

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF TANA RIVER  
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

Email address: [County.Treasury@tanariver.go.ke](mailto:County.Treasury@tanariver.go.ke)  
Telephone: 046 626 0000

P.O BOX 29-70101  
HOLA

Ref. No. TRCG/FIN/2/1(65)

4<sup>th</sup> November, 2021

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



Dear Sir,

**RE: 2021 COUNTY BUDGET REVIEW AND OUTLOOK PAPER**

The County Treasury has prepared the 2021 County Budget Review and Outlook Paper in accordance with the provisions of Section 118 of the Public Finance Management (PFM) Act, 2012.

Find enclosed, the following documents as part of the submission of the 2021 CBROP:

1. 2021 County Budget Review and Outlook Paper
2. Minutes of a meeting of the Tana River CBEF to consider the 2021 CBROP.
3. Excerpt of the Minutes of the Tana River CEC approving the 2021 CBROP.

  
Mathew Babwoya  
CECM, Finance and Economic Planning



**THE COUNTY GOVERNMENT OF TANA RIVER**



**THE COUNTY TREASURY**

**2021 COUNTY BUDGET REVIEW AND OUTLOOK  
PAPER (CBROP)**



**SEPTEMBER 2021**

©2021 Tana River County Budget Review and Outlook Paper (CBROP)

To obtain copies of the document, please contact:

Tana River County Treasury

Trade House, County Council Rd.

P. O. Box 29 -70101

HOLA, KENYA

[County.Treasury@tanariver.go.ke](mailto:County.Treasury@tanariver.go.ke)

The document is also available on the County website: [www.tanariver.go.ke](http://www.tanariver.go.ke)

## FOREWORD

The 2021 County Budget Review and Outlook Paper (CBROP) was prepared by the County Treasury. It provides a review of the fiscal performance implemented by the County government of Tana River during the financial year 2020/2021. It carries out comparisons of the budget appropriations in the same year and provide insight on recent economic developments and the updated economic and financial forecast along with information to show changes from the forecast in the County Fiscal Strategy Paper (CFSP) of 2020.

The 2021 CBROP is set against the backdrop of an expected global recovery after a slump in 2020 global economy occasioned by the negative effects of the COVID-19 Pandemic. The global economy is projected to grow by 6.0 percent in 2021 from a contraction of 3.2 percent in 2020. The projected economy in advanced economies reflects the anticipated additional fiscal support in the second half of 2021 and broader vaccination coverage across the group. On the county scene, the outlook in 2021 will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the county government under the umbrella of the Big Four and the County COVID-19 Social Economic Re-engineering Recovery Strategy 2020/21 - 2022/23.

However, the County Treasury continues to enforce the fiscal responsibility principles in accordance with the Constitution, and the Public Finance Management (PFM) Act, 2012 (Section 107). The county government's recurrent and development expenditures remained within the legal thresholds as per the PFMA, 2012. However, recurrent related expenses like the rising wage bill without commensurate service delivery poses a major challenge to the County's development agenda. In addition, the county's growth and development agenda will largely depend on how well the programme-based budget is implemented as well as how quickly people and business return to full capacity and produce and sell at optimum levels.



**MATHEW BABWOYA**

**County Executive Committee Member, Finance and Economic Planning**

## ACKNOWLEDGEMENT

The 2021 edition of County Budget Review Outlook Paper (CBROP) was prepared in accordance with section 118 of the Public Finance Management Act, 2012 and is the seventh version since the inception of the County Government of Tana River.

I would like to acknowledge all the various departments for their individual contribution without which this document would not be a success. The Financial Reporting Unit (FRU) within the County Treasury and all the county departments were invited to submit their performance on expenditures for the period under review. This information was analyzed by the team lead by our CEC Finance and Economic Planning - Mathew Babwoya, Deputy Director Finance - Mariam Bunu, Assistant Director M&E - Amani Bawata, Senior Economist - Pascal Buya, Economic Planning Officer - Arnold Odipo, M&E officer - Amanda Korasu, Economist/Statistician - Abdulkadir Rago and the other officers from the Directorate of Economic Planning & Budgeting. These officers spent a significant amount of time putting together this CBROP.

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



**HERO SAID BWANAMAKA**

**County Chief Officer – Finance and Economic Planning**



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## **ABBREVIATIONS AND ACRONYMS**

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



## **PREAMBLE**

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

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

1. A county Treasury shall;
  - a. Prepare a CBROP in respect of the County for each year; and
  - b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.
  
2. In preparing its CBROP, the County Treasury shall specify;
  - a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year
  - b. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP)
  - c. Information on:
    - i. Any changes in the forecasts compared with the CFSP; or
    - ii. How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and
  - d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
  
3. The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.
  
4. Not later than seven days after the CBROP is approved by the CEC, the County Treasury shall:
  - a. Arrange for the paper to be laid before the County Assembly; and
  - b. As soon as practicable after having done so, publish and publicize the paper.

## **Fiscal Responsibility Principles in the Public Financial Management Law**

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

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

## **1. INTRODUCTION**

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

### **1.1. Objective of CBROP**

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

Specifically, the CBROP provides:

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

## **1.2. Significance of CBROP**

4. The paper is a policy document and links planning with budgeting. It is significant in the budget making process within the Medium-Term Expenditure Framework (MTEF) as it reviews previous fiscal performance for the year and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal responsibility principles were adhered as provided in section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative sector ceilings for the FY 2022/2023 budget and in the medium term to guide Sector Workings groups (SWGs) before being affirmed in the CFSP 2022.

## **1.3. Structure of the Paper**

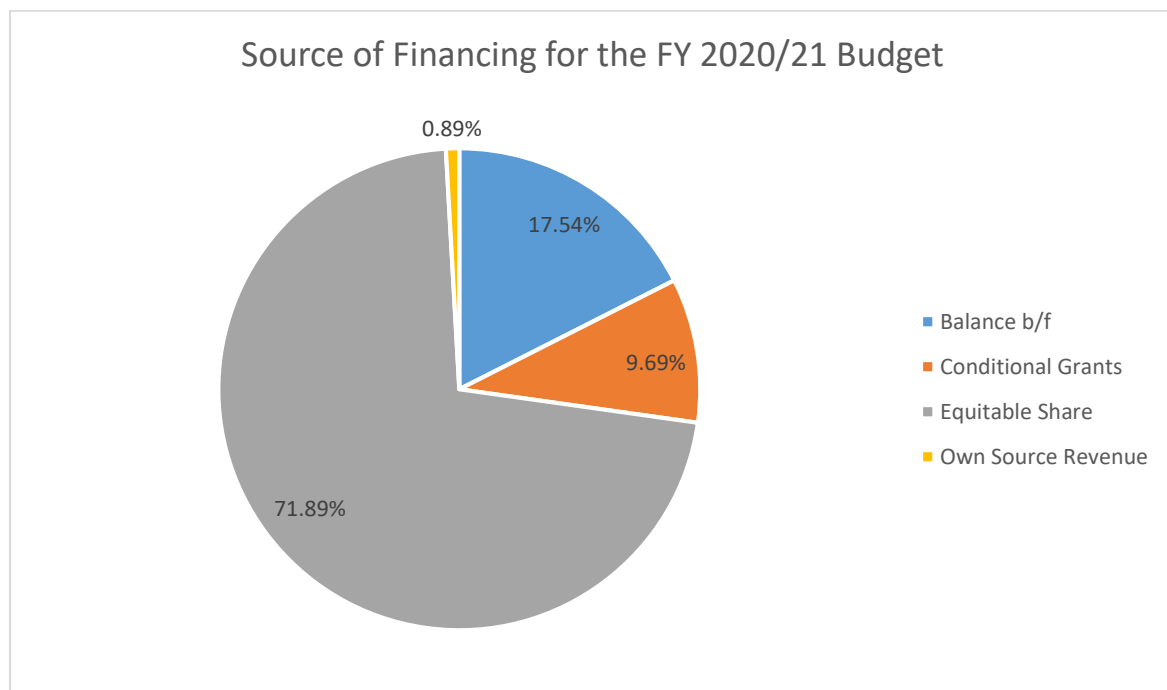
5. This paper has four sections. Section Two reviews the county's fiscal performance for the previous year. It is divided into three sub-sections, namely, The Overview, Fiscal Performance and Implications of Fiscal Performance. Section three reviews recent economic developments and has four subsections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

## 2. REVIEW OF COUNTY FISCAL PERFORMANCE IN THE FY 2020/21

### 2.1. Overview

6. This section provides an overview of the performance and implementation of the budget for the Financial Year 2020/2021 and how it affected compliance with the fiscal responsibility during implementation of the CFSP. This makes it useful in providing a basis for setting out broad fiscal parameters for subsequent budgets as well as mapping out a way forward for Tana River County.
7. The County's FY 2020/2021 Approved Supplementary Budget was Kshs. 8.145 billion, comprising of Kshs. 4.72 billion (57.95 percent) and KShs. 3.424 billion (42.05 percent) allocation for recurrent and development expenditure respectively.
8. In order to finance the budget, the county was to receive Kshs. 5.855 billion (71.89 per cent) as equitable share, Kshs. 788.9 million (9.69 per cent) as conditional allocations, targeted to raise Kshs. 72.6 million as own local revenues which translates to 0.89 per cent of the total budget and had a balance from the other financial year (2019/2020) of Kshs.1.428 billion which translated to 17.54 per cent of the total budget. The expected sources of budget financing are shown in Figure 1.

Figure 1: Source of Financing for the FY 2020/21 Budget



## 2.2. Fiscal Performance

### 2.2.1. Performance in Revenues

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

Table 1: Summary of the Fiscal Performance of the County

	FY 2019/20	FY 2020/21		% Deviation	Growth %
	Actual	Approved	Actual		
	(a)	(b)	(c)		
				$\frac{(c) - (b)}{(b)}$	$\frac{(c) - (a)}{(a)}$
<b>Revenue (Total)</b>	<b>7,014,627,048</b>	<b>8,145,250,253</b>	<b>6,815,606,693</b>	<b>-16%</b>	<b>-3%</b>
Unspent Bal from Previous FY	1,171,397,492	1,428,402,576	863,219,508	-40%	-26%
<b>Total Revenue and Grants</b>	<b>5,843,229,556</b>	<b>6,716,847,677</b>	<b>5,952,387,185</b>	<b>-11%</b>	<b>2%</b>
Equitable Share Allocation	5,351,698,500	5,855,250,000	5,357,553,750	-9%	0%
Local Revenue	66,582,433	72,600,000	84,522,595	16%	27%
Grants (Total)	424,948,623	788,997,677	510,310,840	-35%	20%
<b>Total Expenditure</b>	<b>6,563,802,968</b>	<b>8,145,250,253</b>	<b>6,224,879,275</b>	<b>-24%</b>	<b>-5%</b>
Recurrent	4,809,616,245	4,720,382,274	4,214,040,176	-11%	-12%
Development	1,754,186,723	3,424,867,979	2,010,839,099	-41%	15%
<b>Unspent Bal Current FY</b>	<b>450,824,080</b>	<b>0</b>	<b>590,727,418</b>		

Source – Tana River County Treasury

10. The following challenges contributed the fiscal performance of the FY 2020/2021 being below expectation:

- a. **Delays in the approval of the Budget Estimates:** The Budget Estimates for the FY 2020/21 were approved by the Tana River County Assembly on 24<sup>th</sup> August, 2021, nearly two months after the beginning of the financial year. This meant that commitments on the budget could only begin after this approval and other procedures to operationalize the budget.
- b. **Delays in disbursement of funds from the National Treasury:** Disbursements from the Exchequer of the equitable share allocation lagged behind the monthly disbursement schedule agreed upon at the beginning of the FY 2020/21 by upto

two months. This resulted in the delay in the implementation of scheduled activities and thereby less expenditure than what was projected.

**2.2.1.1. Equitable Share of Revenue Raised Nationally**

11. During the FY 2021/2022, the exchequer release of the equitable share revenue to the County government of Tana River amounted to Kshs. 5.358 billion. This translated to 91 percent of the allocation. The 9 percent deviation (balance of the allocation) was received after the closure of the financial year. Additionally, Kshs.1.428 Billion was appropriated in the FY 2020/2021 budget estimates as balance carried forward from the FY 2019/20. Of this amount, Kshs. 503.6 million was equitable share.

**2.2.1.2. Conditional Grants**

12. Analysis of the conditional grants released during the period under review reveals that the County received full allocation for grants from Compensation for user fees foregone, Vocational Training Centre Support Grant (VTCSG), the COVID-19 Emergency Response Fund, the COVID-19 Health Workers Allowances, Kenya Devolution Support Project (KDSP Level 1) and Universal Healthcare in Deveolved System Program (DANIDA).

On the other hand, the County did not receive any of the amounts allocated in the following conditional grants: Supplement for the construction of the County headquarters, Instrument for Devolution Advice and Support (IDEAS), and FAO.

The County received a proportion of the allocated funds for the remaining conditional grants: Road Maintenance Fuel Levy (25%), Transforming Health System for Universal Care Project (64%), Kenya Climate Smart Agriculture Project (88%), and Agriculture Sector Development Support Project (97%).

On aggregate, 65% of the total allocation (about Kshs. 510.3 million) for grants from both national grants and development partners was not disbursed to the County. The Table below shows an analysis of conditional grants received in the FY 2020/2021.

Table 2: Analysis of conditional grants received in the FY 2020/21

	Grants	BALANCE B/F		FY 2020/21					
		Annual Budget Allocation (in KShs)	Actual Receipts in FY 2020/21 (in KShs)	Annual CARA 2020 Allocation (in KShs)	Annual Budget Allocation (in KShs)	Actual Receipts in FY 2020/21 (in KShs)	Actual Receipts as % of Annual Allocation	CARA Annual Allocation (%)	Annual Budget Allocation (%)
<b>A</b>	<b>Conditional Allocations from National Government Revenue</b>								
1	Supplement for Construction of County HQts	242,000,000	-	50,000,000	50,000,000	-	0%	6.35%	6.34%
2	Compensation for User Fees Foregone	-	-	5,682,537	5,682,537	5,682,537	100%	0.72%	0.72%
3	VTCSG	24,490,000	-	14,674,894	14,674,894	14,674,894	100%	1.86%	1.86%
4	Road Maintenance Fuel Levy (RMFL)	214,984,958	-	166,968,802	166,968,802	41,551,289	25%	21.20%	21.16%
5	COVID-19 Emergency Response Fund	33,628,000	-	-	-	-	-		
6	COVID-19 Health Workers Allowances	22,470,000	22,470,000	-	-	-	-		
<b>B</b>	<b>Conditional Allocations from Development partners</b>								
7	Transforming Health System for Universal Care Project (THSUCP)	6,713,452	-	138,012,263	138,012,263	88,339,168	64%	17.52%	17.49%
8	Kenya Climate Smart Agriculture Project (KCSAP)	123,281,179	124,159,528	320,630,200	320,630,200	283,447,558	88%	40.70%	40.64%
9	Kenya Devolution Support Project (KDSP) Level 1	30,000,000	30,000,000	45,000,000	45,000,000	45,000,000	100%	5.71%	5.70%
10	DANIDA (Universal Healthcare in Devolved System Program)	6,195,000	-	16,650,000	16,650,000	16,650,000	100%	2.11%	2.11%
11	Instrument for Devolution Advice and Support (IDEAS)	17,534,200	-	14,727,370	14,727,370	-	0%	1.87%	1.87%
12	FAO	-	-	-	1,245,700	-	0%	0.00%	0.16%
13	Agricultural Sector Development Support Programme (ASDSP) II	57,877,689	-	15,405,911	15,405,911	14,965,394	97%	1.96%	1.95%
14	Kenya Urban Support Project (KUSP) - Urban Development Grant (UDG)	100,000,000	25,930,852	-	-	-	-		
15	Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG)	45,271,100	8,800,000	-	-	-	-		
<b>Grand Total</b>		<b>924,445,578</b>	<b>211,360,380</b>	<b>787,751,977</b>	<b>788,997,677</b>	<b>510,310,840</b>	<b>65%</b>	<b>100%</b>	<b>100%</b>



### **2.2.1.3. County Own Source Revenue**

13. As shown in Table 3, the total amount of county own source revenue collected in the FY 2020/2021 amounted to KShs. 84.52 million. This represented a 16 per cent increase on the annual own source revenue target of KShs 72.6 million. As compared to the FY 2019/20, the collected amount represents an overall increase in revenue collection of about 27 per cent.

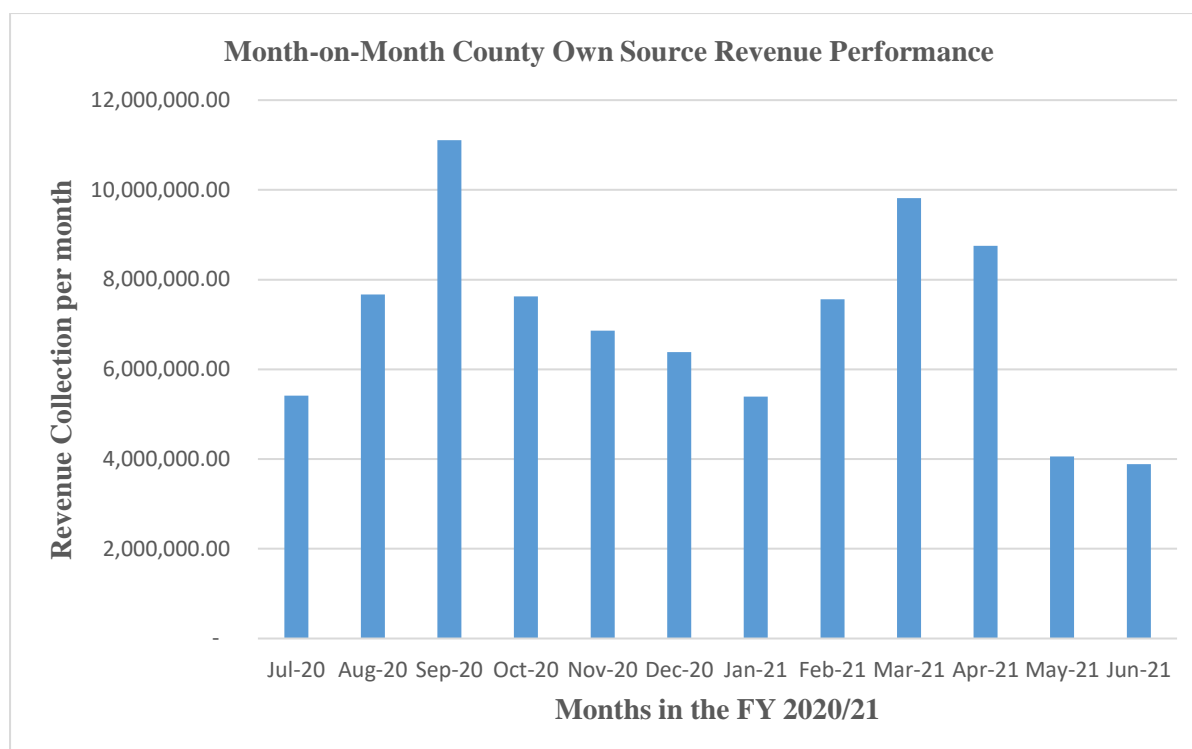
An analysis of the actual revenue collected in the FY 2019/20 and FY 2020/21 reveals that there are some significant variations in collection among the various revenue streams. There was an increase in the collection of revenue from A.I.A from health facilities (by Kshs. 1.3M), business permit fees (by Kshs. 2.8M), cesses (by Kshs. 23.97M), and vehicle parking fees (by Kshs. 2.96M).

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

The above analysis also reveals that there are revenue streams that recorded nil revenue in the FY 2020/21. These are receipts from sale of incidental goods (sale of tender documents), and housing (house rent/water charges).

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

Figure 2: Month-on-Month OSR Performance



(Source - County Directorate of Revenue)

15. As indicated in the above diagram, in the FY 2020/2021, revenue collection was spread out throughout the financial year but was high in the first and third quarters. Revenue collection was highest in September 2020 followed by March, 2021 and lowest in May and June, 2021. This is dependent on when revenue is received across certain revenue streams such as single business permit (recorded highest in March, 2021), cess for various products (highs of over Kshs. 6 million in August and September, 2021), and A-in-A from Health facilities transferred to Exchequer (about Kshs. 2 million in September, 2021). The department is keen on automating collection of own revenue sources, awaiting the implementation of the National Policy to Support Enhancement of County Own Source Revenues. Meanwhile, collection of OSR in areas such as cess collection has been moved to mobile money transfer platform by way of *m-pesa* till numbers.

Table 3: Analysis of Revenue Performance per Stream

Source of Revenue	FY 2019/20 Actual	FY 2020/21 Target	FY 2020/21 Actual	Variance of 2020/21 from 2019/20	Variance of 2020/2021 from Estimates
	(a)	(b)	(c)	(c) – (a)	(c) – (b)
<b>Receipts from sale of incidental goods</b>	<b>8,000</b>	<b>1,452,000</b>	-	<b>(8,000)</b>	<b>(1,452,000)</b>
Sale of Tender Documents	8,000	1,452,000	-	(8,000)	(1,452,000)
<b>Receipts not classified elsewhere</b>	<b>2,638,309</b>	<b>12,100,000</b>	<b>3,956,827</b>	<b>1,318,518</b>	<b>(8,143,173)</b>

Source of Revenue	FY 2019/20 Actual	FY 2020/21 Target	FY 2020/21 Actual	Variance of 2020/21 from 2019/20	Variance of 2020/2021 from Estimates
A.I.A (Health facilities) transferred to Exchequer	2,638,309	12,100,000	3,956,827	1,318,518	(8,143,173)
<b>Land rates</b>	<b>6,189,909</b>	<b>3,872,000</b>	<b>4,699,828</b>	<b>(1,490,081)</b>	<b>827,828</b>
Land rates / leases	6,189,909	3,872,000	4,699,828	(1,490,081)	827,828
<b>Business Permit</b>	<b>8,479,200</b>	<b>7,865,000</b>	<b>11,307,854</b>	<b>2,828,654</b>	<b>3,442,854</b>
permit fees	8,479,200	7,865,000	11,307,854	2,828,654	3,442,854
<b>Cesses</b>	<b>20,294,126</b>	<b>21,332,300</b>	<b>44,264,654</b>	<b>23,970,528</b>	<b>22,932,354</b>
Rice & paddy	-	726,000	-	-	(726,000)
Maize	-	3,025,000	-	-	(3,025,000)
fruits & vegetables/Produce cess	11,211,658	3,630,000	42,551,427	31,339,770	38,921,427
Charcoal	1,400	1,488,300	-	(1,400)	(1,488,300)
Livestock & fish	501,100	8,107,000	1,713,227	1,212,127	(6,393,773)
Others	8,579,968	4,356,000	-	(8,579,968)	(4,356,000)
<b>Plot rents</b>	<b>1,131,762</b>	<b>1,815,000</b>	<b>962,260</b>	<b>(169,502)</b>	<b>(852,740)</b>
Plot rent	1,131,762	1,815,000	962,260	(169,502)	(852,740)
<b>Administrative services fees</b>	<b>422,909</b>	<b>2,178,000</b>	<b>345,700</b>	<b>(77,209)</b>	<b>(1,832,300)</b>
plot application fees	422,909	1,210,000	345,700	(77,209)	(864,300)
plot transfer fees	-	605,000	-	-	(605,000)
Plot Sub-letting/Plot Sub-division	-	363,000	-	-	(363,000)
<b>County's natural resources exploitation</b>	<b>15,021,855</b>	<b>10,998,900</b>	<b>12,557,358</b>	<b>(2,464,497)</b>	<b>1,558,458</b>
Sand, gravel & ballast extraction fees	8,661,631	1,089,000	916,701	(7,744,930)	(172,299)
Quarry extraction fees (Consent to mining)	-	3,496,900	-	-	(3,496,900)
Gypsum extraction fees	6,360,224	6,413,000	11,640,657	5,280,433	5,227,657
<b>Market / Trade centre fees</b>	<b>353,700</b>	<b>1,815,000</b>	<b>1,284,026</b>	<b>930,326</b>	<b>(530,974)</b>
Market entrance Fees	353,700	1,815,000	1,284,026	930,326	(530,974)
<b>Vehicle parking fees</b>	<b>1,480,320</b>	<b>847,000</b>	<b>4,438,157</b>	<b>2,957,837</b>	<b>3,591,157</b>
Bus park fees	600	605,000	-	(600)	(605,000)
Toll fees	1,479,720	242,000	4,438,157	2,958,437	4,196,157
<b>Housing</b>	<b>10,140,334</b>	<b>302,500</b>	<b>-</b>	<b>(10,140,334)</b>	<b>(302,500)</b>
water charges/House Rent	10,140,334	302,500	-	(10,140,334)	(302,500)
<b>Environment &amp; conservancy administration</b>	<b>-</b>	<b>701,800</b>	<b>34,470</b>	<b>34,470</b>	<b>(667,330)</b>
Conservancy fees	-	701,800	34,470	34,470	(667,330)
<b>Slaughter houses administration</b>	<b>-</b>	<b>2,057,000</b>	<b>124,210</b>	<b>124,210</b>	<b>(1,932,790)</b>
Slaughter Fees	-	1,452,000	123,710	123,710	(1,328,290)
Hides & skins	-	605,000	500	500	(604,500)
<b>Technical services</b>	<b>422,009</b>	<b>5,263,500</b>	<b>547,250</b>	<b>125,241</b>	<b>(4,716,250)</b>
beacon search pointing fees	-	484,000	-	-	(484,000)
Survey Fees	-	60,500	400	400	(60,100)
building plan preparation fee (PPI Forms)	-	484,000	-	-	(484,000)
Building Plan appv. Fees	-	363,000	-	-	(363,000)
building plan approval fee	167,660	459,800	546,850	379,190	87,050
Building Inspection Fee	-	2,662,000	-	-	(2,662,000)
wayleave fees	174,350	605,000	-	(174,350)	(605,000)
sign boards & advertisements fee	79,999	145,200	-	(79,999)	(145,200)

Source of Revenue	FY 2019/20 Actual	FY 2020/21 Target	FY 2020/21 Actual	Variance of 2020/21 from 2019/20	Variance of 2020/21 from Estimates
<b>GRAND TOTAL</b>	<b>66,582,433</b>	<b>72,600,000</b>	<b>84,522,595</b>	<b>17,940,162</b>	<b>11,922,595</b>
<b>PERCENTAGE</b>				<b>127%</b>	<b>116%</b>

Source: County Directorate of Revenue

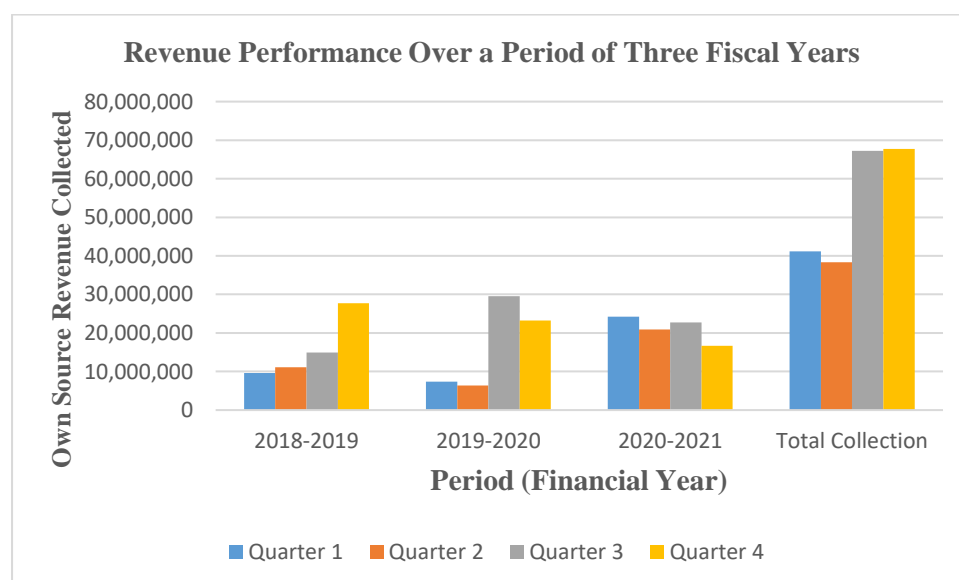
16. The total revenue for the years 2018/2019, 2019/2020 and 2020/21 was approximately KShs.214.6 million. The respective revenue for each year is provided in Table 4. While the total revenue has been steadily increasing, the data shows that more revenue was collected during the 3<sup>rd</sup> and 4<sup>th</sup> quarters. The 1<sup>st</sup> and 2<sup>nd</sup> had comparatively lower collections

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

Financial Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual Total
<b>2018-2019</b>	9,632,013	11,138,513	14,928,545	27,755,622	63,454,693
<b>2019-2020</b>	7,378,392	6,371,459	29,559,883	23,272,699	66,582,433
<b>2020-2021</b>	24,186,947.60	20,870,073.68	22,763,569.40	16,702,004.45	84,522,595.13
<b>Total Collection</b>	<b>41,197,353</b>	<b>38,380,046</b>	<b>67,251,997</b>	<b>67,730,325</b>	<b>214,559,721</b>

Source: County Directorate of Revenue

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



Source: County Directorate of Revenue

## 2.2.2. Expenditure Performance

17. The total approved expenditure for the financial year was Kshs. 8.145 billion, comprising of Kshs. 4.72 billion (57.95%) recurrent expenditure and Kshs. 3.425 billion (42.05%) development expenditure.

During the FY 2020/21, the County received Kshs. 6.816 billion comprising of Kshs. 5.358 billion as equitable share of revenue raised nationally, Kshs. 510.3 million as conditional grants, Kshs. 84.52 million from own source revenue and Kshs. 863.2 million as balance brought forward from the FY 2019/20.

Therefore, the County had an unspent balance of Kshs. 590.73 million which was carried forward into the FY 2021/22.

**2.2.2.1. Budget absorption and comparison between CFSP 2020 Ceilings and FY 2020/21 Budget**

Table 5: Budget Absorption and Comparison between CFSP 2020 Ceilings and FY 2020/21 Budget

Department	Ceilings in 2020 CFSP (Kshs. Million)			Budget Allocation in FY 2020/2021 (Kshs. Million)			Exchequer Issues in the FY 2020/21 (Kshs. Million)		Expenditure in The FY 2020/21 (Kshs. Million)		FY 2020/21 Expenditure to Exchequer Issues (%)		FY 2020/21 Absorption rate (%)			Deviation (%)
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Total	
County Assembly	509.1	-	509.1	516.5	100.0	616.5	516.0	98.5	516.0	98.5	100	100	100	99	100	21
Office of The Governor and Deputy Governor	442.5	-	442.5	400.5	-	400.5	318.6	-	318.6	-	100	-	80	-	80	-9
Finance and Planning	373.2	-	373.2	770.1	810.9	1,581.0	622.2	746.2	622.2	746.2	100	100	81	92	87	324
Public Service Board	64.9	-	64.9	66.6	-	66.6	60.5	-	60.5	-	100	-	91	-	91	3
Trade, Tourism, Wildlife and Cooperative Development	139.5	120.0	259.5	61.3	47.5	108.8	37.2	-	37.2	-	100	-	61	-	34	-58
Agriculture, Livestock, Fisheries and Veterinary	321.8	336.9	658.7	236.9	574.9	811.8	170.4	283.0	170.4	282.0	100	100	72	49	56	23
Culture, gender, Youth, Sports and Social Services	70.6	119.0	189.6	26.7	48.2	74.9	19.0	16.2	19.0	16.2	100	100	71	34	47	-61
Education and Vocational Training	411.0	198.4	609.4	251.7	164.7	416.4	247.0	40.5	247.0	40.5	100	100	98	25	69	-32
Medical Services, public Health and sanitation	980.4	155.0	1,135.4	1,304.9	186.7	1,491.6	1,240.7	97.65	1,240.7	97.65	100	100	95	52	90	31
Special program	82.3	135.0	217.3	106.6	-	106.6	89.2	-	89.2	-	100	-	84	0	84	-51

Department	Ceilings in 2020 CFSP (Kshs. Million)			Budget Allocation in FY 2020/2021 (Kshs. Million)			Exchequer Issues in the FY 2020/21 (Kshs. Million)		Expenditure in The FY 2020/21 (Kshs. Million)		FY 2020/21 Expenditure to Exchequer Issues (%)		FY 2020/21 Absorption rate (%)			Deviation (%)
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Total	
Roads, Transport, Public works, Housing and Urbanisation	81.8	257.35	339.1	76.2	1,101.95	1,178.1	52.4	610.5	52.4	157.4	100	26	69	14	18	247
Water, Irrigation, Environment and Natural Resources	172.1	280.0	452.1	131.9	195.0	326.9	106.9	15.2	106.9	15.2	100	100	81	8	37	-28
Public Service, Administration and Citizen participation	106.1	50.0	156.1	679.3	30.0	709.3	652.4	6.8	652.4	6.8	100	100	96	23	93	354
Lands and Physical Planning	15.5	120.0	135.5	38.0	65.0	103.0	30.1	46.2	30.1	46.2	100	100	79	71	74	-24
Hola Municipality	1.2	3.0	4.2	53.3	100.0	153.3	51.5	50.0	51.5	0	100	0	97	0	34	0
<b>TOTAL</b>	<b>3,772.1</b>	<b>1,774.6</b>	<b>5,546.7</b>	<b>4,720.4</b>	<b>3,424.9</b>	<b>8,145.25</b>	<b>4,214.0</b>	<b>2,010.8</b>	<b>4,214.0</b>	<b>1,506.7</b>	<b>100</b>	<b>75</b>	<b>89</b>	<b>44</b>	<b>70</b>	<b>47</b>

### **Budget Allocation:**

18. From the above tabulation, it is observed that the following County departments received a significant allocation of development funds during in the FY 2020/21: Roads, Transport, Public Works, Housing and Urbanization (Kshs. 1.1 billion); Finance and Economic Planning (Kshs. 810.9 million); and Agriculture, Livestock, Fisheries and Veterinary Services (Kshs. 574.9 million). Similarly, the significant allocation of recurrent expenditure was to the Department of Health (Kshs. 1.3 billion), Department of Finance and Economic Planning (Kshs. 770 million), and the Department of Public Service Management, Administration and Citizen Participation (Kshs. 679.3 million). Worth noting that the allocation for both the recurrent and development expenditure in the Department of Finance and Economic Planning has a provision for the settlement of both pending bills in recurrent and development expenditure respectively.

### **Budget Absorption:**

19. For the FY 2020/2021, The County achieved an overall absorption on the Budget allocation of 70 percent with an average of 89 percent for recurrent and 44 percent for development. Overall, the departments have been more efficient in the absorption of their recurrent budgets than in their development budgets except the Department of Finance and Economic Planning which absorbed the development budget more than the recurrent budget. The four County departments with the least absorption rates are: the Department of Roads, Transport, Public Works, Housing and Urbanization (18%), Hola Municipality (34%), Department of Trade, Tourism and Industry (34%) and Department of Water, Environment and Natural Resources (37%). Worth noting is that the Department of Trade, Tourism and Industry and Hola Municipality did not spend any of the allocation of development funds.

20. The overall under absorption was as a result of non-remittance of June equitable share disbursement which was released in August, 2020 (FY 2020/2021). However, for the Department of Roads, Transport, Public Works, Housing and Urbanization, this was a result of delay and non-remittance of the Conditional Grants (especially the Supplement to Construction of County Headquarters). Whereas, for the Hola Municipality, the absorption was largely hampered by the fact that the associated conditional grants from development partners were not transferred from the Special Purpose Account to the operational accounts.

### **Expenditure to Exchequer Issues:**



21. The overall expenditure to exchequer issues was 92 percent; 100 percent being for recurrent and 75 percent for development. All the County departments spent 100 percent of the exchequer issues for recurrent expenditure. Under the exchequer issues in development expenditure, only the Department of Roads, Transport, Public Works, Housing and Urbanization and Hola Municipality spent 26% and 0% of the exchequer issues respectively. The under absorption of the funds available was contributed by non-absorption of conditional grants; which includes the Kenya Urban Support Program-KUSP (Urban Institutional Grant-UIG and Urban Development Grant-UDG) and Covid-19 Emergency Response Fund.

**Deviation from CFSP:**

22. The budget deviated from the CFSP by an average factor of 47 percent. This deviation was caused by the balance brought forward (Kshs. 1.406 billion) from the previous financial year and conditional grant allocations (Kshs. 789 million) which were not allocated to specific departments in the ceiling; reason being ceilings were prepared based on total non-discretionary revenue (Equitable Share and Own Source Revenue).

**2.2.2.2. Recurrent and Development Expenditure**

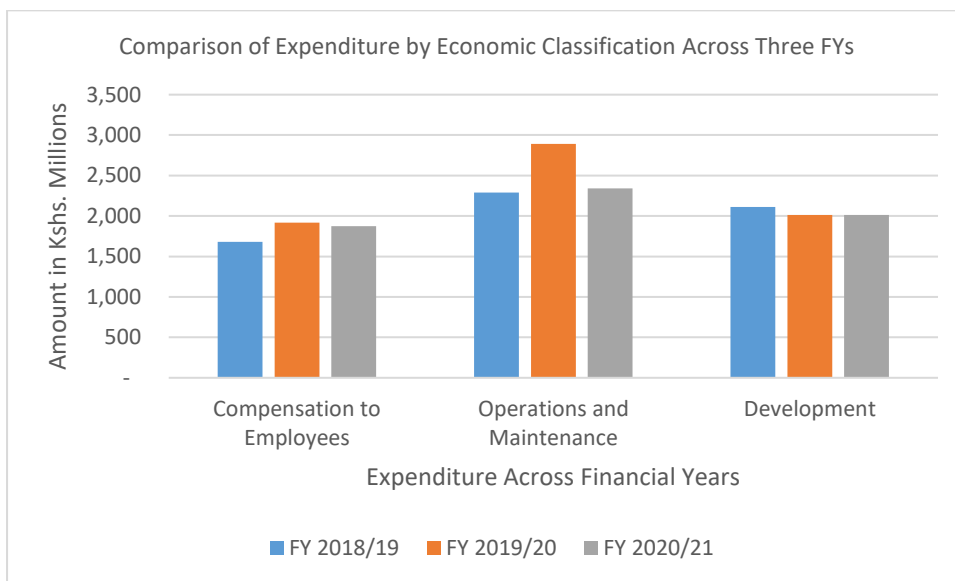
23. In the Budget Estimates for the FY 2020/21, the bulk of the expenditure was recurrent in nature with a recurrent to development expenditure ratio of 7:3. The allocation for development expenditure amounted to Ksh 3.425 billion. The allocation was distributed amongst various departments to implement programmes aimed at sprouting economic activities within the county. Majority of the funds were allocated to the Department of Roads, Transport, Public Works, Housing and Urbanization and for the settlement of pending bills.

24. Considering actual expenditure, the largest amount of the development budget in the FY 2020/2021 was spent in the Department of Finance and Economic Planning (Kshs. 746.2 billion out of the Kshs. 1.507 billion spent). The department played a key role in the settlement of pending bills: Eligible Pending Bills for the FYs 2017/18 and before and those for the FY 2019/2020. This is in an effort to comply to the Presidential directive on pending bills issued during the 2019 Madaraka day celebrations, the Intergovernmental Budget and Economic Council (IBEC) resolutions of the same year, and the PFM regulations, 2015, Section 41 (2) on debt service payment.

### 2.2.2.3. Expenditure per Economic Classification

25. During the FY 2020/2021, the County spent Kshs 5.72 billion, which was 92 per cent of the total funds released. This was an decrease from KShs 6.56 billion spent in FY 2019/20. Of the KShs 5.72 billion spent, a total of KShs. 4.214 billion was spent on recurrent expenditures while KShs. 1.507 billion was spent on development activities. The recurrent expenditure comprised of Kshs. 1.874 billion for Personnel Emoluments and Kshs. 2.34 billion for Operation and Maintenance. Figure 4 presents a comparison between the total expenditure in the FY 2019/2020 and the FY 2020/2021.

Figure 4: Expenditure by Economic Classification in the FY 2019/20 and the FY 2020/21



### Implications for the FY 2020/2021 Performance

26. The performance of the county is dependent on the country's economic performance as well as formulation and implementation of prudent policies by the county government. The over performance in Own Source Revenue (OSR) has an upward effect adjustment in ordinary revenues for FY 2021/22 and the medium term.

Table 6: County Government Fiscal Projections in the Medium Term

		FY 2019/20	FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25	
		Actual	Budget	Actual	Budget	CBROP 2020	CBROP 2020	CFSP 2021	CBROP 2020	CFSP 2021	CBROP 2020	CFSP 2021
<b>Revenue (Total)</b>	<b>(f) = (d)+(e)</b>	<b>7,015</b>	<b>8,145</b>	<b>6,816</b>	<b>8,118</b>	<b>8,118</b>	<b>7,509</b>	<b>7,509</b>	<b>7,885</b>	<b>7,885</b>	<b>8,279</b>	<b>8,279</b>
<b>Unspent Bal b/f \Previous FY</b>	<b>(e)</b>	<b>1,171</b>	<b>1,428</b>	<b>863</b>	<b>966</b>	<b>966</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Revenue &amp; Grants</b>	<b>(d) = (a) +(b)+(c)</b>	<b>5,843</b>	<b>6,717</b>	<b>5,952</b>	<b>7,152</b>	<b>7,152</b>	<b>7,509</b>	<b>7,509</b>	<b>7,885</b>	<b>7,885</b>	<b>8,279</b>	<b>8,279</b>
<b>Equitable Share Allocation</b>	<b>(c)</b>	5,352	5,855	5,358	6,528	6,528	6,855	6,855	7,198	7,198	7,557	7,557
<b>Local Revenue</b>	<b>(b)</b>	67	73	85	80	80	84	84	88	88	92	92
<b>Grant (Total)</b>	<b>(a)</b>	425	789	510	544	544	571	571	599	599	629	629
<b>Total Expenditure</b>	<b>(k) = (j) + (i)</b>	<b>6,820</b>	<b>8,145</b>	<b>6,225</b>	<b>8,118</b>	<b>8,118</b>	<b>7,509</b>	<b>7,509</b>	<b>7,885</b>	<b>7,885</b>	<b>8,279</b>	<b>8,279</b>
<b>Recurrent</b>	<b>(j) = (g) + (h)</b>	4,810	4,720	4,214	5,267	5,267	5,267	<b>5,267</b>	5,530	5,530	5,807	5,807
<i>Recurrent as % of CG Total Budget</i>		<b>69%</b>	<b>58%</b>	<b>62%</b>	<b>65%</b>	<b>65%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>
<b>Personnel Emolument</b>	<b>(g)</b>	1,917	2,044	1,874	2,223	2,223	2,223	2,223	2,334	2,334	2,451	2,451
<b>Operations &amp; Maintenance</b>	<b>(h)</b>	2,892	2,676	2,340	3,044	3,044	3,044	3,044	3,196	3,196	3,356	3,356
<i>Personnel Emoluments as % of CG Budget</i>		<b>27%</b>	25%	27%	27%	27%	30%	30%	30%	30%	30%	30%
<b>Development</b>	<b>(i)</b>	2,011	3,425	2,011	2,851	2,851	2,242	<b>2,242</b>	2,354	2,354	2,472	2,472
<i>Development as % of CG Total Budget</i>		29%	42%	30%	35%	35%	30%	<b>30%</b>	30%	<b>30%</b>	30%	<b>30%</b>
<b>Unspent Bal Current FY</b>	<b>(m) = (f) – (k)</b>	<b>194</b>	<b>0</b>	<b>591</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### **3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK**

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#### **3.1. Overview**

27. The global economic recovery continues to strengthen, largely supported by gradual reopening of economies, relaxation of COVID-19 restrictions particularly in the major economies, ongoing deployment of vaccines, and strong policy measures. Nevertheless, the outlook for global growth remains highly uncertain, due to the resurgence of infections, the reintroduction of containment measures, and the uneven pace of vaccinations across the globe. As such, global growth is projected to grow at 6.0 percent in 2021, moderating to 4.9 percent in 2022 from the contraction of 3.2 percent in 2020 .
28. In 2020 the Kenyan economy was adversely affected by the outbreak of COVID-19 pandemic and the swift containment measures which disrupted economic activities. Additionally, Kenya faced two other shocks: The invasion of swarms of desert locusts that damaged crops and floods following receipt of above normal rainfall in May 2020. As a result, economic growth slowed down in FY 2020/21.
29. In the first three quarters of 2020, the economy contracted by an average of 0.4 percent compared to an average of 5.3 percent over the same period in 2019. The decline was largely characterized by contractions in the services sector especially Accommodations and Restaurant (45.1 percent), Education (31.2 percent), and Wholesale and Retail trade (1.3 percent) Transport and Storage (0.9 percent) subsectors. However, the performance in the third quarter of 2020, albeit constrained, was relatively better compared to the second quarter due to partial easing of COVID-19 containment measures.
30. Year-on-year overall inflation remained low, stable and within the policy target range of 5+1-2.5 percent since the end of 2017. The year-on-year inflation rate increased in July 2021 but remained within target range at 6.4 percent from 4.4 percent in July 2020, mainly on account of higher food and fuel prices.
31. The contribution of core inflation to overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies. The contribution of core inflation to overall inflation rose marginally to 1.0 percentage points in July 2021 from 0.6 percentage points in June 2020, reflecting a pick-up in

economic activity. The major driver of overall inflation in the period under review has been food inflation

32. The banking system's foreign exchange holdings remained strong at USD 12,745.4 million in May 2021 from USD 13,805.7 million in May 2020. The official foreign exchange reserves held by the Central Bank was at USD 7,871.6 million (4.8 months of import cover) in May 2021 compared with USD 9,738.3 million (5.9 months of import cover) in May 2020 (Figure 15). This fulfills the requirement to maintain reserves at minimum of 4.0 months of import cover to provide adequate buffer against short term shocks in the foreign exchange market, Commercial banks holdings increased to USD 4,873.8 million in May 2021 from USD 4,067.3 million in May 2020. This fulfills the requirement to maintain reserves at minimum of 4.0 months of import cover to provide adequate buffer against short term shocks in the foreign exchange market, Commercial banks holdings increased to USD 4,873.8 million in May 2021 from USD 4,067.3 million in May 2020.
33. Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent in July 2021 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by COVID-19 pandemic. The money market was relatively liquid in July 2021 supported by government payments, which offset tax remittances. As such, the interbank rate remained low but increased slightly to 3.3 percent in July 2021 from 2.1 percent in July 2020
34. The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate remained stable at 12.0 percent in June 2021 compared to 11.9 percent in June 2020 while the average deposit rates declined from 6.9 percent to 6.4 percent over the same period. This led to a marginal increase in the average interest rate spread by 0.4 percentage points over the review period

### **3.2. Recent Economic Developments**

35. The county has witnessed tremendous decline in the economic development as a result of the Covid-19 Pandemic. However, sectors like health, water, infrastructure, agriculture and energy transformed the lives of residents of Tana River County during the financial year under review. There were various other challenges apart from the COVID-19 Pandemic; key among them being delayed disbursement of funds from National Treasury and

inadequate trained personnel in key departments to support the implementation of programmes and projects.

36. Measures imposed by the government of Kenya to mitigate the spread of the virus resulted in job losses, both for casual workers in informal sector and daily-wage earners in the formal sector. Due to curfews and limited movement of people, many roles have become redundant, resulting in job losses or unpaid leave. Workers who already live in poverty and cannot afford to have precautionary savings consequently face a high risk of falling into poverty and might experience even greater challenges in regaining their livelihoods after the pandemic. The supply and demand of services in the sector have been significantly hampered.
37. The Department of Health and Sanitation committed most of its resources to containing and controlling the spread of the virus. The sector ensured all aspects of control from coordination mechanisms, community awareness and communication, infection prevention control, community surveillance, case management and logistics were adequately addressed. Other measures included the establishment of 3 MoH-approved COVID-19 vaccination centres, facility-based screening, screening at border points, package testing, training the county health workers on incident command system, rapid response activities, contacts tracing, data management and procurement of personal protective equipment and operationalization of health facilities with the help of THS-UCP. The National Government hired additional health workers to offer support and also offered additional funds to help in fighting the pandemic.
38. The COVID-19 crisis has drawn attention to the already overburdened health sector, and to the challenges faced in recruiting, deploying, retaining and protecting sufficient well-trained, supported and motivated health workers. It highlights the strong need for sustainable investment in health systems, including in the health workforce, and for decent working conditions, training and equipment, especially in relation to personal protective equipment and occupational safety. Social dialogue is essential to building resilient health systems, and therefore has a critical role both in crisis response and in building a future that is prepared for health emergencies.
39. One of the main development challenges in the county is accessibility to clean water. Towards provision of clean and safe water for socio economic growth, the Department of

Water and energy has continued investing in the construction water infrastructure, operationalization and maintenance of Water Supplies, provision of water harvesting storage, floods control and water pan construction. The projects initiated include drilling of 8 boreholes in Kipini, Handampia, Katsangani, Baomo and improvement of the Hola water supply. The Department has also procured 7 no motorcycles and 1,000 water meters and is in the process of installing solar water heating equipment for Hola referral hospital. The Department of Environment and Natural Resources successfully implemented several projects such as; creation awareness of the importance of protection and conservation of environment, garbage collection within 8 urban centers, purchased solid waste segregation equipment, purchase uniform for town cleaners, management of prosopis, establishing the areas which have been degraded (Kipini sea shoreline), management of sea water intrusion at Kalota (Ozi), established a report from the visibility studies on the sea water intrusion for further action, establishment and development of 3 sub counties public parks and furnishing the office. The department developed the Tana River Climate Change Act, the Tana River Climate Change Policy, the Tana River Climate Change adaptation plan and climate change action plan.

40. Considering that agriculture is major contributor to the county economy, significant efforts were made to boost the sector. These include the implementation of the Small-scale Irrigation project through which 12 irrigation projects have been supported. The County continued with the implementation of the Agriculture Subsidy Programme through which farmers have been supported with farm inputs such as certified seeds, pesticides and fungicides and in mechanization services. In addition, the department also engaged in empowering farming communities through capacity building to improve their farming skills to enhance productivity.
41. The Department of Lands and Physical Planning is developing the County Spatial Plan, identifying and mapping of key urban towns and development of Eco-villages/clusters which is a flood mitigation measure. Planning of towns provides a spatial framework for sustainable utilization of resources and efficient use of the available land mass. It also enables formal settlement for the people of Tana River and the growth of urban towns that will in turn bring about economic growth in the County. The current pandemic COVID-19 has slowed down the progress of the above projects but the Department is in the process of ensuring that the above projects are brought to completion to achieve the required results.

42. The Hola Municipality has made significant efforts to ensure that the municipality is planned for and its boundaries set by the department of Lands and Physical Planning. A Municipality Board is in place and a Municipality Manager has been officially appointed. The Municipality, through the Kenya Urban Support Programme (KUSP), undertook the construction of a storm water drainage (phase 1) which is now complete; using the Urban Development Grant (UDG) that will solve water drainage problems and also help flood control and the channeling of surface run off in urban areas. The board in place will ensure that there is efficient service delivery in the municipality that will in turn bring about economic growth.
43. To improve the retention rate in EYE the department of Education and Vocational Training continued with the established school feeding programs. In addition, the department continued to put in place measures to address the rate of unemployment among the youths through provision of best employable skill training and equipping of vocational training centers with modern tools and equipment. The department also released a total of Kshs. 154 million to Ward Bursary Fund to benefit needy students.
44. The department of Trade, Tourism and Industry has operationalized Garsen Market that is now open and it is expected that trade activities will pick and that this will generate revenue to the county government. The department has also set aside a total of about KShs 75 million towards the INUKA Fund to help small scale enterprises across the county to access low interest credit to boost their businesses. The Fund is yet to be operational; The Inuka ACT, Regulation and the Board of management is already in place. The money is also secured in a financial institution.
45. The Department of Roads, Transport, Public Works, Housing and Urbanization achieved a number of milestones. The Roads and Transport sub sector, through the Executive Committee prepared a workplan that was approved by the Kenya Roads Board for the utilization of the Roads Maintenance and Fuel Levy fund for rehabilitation of roads including; B8-Handampia Cluster Road, B8 – Jamuhuri (gravel), and B89 – Garsen Town road (bitumen). The Public Works sub sector oversaw the continued construction of the County Headquarters in Dayate, with the project currently at 68% completion. The department also managed to upgrade the road leading to and around the County Public Works offices to cabro standard and is in the process of formulation and adoption of building regulations policies that are in line with the goal of providing cost effective,



climate proof and sustainable infrastructure within the county. The sub sector also began the construction of a fire station at Dayate as well as training of fire marshals and operators to enable the county operationalize the firefighting services within the urban areas in Tana River.

46. In fulfilling its mandate, the Public Administration and Intergovernmental Relations sector commits to providing overall supervision to all the departments in the County to ensure proper governance and full implementation of the projects, programmes and activities. It also commits to having all government services decentralized to the grassroots level, enhancing internet connectivity to enhance service delivery and ensuring mobilization and prudent use of resources for the development of the county.
47. The Department of Public Service, Administration and Citizen Participation oversaw recruitment in both the executive and the County Public Service Board (CPSB), and civic education of the citizenry through public *barazas*. Construction of Ward Administrators' offices is also on going in various wards. The department has further ensured provision of hand washing soap with running water and/or sanitizers to all offices as a measure of keeping the staff and public safe from the COVID-19 pandemic.
48. The Department of Finance and Economic Planning, has ensured usage of e-procurement by all county departments and agencies and timely financial reporting, formulation of the County Budget and other policies. The department started operationalizing the M&E Policy by constituting ward and sub county level M&E committees. The ward M&E committees each conducted 1 monitoring visit to at least 3 projects in there arear in the FY 2020/21. In the FY 2021/22, the department has prioritized payment of all historical Ineligible Pending Bills cleared for payment by the County Ineligible Pending Bills Resolution Committee.
49. Notably, collection in local revenue remained resilient with 27% increase collected compared to the FY 2019/20. This can be attributed to the identification of new revenue streams, the strict enforcement mechanisms and measures put in place by the department to reduce leakages. The over performance on collection of county own source revenue for the financial year 2020/21 had a positive effect on the resource envelope. The current revenue trend has been taken into consideration and the department is keen to continue the improvement of own source revenue collection

### **3.3. County Economic Outlook and Policies**

50. For the financial year 2021-2022, the county has emphasized programs and projects across the four strategic objectives: urban planning and climate proof infrastructure development; accessible and quality education; quality and affordable healthcare; and modern and commercially-oriented agriculture.
51. Projects to support the strategic objectives include institutional strengthening of the Hola Municipality, survey and titling of settlements, improving health physical infrastructure and supply of pharmaceutical and non-pharmaceutical supplies, and expansion of the county medical workforce. In agriculture, the county is implementing three projects: KCSAP, ASDSP and IDEAS which are expected to improve food production and resilience against drought. In education, the County continues to establish and improve EYE centre facilities and subsidize vocational training.
52. The County has instituted various mechanisms to ensure efficient utilization of resources. These include rolling out the County M&E committees alongside feeding of data into the e-CIMES to track results of policies, programmes and projects. Other initiatives on this include adoption of the CIDP II Indicator handbook and improving the human resource capacity for M&E in the Directorate of Economic Planning and Budgeting. The County has also operationalized Sector Working Groups and Budget Implementation Committees to assist the County Treasury in planning, budgeting and budget execution.
53. The County will continue to establish and strengthen partnerships with national government MDAs and development partners. Through these partnerships, the County anticipates to receive technical assistance, and access financial resources to complement the county's allocation to projects and programs.
54. The County will continue to engage with County citizens and other stakeholders in the County with an aim of soliciting feedback on the County plans, projects and programs. This is especially in the planning and budgeting cycle.
55. On revenue administration, the County is optimistic that the National Policy to Support Enhancement of County Own Source of Revenues shall be fully implemented. One of the elements of the Policy is automation of revenue collection from which the County will optimize revenue collection and administration.

### 3.4. Risks to the Outlook

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

**a. Macro-economic risks include;**

- i. Contracting global economy occasioned by the outbreak and rapid spread of the COVID-19 pandemic that weigh on Kenya's export activities and the tourism sector. Nationally, the pandemic has increased unemployment, disrupted business and consumption of goods and services, thereby affecting national government revenues and public expenditure. Such an impact will have a ripple effect on the County's economy seeing as 99% of the County's revenue comes from the National Government.
- ii. Depreciation of the Kenya shilling against the US dollar had a negative effect on the Consumer price index inflation leading to increased inflation.
- iii. The effects of the public debt and of pending bills are likely to contribute to the sluggish growth of the economy and have a negative trend on revenue collections to fund government expenditures.

**b. Micro-economic risks include;**

- i. Agriculture is the main economic activity in the County and one that provides employment and contributes to food security. Tana River is prone to natural disasters such as drought, floods, locust invasion and outbreaks of human and livestock diseases. The incidence of these disasters affects food security, disrupts socio-economic activities and, in the case of floods, causes destruction to transport, irrigation, water storage and distribution infrastructure.
- ii. Accessibility to some key areas of the county has been a challenge due dilapidated road network. The poor roads cause delays in deliveries and increase in transport costs that are in turn transferred to the consumer, with prices varying upward on some products as compared to recommended retail prices in other areas.

57. The County administration is continually monitoring these risks and undertaking appropriate measures to make the county economy resilient against these risks. To steer an appropriate post-COVID-19 recovery, the County has formulated the *Tana River Post-COVID-19 Socio-Economic Reengineering and Recovery Strategy* and is investing in the

productive and social sectors such as food production, enterprise development, water and health. The *Inuka Fund* is in the final stages of being rolled out to avail affordable credit to SMEs in the County.

58. The County will endeavor to step up efforts in building resilience against the climate shocks. This includes building climate-proof infrastructure, enacting legislation to support disaster risk management, utilize the Emergency Fund and the Disaster Risk Management Fund to support emergency response, reducing over-reliance on rain-fed agriculture, specific actions to promote drought resilience among pastoralists, and improving water security in the hinterlands.

## **4. RESOURCE ALLOCATION FRAMEWORK**

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### **4.1. Overview**

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

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

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

### **4.2. Adjustment to the FY 2021/2022 Budget**

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

- a. Response to the ongoing drought and provide for risk of other disasters such as floods.
- b. Pending bills based on the report of the Tana River County Ineligible Pending Bills Resolution Committee and that of the OAG-commissioned special audit of pending bills for the FYs 2018/19 and 2019/20.

62. The Tana River County Treasury have prepared the 2021/2022 FY Budget taking into consideration all the recommendations announced by his Excellency the Governor and the will of the people of Tana River County as expressed during the public participations held.
63. There was a significant increase in own source revenue in the FY 2020/2021. The county treasury managed to collect Kshs. 84.5 million representing 116 percent collection of the targeted amount and 126.94 percent of the 66.5 million realized in the FY 2019/2020. The County Treasury has overperformed in collection of own source revenue (OSR) against a target of Kshs. 66 million in the previous financial year. The County Treasury intends to roll out reforms in the revenue collections and administration that may aim at expanding its revenue base and complemented with improvement in revenue collections through automation prompting the County Treasury to increase OSR target to 83.853 million.
64. The county treasury appropriated some monies to offset 2018/19, 2019/20 and the approved ineligible pending bills depending on the report of the Tana River Ineligible Pending Bills Resolution Committee. The county managed to offset all the approved historical pending bills in the F/Y 2019/20. The OAG commissioned a special audit for the pending bills in the FY 2018/19 and FY 2019/20. Both the historical pending bills and those in the FYs 2018/19, 2019/20 and 2020/21 will eat into the County Resource envelope. This has mostly affected the current development projects and Operation and Maintenance expenses as well as future allocations. Based on the rising wage bill, the county treasury has maintained the decision to allow departments to employ only with the approval of the County Executive Committee and confirmation by the County Treasury on the availability of Funds.

#### **4.3. The Medium-Term Expenditure Framework**

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

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

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

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

Departments	Total Budget Estimates in KShs					% Share of Total Expenditure				
	Revised Estimates	Estimates	Projections			Estimates	Ceilings	Projections		
	2020/21	2021/22	2022/23	2023/24	2024/25	20/21	21/22	22/23	23/24	24/25
<b>County Assembly</b>	616,497,243	908,396,752	616,497,243	647,322,105	679,688,210	8%	11%	8%	8%	8%
<b>Office of The Governor and Deputy Governor</b>	400,529,026	568,322,556	596,738,684	626,575,618	657,904,399	5%	7%	8%	8%	8%
<b>Finance and Planning</b>	1,581,000,515	1,206,444,385	589,663,889	619,147,083	650,104,438	19%	15%	8%	8%	8%
<b>County Public Service Board</b>	66,610,248	69,512,420	72,988,041	76,637,443	80,469,315	1%	1%	1%	1%	1%
<b>Trade, Tourism, Wildlife and Cooperative Development</b>	108,754,315	65,590,342	68,869,859	72,313,352	75,929,020	1%	1%	1%	1%	1%
<b>Agriculture, Livestock, Fisheries and Veterinary</b>	811,837,815	712,192,653	747,802,286	785,192,400	824,452,020	10%	9%	10%	10%	10%
<b>Culture, gender, Youth, Sports and Social Services</b>	74,894,371	109,804,560	115,294,788	121,059,527	127,112,504	1%	1%	2%	2%	2%
<b>Education and Vocational Training</b>	416,360,862	261,484,467	274,558,690	288,286,625	302,700,956	5%	3%	4%	4%	4%
<b>Medical Services, public Health and sanitation</b>	1,491,594,667	1,439,524,644	1,511,500,876	1,587,075,920	1,666,429,716	18%	18%	20%	20%	20%
<b>Special program</b>	106,580,803	202,274,495	212,388,220	223,007,631	234,158,012	1%	2%	3%	3%	3%
<b>Roads, Transport, Public works, Housing and Urbanisation</b>	1,178,133,331	592,116,778	621,722,617	652,808,748	685,449,186	14%	7%	8%	8%	8%
<b>Water, Irrigation, Environment and Natural Resources</b>	326,878,927	341,123,241	358,179,403	376,088,373	394,892,792	4%	4%	5%	5%	5%
<b>Public Service, Administration and Citizen participation</b>	709,334,934	1,275,568,109	1,339,346,514	1,406,313,840	1,476,629,532	9%	16%	18%	18%	18%
<b>Lands and Physical Planning</b>	102,972,096	199,593,120	209,572,776	220,051,415	231,053,986	1%	2%	3%	3%	3%
<b>Hola Municipality</b>	153,271,100	166,000,000	174,300,000	183,015,000	192,165,750	2%	2%	2%	2%	2%
<b>Total</b>	<b>8,145,250,253</b>	<b>8,117,948,522</b>	<b>7,509,423,886</b>	<b>7,884,895,081</b>	<b>8,279,139,835</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



#### 4.3.1. Proposed 2022/2023 Budget Framework

<b>PROPOSED REVENUE</b>	<b>Actual 2020/21</b>	<b>Actual 2021/22</b>	<b>Projection 2022/23</b>	<b>Projection 2023/24</b>	<b>Projection 2024/25</b>
<b>Balance B/F</b>	1,428,402,576	966,116,250			
<b>Equitable share</b>	5,855,250,000	6,528,408,765	6,854,829,203	7,197,570,663	7,557,449,197
<b>Local revenue</b>	72,600,000	79,860,000	83,853,000	88,045,650	92,447,933
<b>Conditional Allocations from National Government Revenue</b>	<b>237,326,233</b>	<b>75,000,000</b>	-	-	-
<b>Construction of County HQts</b>	50,000,000	75,000,000	-	-	-
<b>Foregone user fee</b>	5,682,537		-	-	-
<b>VTCSF</b>	14,674,894		-	-	-
<b>RMFLF</b>	166,968,802		-	-	-
<b>Covid-19 Emergency Response Fund</b>					
<b>Conditional Allocations from loans &amp; grants from Development partners</b>	<b>551,671,444</b>	<b>468,563,507</b>	<b>570,741,682</b>	<b>599,278,766</b>	<b>629,242,705</b>
<b>Transforming Health System for Universal Care Project (THSUCP)</b>	138,012,263	57,525,672	139,151,956	146,109,553	153,415,031
<b>Kenya Climate Smart Agriculture Project (KCSAP)</b>	320,630,200	350,271,550	367,785,128	386,174,384	405,483,103
<b>Kenya Devolution Support Project (KDSP) Level 1</b>	45,000,000		-	-	-
<b>DANIDA (Universal Healthcare in Devolved System Program)</b>	16,650,000	12,973,125	13,621,781	14,302,870	15,018,014
<b>Instrument for Devolution Advice and Support (IDEAS)</b>	14,727,370	27,971,948	29,370,545	30,839,073	32,381,026
<b>FAO</b>	1,245,700		-	-	-
<b>Agricultural Sector Development Support Programme (ASDSP) II</b>	15,405,911	19,821,212	20,812,273	21,852,886	22,945,531
<b>Total Revenue</b>	<b>8,145,250,253</b>	<b>8,117,948,522</b>	<b>7,509,423,886</b>	<b>7,884,895,080</b>	<b>8,279,139,834</b>

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

#### 4.3.1.1. Revenue Outlook

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

#### 4.3.1.2. Expenditure Outlook

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

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

72. The table below indicates projections for expenditure in the Medium-Term 2020/21 – 2023/24

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

	Actual	Approved Budget Estimates	Projected Estimates		
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
<b>Personnel Emoluments</b>	1,873,581,525	2,222,977,030	2,222,977,030	2,334,125,882	2,450,832,176

<b>Operations &amp; Maintenance</b>	2,340,458,650	3,044,080,667	3,044,080,667	3,196,284,700	3,356,098,935
<b>Development</b>	2,010,839,099	2,850,890,825	2,242,366,189	2,354,484,499	2,472,208,723
<b>Unspent Bal FY</b>	590,727,418	-	-	-	-
<b>Total</b>	<b>6,815,606,693</b>	<b>8,117,948,522</b>	<b>7,509,423,886</b>	<b>7,884,895,080</b>	<b>8,279,139,834</b>

## 5. CONCLUSION

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73. The County is making progress in addressing some of the challenges previously identified as affecting budget implementation.
74. Despite the progress made, the following challenges continue to hamper effective budget implementation;
- i. Delay in submission of budget implementation/performance and expenditure reports by departments to the County Treasury.
  - ii. In most cases, submitted reports are not in the desired prescribed formats.
  - iii. Off-budget, off-plan expenditures.
  - iv. Pending bills which affect the resource allocation
75. The County should implement the following recommendations in order to improve budget execution;
- a. The county Government (departments) should adhere to Section 166 of the PFMA. 2012 in submission of quarterly reports in the desired format.
  - b. The County Government should devise strategies to enhance local revenue collection, mainly through automation of revenue collection and civic education on the importance of OSR to the public through the proposed 2021 Finance Bill.
  - c. The county should spend within its means and avoid any leakages.

## ANNEX: CALENDAR FOR FY 2022/23 BUDGET PROCESS

No.	Activity	Responsibility	Deadline
1.	Develop and issue MTEF Guidelines	County Treasury	<b>18-Aug-21</b>
2.	Submission of the ADP	County Treasury	<b>31-Aug-21</b>
3.	Launch of Sector Working Groups	County Treasury	<b>03-Sept-21</b>
4.	Programme Performance Reviews (PPRs)	CDAs	<b>10-Sept-21</b>
	4.1 Review of programmes outputs and outcomes	“	
	4.2 Expenditure review	“	
	4.3 Progress report on CIDP/ADP implementation	“	
5.	Development of Medium-Term Budget Framework	Macro Working Group	<b>17-Sept-21</b>
	5.1 Develop the Medium-Term Fiscal Framework and Resource Envelope	“	
	5.2 Review and Determination of policy priorities	“	
	5.3 Develop Preliminaries resource allocation to sector	“	
	5.4 Draft County Budget Review and Outlook Paper (CBROP)	“	
	5.5 Submission of CBROP to Executive Committee	“	14-Sep-21
	5.6 Approval of CBROP by Executive Committee	“	16-Sep-21
	5.7 Submit Approved CBROP to County Assembly	“	17-Sep-21
6.	Preparation of MTEF budget proposals	Line Departments	<b>20-Oct-21</b>
	6.1 Retreats to Draft sector report	Sector Working Group	20 – 30 Sep-21
	6.2 Briefing Sector Chairpersons and Accounting Officers on Sector Draft Reports.		30-Sep-21
	6.3 Convene public sector hearing	County Treasury	5-7 Oct-21
	6.4 Review and Incorporation of Stakeholder Inputs in the Sector Proposals		12-Oct-21
	6.5 Submission of sector Report to the County Treasury	Sector Working Group	14-Oct-21
	6.6 Consultative meeting with CECMs/CCOs	County Treasury	19-Oct-21
7.	Draft County Fiscal Strategy Paper (CFSP)		<b>30-Nov-21</b>
	7.1 Draft CFSP	Macro Working Group	4-Nov-21
	7.2 Public/Stakeholders Participation	County Treasury	16 – 18 Nov, 2021
	7.3 Review and Incorporation of Stakeholder Inputs in the Sector Proposals	“	19-Nov-21
	7.4 Submission of CFSP to County Executive for approval	“	23-Nov-21
	7.5 Submission of CFSP to County Assembly for approval.	“	30-Nov-21
8.	Preparation And Approval of Final CDAs Programme Budgets		<b>31-Mar-21</b>
	8.1 Develop and issue final guidelines on preparation of 2022/23 MTEF budget	County Treasury	10-Dec-21
	8.2 Submission of the budget proposals to the County Treasury	CDAs	14-Jan-2
	8.3 Consolidation of the Draft Budget estimates	County Treasury	28-Jan-22
	8.4 Submission of Draft Budget Estimates and Accompanying Documents to County Executive Committee	“	8-Feb-22
	8.5 Submission of Draft Budget Estimates and Accompanying Documents to County Assembly	“	11-Feb-22

	8.6 Review of Draft budget Estimates by County Assembly	County Assembly Committees	2-Mar-22
	8.7 Report on Draft Budget Estimates from County Assembly	“	4-Mar-22
	8.8 Consolidation of the Final Budget Estimates	County Treasury	11-Mar-22
	8.9 Submission of Appropriation Bill to County Assembly	“	15-Mar-22
9	Budget statement		<b>17-Mar-22</b>
10	Appropriation Bill Passed		<b>31-Mar-22</b>
	8.10 Submission of Vote on Account to County Assembly (If Applicable)		15-Apr-22