DEVELOPMENT	-	11,000,000	12,100,000	14,520,000
MUNICIPAL ADMINISTRATION	229,504,530	240,072,630	264,079,893	316,895,872
AGRICULTURE	234,608,427	220,782,391	242,860,630	291,432,756
LIVESTOCK	101,741,770	100,584,530	110,642,983	132,771,580
EDUCATION & VOCATIONAL TRAINING	54,562,377	75,577,945	83,135,740	99,762,887
YOUTH & SPORTS	133,000,000	122,000,000	134,200,000	161,040,000
CULTURE AND SOCIAL SERVICE	23,802,537	20,802,537	22,882,791	27,459,349
TOURISM	28,299,009	25,788,736	28,367,610	34,041,132
TRADE	15,581,925	27,581,925	30,340,118	36,408,141
PSM	13,700,420	29,948,364	32,943,200	39,531,840
WATER	125,924,560	130,742,119	143,816,331	172,579,597
ENVIRONMENT	28,896,047	75,731,629	83,304,792	99,965,750
HEALTH SERVICES	202,597,509	280,473,154	308,520,469	370,224,563
TOTAL	1,799,421,688	2,235,435,810	2,458,979,391	2,950,775,269

5.4 Risk Management

106 To ensure fiscal discipline, the County government will have a balanced budget in the Financial Year 2020/21. The County Government will ensure that the allocated resources for spending are commensurate to the revenues expected. The budget will be financed through transfer from the National Government and revenue collected from local sources such as fees and charges, rates, among others as allowed by the County Government Acts.

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

Table 12: Risk Management over the Medium Term Period

Risk	Impact	Mitigation
Pending bills	Crippling the County Government's ability to deliver in subsequent financial years.	Implementing projects in a timely manner and adherence to budget lines
Reduction in funding	Inconsistent rate of infrastructural development in the County.	Enhanced resource mobilization from.
Late Disbursement of Funds	Increased county operating costs and accumulation of pending bills.	Prepare a procurement plan that is in sync with the cash flow.
Inefficient Utilization of Resources	Wastage and slow achievement of the county goals.	Full enforcement of existing Government assets management frameworks.
Planning and Implementation Process Risks	Lack of project ownership and sustainability of projects. Untimely approvals of County plans, budgets, policies and laws.	Restructuring of public participation. Adequate time and consultation for each of the laws, policies, plans and budget.
Procurement	Lack of developed specifications, inappropriate procurement methods, inadequate preparation of tender documents and advertising, improper evaluation and selection of firms and individuals, poor negotiations of contract and contract administration.	Enforcing Public Procurement and Disposal Act, 2015 Designing of implementable work plans for execution.
Accounting and Reporting Risks	Internal audit oversight and accounting errors.	Skilled financial accounting staff with adequate supervision. Regular review of financial statements and approved selection of accounting policies.
Technical Risks.	Sub-standard quality of infrastructure and systems installation	Strengthening of the design and BQ section.
Absorptive Risks	Delayed delivery of service.	Monthly and quarterly implementation reporting of all county projects and programmes. Strict adherence to financial procedures and regulations in project implementation. Performance contracting for County employees.
Inadequate Legal Framework	Delayed implementation of projects due to litigations as a result of loopholes in the legal framework in the County institutions.	Profiling of departments with institutional legal framework.
Change Management Risks	Implementation of projects outside sector needs and duplication of projects.	Strengthening of the Sector Working Groups.

Risk	Impact	Mitigation
Natural calamities	Floods and famines resulting in reallocation of budget to accommodate the situation.	Establishment of an emergency fund
Court cases.	Litigations and court injunctions may derail timely execution of the Budget.	Strict adherence to the provisions of the law and existing legal frameworks
Political risks	Delayed approval of bills and laws, hampering legal timelines and implementation of projects and programmes.	Continuous engagement with the County Assembly.

CHAPTER SIX

MEDIUM TERM EXPENDITURE FRAMEWORK

6.1 Overview

108 In the view of the limited resources, MTEF budgeting will entail adjusting non priority expenditures to cater for the priority ones. The identified priority sectors will continue to receive more resources. These sectors are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions.

109 The County Government is committed towards improving access to clean and safe water to all its residents. Increasing share of resources will go to Water sector to increase water availability to households, livestock, and for irrigation project in the County. All other sectors including health, education, and tourism will continue to receive adequate resources in line with our County's commitment to a balanced sector development to enhance the quality of life for the residents of the County.

6.2 Resource Envelope

110 The resource envelope projections for the financial year 2020/21 and over the medium term will largely target the transfers from the National Government as provided for by the County Revenue Allocation of Revenue Bill 2019 and the local revenue collection as per the County Finance Act.

111 All the conditional transfers from the National Government are included in the resource envelope for financial year 2020/21. The County will also continue to benefit from grants intended to support health sector service delivery from World Bank and the Republic of Denmark. These funds will be allocated to County Governments based on the criteria specified in the financing agreement between the Government of Kenya and the development partners. The table below shows the resource envelope over the medium term.

Table 13: Resource Envelope for FY 2020/21

REVENUE STREAMS	2019/20 Printed Estimates	2019/20 suppl	Estimate 2020/21	Projection 2021/22	Projection 2022/23
EXTERNAL REVENUE ESTIMATES					
EQUITABLE SHARE	4,154,000,000	4,241,100,000	4,194,960,000	4,362,758,400	4,537,268,736
General Provisions (Equitable Share)	4,154,000,000	4,241,100,000	4,194,960,000	4,362,758,400	4,537,268,736
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT	255,692,197	562,182,394	232,257,737	241,548,046	251,209,968
Funds Received from Road Maintenance Levy Fund	120,386,438	120,386,438	124,519,106	129,499,870	134,679,865
Funds Received from Road Maintenance Levy Fund B/F 2018/19		92,443,056		-	-
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	3,472,461	3,472,461	3,611,359	3,755,814
Supplement for Construction of County Headquarters	121,000,000	121,000,000	100,000,000	104,000,000	108,160,000
Conditional Allocation for Development of Youth Polytechnic	10,833,298	10,833,298	4,266,170	4,436,817	4,614,289
UHC		142,698,094		-	-
UHC B/F 2018/19		71,349,047		-	-

REVENUE STREAMS	2019/20 Printed Estimates	2019/20 supp I	Estimate 2020/21	Projection 2021/22	Projection 2022/23
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	403,048,854	651,989,352	577,117,295	600,201,987	624,210,066
Current Grants from Foreign Governments Danida	16,572,474	16,572,474		-	-
Kenya Devolution Support Programme (KDSP) World bank	30,000,000	30,000,000		-	-
Kenya Devolution Support Programme (KDSP) World bank bal not received b/f 2018-19		38,668,826		-	-
World Bank Loan for Transforming Health Systems for Universal Care Project	64,373,437	64,373,437		-	-
World Bank Loan for Transforming Health Systems for Universal Care Project B/F		17,986,573		-	-
Climate Smart Agricultural Project	170,794,330	170,794,330		-	-
Climate Smart Agricultural Project B/F 2018/19		37,829,823		-	-
Urban Support Project Development B/F 2018/19	93,968,100	93,968,100		-	-
Urban Support Project Development B/F 2018/19		93,968,100		-	-
Urban Support Institutional Grant	8,800,000	8,800,000		-	-
Urban Support Institutional Grant B/F 2018/19		41,200,000		-	-
Food and Agriculture Organization of the United Nations-Livestock grant B/F 2018/19		5,652,760		-	-
Sweden Agricultural Sector Development Support Programme (ASDSP)	18,540,513	18,540,513		-	-
Sweden Agricultural Sector Development Support Programme (ASDSP)		13,634,416		-	-
GROSS COUNTY EXTERNAL REVENUE ESTIMATES	4,812,741,05	5,455,271,74	5,004,335,03	5,204,508,43	5,412,688,771
B/F/B/F 2018/19	1	125,024,134	2	3	-
GROSS INTERNAL REVENUE ESTIMATES	155,861,338	170,861,338	200,072,206	208,075,094	216,398,098
GROSS COUNTY REVENUE ESTIMATES	4,968,602,38	5,751,157,21	5,204,407,23	5,412,583,52	5,629,086,869
	9	8	8	8	
Lease of medical equipments(deducted at source)			148,936,170		

Source: Draft Budget Policy Statement, 2020

6.3 Proposed Resource Allocation Prioritization Criteria

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

- (i) **Non-Discretionary Expenditure:** This expenditure takes first charge and includes payment of staff salaries and other statutory payments. Personnel emoluments are projected to account for about 35 percent of the resource envelope.
- (ii) **Operations and Maintenance:** These are resources available to sectors for basic operations and maintenance. This will account for about 28.3 percent of the non-discretionary expenditures.
- (iii) **Development Expenditure:** This will account for 36.2 percent of the projected revenue. Development expenditures will be shared based on the programs that address the County priorities and other strategic interventions as in the 2019, Annual Development plan.

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

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

6.4 Overall Spending Priorities

114 In finalizing the preparation of the budget for the financial year 2020/2021, the County Government will continue to pursue the policy of limiting less productive expenditures and redirecting resultant savings to capital investment. Effective use of resources will be sought across spending departments and any identified saving will be redirected to deserving priority expenditures.

6.5 Baseline Ceilings

115 The 2019/20 baseline estimates depicts the department's current spending levels. In the recurrent expenditure category, expenditures on compensation of employee's accounts for about 37 percent of the resource envelope and it take the first charge. Expenditure on operations and maintenance accounts for 28 percent of the total County Resource Envelope. Overall, the recurrent expenditure on compensation to employees and operations and maintenance account for about 65 percent of the projected resource envelope. The balance of 35 percent from total resource envelope is the resources available to fund planned development programmes.

116 The 2020/21 projected estimates depict the department's current spending levels. In the recurrent expenditure category, expenditures on compensation of employee's accounts for about 40.58 percent of the resource envelope and it take the first charge. Expenditure on operations and maintenance accounts for 20.77 percent of the total County Resource Envelope. Overall, the recurrent expenditure on compensation to employees and operations and maintenance account for about 61.35 percent of the projected resource envelope. The balance of 38.65 percent from total resource envelope is the resources available to fund planned development programmes. The table below presents the summary of the ceilings estimates.

Table 14: Summary Basis for Setting of Ceilings Estimates

Sector	sub sector	Item Description	Ceilings FY 2020/21		Projection 2021/22	
			Estimates Kshs	% of Total Budget	Estimates Kshs	% Total Budget
County Assembly	County Assembly	Recurrent	421,355,158	8.10%	438,209,364	8.10%
		Compensation to Employees	309,679,689	5.95%	322,066,876	5.95%
		Operations and Maintenance	111,675,469	2.15%	116,142,488	2.15%
		Development	80,000,000	1.54%	83,200,000	1.54%
		Total	501,355,158	9.63%	521,409,364	9.63%
County Executive	Office of Governor	Recurrent	292,145,320	5.61%	303,831,133	5.61%
		Compensation to Employees	123,064,510	2.36%	127,987,090	2.36%
		Operations and Maintenance	169,080,811	3.25%	175,844,043	3.25%
		Development	-	0.00%	-	0.00%
		Total	292,145,320	5.61%	303,831,133	5.61%
		Recurrent	25,706,154	0.49%	26,734,400	0.49%

Sector	sub sector	Item Description	Ceilings FY 2020/21		Projection 2021/22	
			Estimates Kshs	% of Total Budget	Estimates Kshs	% Total Budget
	Deputy governor	Compensation to Employees	12,506,154	0.24%	13,006,400	0.24%
		Operations and Maintenance	13,200,000	0.25%	13,728,000	0.25%
		Development	-	0.00%	-	0.00%
		Total	25,706,154	0.49%	26,734,400	0.49%
	County Secretary	Recurrent	20,739,807	0.40%	21,569,400	0.40%
		Compensation to Employees	4,539,807	0.09%	4,721,400	0.09%
		Operations and Maintenance	16,200,000	0.31%	16,848,000	0.31%
		Development	-	0.00%	-	0.00%
	Total	20,739,807	0.40%	21,569,400	0.40%	
	Delivery Unity	Recurrent	20,635,191	0.40%	21,460,598	0.40%
		Compensation to Employees	12,434,848	0.24%	12,932,242	0.24%
		Operations and Maintenance	8,200,343	0.16%	8,528,357	0.16%
		Development	-	0.00%	-	0.00%
	Total	20,635,191	0.40%	21,460,598	0.40%	
	CPSB	Recurrent	56,893,600	1.09%	59,169,344	1.09%
		Compensation to Employees	29,345,000	0.56%	30,518,800	0.56%
		Operations and Maintenance	27,548,600	0.53%	28,650,544	0.53%
		Development	-	0.00%	-	0.00%
	Total	56,893,600	1.09%	59,169,344	1.09%	
	Finance and Economic Planning and Special programme	Finance and Economic Planning	Recurrent	136,229,973	2.62%	141,679,171
Compensation to Employees			85,848,207	1.65%	89,282,135	1.65%
Operations and Maintenance			50,381,766	0.97%	52,397,036	0.97%
Development(county headquarters)			170,000,000	3.27%	176,800,000	3.27%
Provision for pending bills 2013-17			410,000,000	7.88%	426,400,000	
Total		716,229,973	13.76%	744,879,171	13.76%	
Economic Planning		Recurrent	51,881,766	1.00%	53,957,037	1.00%
		Compensation to Employees	11,200,000	0.22%	11,648,000	0.22%
		Operations and Maintenance	40,681,766	0.78%	42,309,037	0.78%
		Development	-	0.00%	-	0.00%
Total		51,881,766	1.00%	53,957,037	1.00%	
Special Programmes and ICT		Recurrent	165,307,894	3.18%	171,920,210	3.18%
		Compensation to Employees	4,781,112	0.09%	4,972,356	0.09%
		Operations and Maintenance	160,526,782	3.08%	166,947,853	3.08%
		Development	-	0.00%	-	0.00%
Total		165,307,894	3.18%	171,920,210	3.18%	
Cohesion		Recurrent	42,561,199	0.82%	44,263,647	0.82%
		Compensation to Employees	2,560,000	0.05%	2,662,400	0.05%
		Operations and Maintenance	40,001,199	0.77%	41,601,247	0.77%
		Development	-	0.00%	-	0.00%
Total	42,561,199	0.82%	44,263,647	0.82%		
Lands, Physical Planning , Roads and public works	Lands and Physical Planning	Recurrent	27,354,312	0.53%	28,448,484	0.53%
		Compensation to Employees	10,989,811	0.21%	11,429,403	0.21%
		Operations and Maintenance	16,364,501	0.31%	17,019,081	0.31%
		Development	15,290,168	0.29%	15,901,775	0.29%
	Total	42,644,480	0.82%	44,350,259	0.82%	
	Roads and Infrastructure	Recurrent	17,740,117	0.34%	18,449,722	0.34%
		Compensation to Employees	5,500,000	0.11%	5,720,000	0.11%
		Operations and Maintenance	12,240,117	0.24%	12,729,722	0.24%
		Development	140,392,631	2.70%	146,008,336	2.70%
	Total	158,132,748	3.04%	164,458,058	3.04%	
	Public Works and Housing	Recurrent	24,917,235	0.48%	25,913,925	0.48%
		Compensation to Employees	12,307,717	0.24%	12,800,026	0.24%
		Operations and Maintenance	12,609,518	0.24%	13,113,899	0.24%
Development		3,500,000	0.07%	3,640,000	0.07%	
Total	28,417,235	0.55%	29,553,925	0.55%		
Agriculture, livestock and Fishery	Agriculture	Recurrent	58,768,920	1.13%	61,119,676	1.13%
		Compensation to Employees	43,440,358	0.83%	45,177,972	0.83%
		Operations and Maintenance	15,328,562	0.29%	15,941,704	0.29%

Sector	sub sector	Item Description	Ceilings FY 2020/21		Projection2021/22	
			Estimates Kshs	% of Total Budget	Estimates Kshs	% Total Budget
		Development	15,000,000	0.29%	15,600,000	0.29%
		Total	73,768,920	1.42%	76,719,676	1.42%
	Livestock & Fisheries	Recurrent	121,835,759	2.34%	126,709,190	2.34%
		Compensation to Employees	97,835,759	1.88%	101,749,190	1.88%
		Operations and Maintenance	24,000,000	0.46%	24,960,000	0.46%
		Development	40,584,530	0.78%	42,207,911	0.78%
Total	162,420,289	3.12%	168,917,101	3.12%		
Education, Vocational Training , Youth Sports and Gender	Education and Vocational Training	Recurrent	197,005,105	3.79%	204,885,309	3.79%
		Compensation to Employees	136,836,106	2.63%	142,309,551	2.63%
		Operations and Maintenance	60,168,999	1.16%	62,575,759	1.16%
		Development	34,577,945	0.66%	35,961,063	0.66%
	Total	231,583,050	4.45%	240,846,372	4.45%	
	Youth and Sports	Recurrent	21,162,905	0.41%	22,009,422	0.41%
		Compensation to Employees	9,797,296	0.19%	10,189,188	0.19%
		Operations and Maintenance	11,365,610	0.22%	11,820,234	0.22%
		Development	120,000,000	2.31%	124,800,000	2.31%
	Total	141,162,905	2.71%	146,809,422	2.71%	
	Culture and Social Service	Recurrent	33,632,484	0.65%	34,977,784	0.65%
		Compensation to Employees	18,632,484	0.36%	19,377,784	0.36%
		Operations and Maintenance	15,000,000	0.29%	15,600,000	0.29%
		Development	15,802,537	0.30%	16,434,638	0.30%
Total	49,435,021	0.95%	51,412,422	0.95%		
Tourism and Trade	Tourism and Wildlife	Recurrent	127,562,066	2.45%	132,664,548	2.45%
		Compensation to Employees	104,311,913	2.00%	108,484,389	2.00%
		Operations and Maintenance	23,250,153	0.45%	24,180,159	0.45%
		Development	18,788,736	0.36%	19,540,285	0.36%
	Total	146,350,802	2.81%	152,204,834	2.81%	
	Trade	Recurrent	19,921,521	0.38%	20,718,382	0.38%
		Compensation to Employees	8,910,078	0.17%	9,266,481	0.17%
		Operations and Maintenance	11,011,443	0.21%	11,451,900	0.21%
		Development	20,081,925	0.39%	20,885,202	0.39%
	Total	40,003,446	0.77%	41,603,584	0.77%	
	PSM	Recurrent	155,998,987	3.00%	162,238,947	3.00%
		Compensation to Employees	132,943,509	2.55%	138,261,250	2.55%
		Operations and Maintenance	23,055,478	0.44%	23,977,697	0.44%
		Development	15,948,364	0.31%	16,586,299	0.31%
Total	171,947,351	3.30%	178,825,245	3.30%		
Water, Sanitation, Energy , Environment and Natural Resource	Water and Sanitation	Recurrent	57,525,443	1.11%	59,826,461	1.11%
		Compensation to Employees	33,424,789	0.64%	34,761,781	0.64%
		Operations and Maintenance	24,100,654	0.46%	25,064,680	0.46%
		Development	80,742,119	1.55%	83,971,804	1.55%
	Total	138,267,562	2.66%	143,798,265	2.66%	
	Energy, Environment and Natural Resource	Recurrent	22,962,022	0.44%	23,880,503	0.44%
		Compensation to Employees	11,915,248	0.23%	12,391,858	0.23%
		Operations and Maintenance	11,046,774	0.21%	11,488,645	0.21%
		Development	50,731,629	0.97%	52,760,894	0.97%
	Total	73,693,651	1.42%	76,641,397	1.42%	
Health Services	Health Services	Recurrent	1,027,852,631	19.75%	1,068,966,736	19.75%
		Compensation to Employees	868,201,271	16.68%	928,975,360	17.16%
		Operations and Maintenance	159,651,360	3.07%	166,037,414	3.07%
		Development	60,000,000	1.15%	62,400,000	1.15%
		Total	1,087,852,631	20.90%	1,131,366,736	20.90%
Municipal Administration	Municipal Administration	Recurrent	45,124,196	0.87%	46,929,164	0.87%
		Compensation to Employees	21,086,443	0.41%	21,929,901	0.41%
		Operations and Maintenance	24,037,753	0.46%	24,999,263	0.46%
		Development	143,029,593	2.75%	148,750,777	2.75%
Total	188,153,789	3.62%	195,679,940	3.62%		
loans and grants		loans and grants	577,117,295	11.09%	600,201,987	11.09%
Grand Total			5,204,407,238	100.00%	5,412,583,527	100.00%

N/B conditional Grants & Loans will be distributed among departments once County Revenue Allocation Act (CARA) is out i.e. Agriculture, Health, Livestock and Finance

6.6 Medium Term Expenditure Ceilings

117 The departmental budget ceilings for financial year 2020/21 are as provided in table 16 below. Development expenditure allocations are shared out amongst departments based on the County Integrated Development Plan (CIDP) 2018-22 and Annual Development Plan (ADP) 2020 as well as other strategic objectives and policy goals identified in the CFSP.

Table 15: Medium Term Expenditure Ceilings.

Sector	sub-sector	2019/20 Approved Estimates			2019-20 Supp1			Ceilings 2020/21			Projection Estimates FY 2021/22		
		Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total
County Assembly	County Assembly	422,947,617	80,000,000	502,947,617	421,355,158	87,400,000	508,755,158	421,355,158	80,000,000	501,355,158	438,209,364	83,200,000	521,409,364
County Executive	Governor,Office	301,737,492	0	301,737,492	292,942,438		292,942,438	292,145,320	0	292,145,320	303,831,133		303,831,133
	Deputy governor	25,000,000		25,000,000	25,000,000		25,000,000	25,706,154	0	25,706,154	26,734,400		26,734,400
	County secretary	19,994,885	0	19,994,885	23,298,681		23,298,681	20,739,807	0	20,739,807	21,569,400		21,569,400
	Delivery unit	8,024,000		8,024,000	14,004,000		14,004,000	20,635,191	0	20,635,191	21,460,598		21,460,598
	CPSB	59,375,252		59,375,252	58,941,252		58,941,252	56,893,600	0	56,893,600	59,169,344		59,169,344
Finance and Economic Planning	Finance and Economic Planning	160,849,902	250,467,051	411,316,953	230,339,551	350,467,051	580,806,602	136,229,973	580,000,000	716,229,973	143,759,171	481,520,000	625,279,171
	Economic Planning	62,535,239		62,535,239	57,029,239	0	57,029,239	51,881,766	0	51,881,766	60,197,037		60,197,037
	Special Programmes and ICT	160,057,894	45,288,640	205,346,534	246,307,894		246,307,894	165,307,894	0	165,307,894	188,560,210		188,560,210
	Cohesion	65,061,199		65,061,199	63,061,199	0	63,061,199	42,561,199	0	42,561,199	49,983,647		49,983,647
Lands and Physical Planning, Roads ,Public Works	Lands and Physical Planning	32,043,086	50,580,337	82,623,423	39,517,415	30,290,168	69,807,583	27,354,312	15,290,168	42,644,480	28,448,484	21,101,775	49,550,259
	Roads and Infrastructure	12,001,117	180,866,549	192,867,666	16,740,117	287,392,631	304,132,748	17,740,117	140,392,631	158,132,748	18,449,722	146,008,336	164,458,058
	Public Works and Housing	21,373,518	0	21,373,518	23,156,220	3,500,000	26,656,220	24,917,235	3,500,000	28,417,235	23,833,925	3,640,000	27,473,925
Agriculture, Livestock & Fisheries	Agriculture	50,191,138	234,608,427	284,799,565	50,881,138	264,866,996	315,748,134	58,768,920	15,000,000	73,768,920	63,199,676	20,800,000	83,999,676
	Livestock & Fisheries	95,165,664	101,741,770	196,907,434	101,965,664	65,584,530	167,550,194	121,835,759	40,584,530	162,420,289	146,469,190	42,207,911	188,677,101
Education and Vocational Training Youth and Sports Culture and Social Service	Education and Vocational Training	216,321,378	54,562,377	270,883,755	211,521,378	70,577,945	282,099,323	197,005,105	34,577,945	231,583,050	214,245,309	52,601,063	266,846,372
	Youth and Sports	16,359,826	133,000,000	149,359,826	21,459,826	133,000,000	154,459,826	21,162,905	120,000,000	141,162,905	20,761,422	124,800,000	145,561,422
	Culture and Social Service	19,717,577	23,802,537	43,520,114	26,892,577	23,802,537	50,695,114	33,632,484	15,802,537	49,435,021	40,177,784	16,434,638	56,612,422
	Tourism and Wildlife	116,105,033	28,299,009	144,404,042	118,250,153	25,788,736	144,038,889	127,562,066	18,788,736	146,350,802	134,744,548	21,620,285	156,364,833

Sector	sub-sector	2019/20 Approved Estimates			2019-20 Supp1			Ceilings 2020/21			Projection Estimates FY 2021/22		
		Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total
Tourism , Wildlife, Trade &PSM	Trade	20,256,862	15,581,925	35,838,787	18,556,862	27,581,925	46,138,787	19,921,521	20,081,925	40,003,446	21,238,382	27,645,202	48,883,584
	PSM	139,307,540	13,700,420	153,007,960	142,870,171	19,948,364	162,818,535	155,998,987	15,948,364	171,947,351	165,358,947	16,586,299	181,945,246
Water and Sanitation &Energy, Environment and Natural Resource	Water and Sanitation	62,353,668	125,924,560	188,278,228	53,653,668	139,742,119	193,395,787	57,525,443	80,742,119	138,267,562	60,866,461	87,091,804	147,958,265
	Energy, Environment and Natural Resource	29,560,668	28,896,047	58,456,715	28,950,668	42,731,629	71,682,297	22,962,022	50,731,629	73,693,651	26,792,503	52,760,894	79,553,397
Health Services	Health Services	1,029,553,060	202,597,509	1,232,150,569	1,032,389,073	441,538,529	1,473,927,602	1,027,852,631	60,000,000	1,087,852,631	1,079,158,736	72,800,000	1,151,958,736
Municipal Administration	Municipal Administration	23,237,086	229,504,530	252,741,616	82,587,086	335,272,630	417,859,716	45,124,196	143,029,593	188,153,789	41,833,164	156,030,777	197,863,941
Loans and Grants	Loans and Grants			0			0	0	577,117,295	577,117,295		600,201,987	600,201,987
Grand Total		3,169,130,701	1,799,421,688	4,968,552,389	3,401,671,428	2,349,485,790	5,751,157,218	3,192,819,766	2,011,587,472	5,204,407,238	3,399,052,557	2,027,050,971	5,426,103,528

CHAPTER SEVEN

CONCLUSION

- 118 The CFSP 2020 is prepared as a guiding tool for budget preparation of financial year 2020/21. It is meant to broadly define the expected revenues and expenditure over the medium term as well as propose strategies of financing any anticipated deficit. Isiolo County Government is expected to prepare a balanced budget in financial year 2020/21.
- 119 The set of policies outlined in the CFSP reflects circumstances that are in line with the fiscal responsibilities as outlined in the PFM Act, 2012. They are also consistent with the County Government strategic objectives pursued as a basis for allocation of public resources. These strategic objectives are provided in the County Government priorities spelled out in the national policies and Isiolo CIDP, 2018-2022.
- 120 The adoption of Program Based Budgeting (PBB) will ensure that all County resources are linked to specific projects outputs and outcomes. The use of the Integrated Financial Management Information System (IFMIS) and the introduction of e-Procurement System will also make it possible for the County to track the resources to results achieved in a more efficient manner.
- 121 In the budget for the financial year 2020/21, key priority areas are livestock, investment in surface and underground water resources, road infrastructure network, Health services, tourism promotion and Education will receive considerate allocation while maintaining reasonable growth on other County sectors. Allocation of funds to these County key priority areas will generally reflect the critical needs of the County residents. It is envisaged that the enhancement of these key areas will drive the County economy up by creating greater supply hence improving the per capita income of households.

Disclaimer: The figures will be amended once CARA 2020 is out.