

# **COUNTY GOVERNMENT OF ISIOLO**



## **COUNTY FINANCE & ECONOMIC PLANNING**

### **2022 COUNTY FISCAL STRATEGY PAPER**

#### **ACCELERATING ECONOMIC RECOVERY FOR IMPROVED LIVELIHOOD**

**JAN 2022**

## **FOREWORD**

The 2022 County Fiscal Strategy Paper (CFSP) is prepared against a background of expected global recovery after a slump in 2020 occasioned by the negative effects of the COVID-19 pandemic. The global economy is projected to grow by 5.9 percent in 2021, from a contraction of 3.1 percent in 2020. However, economic prospects vary across countries with the emerging markets and developing economies expected to pick up slowly compared to advanced economies given different country policy responses to the pandemic. The projected recovery in advanced economies reflects the anticipated additional fiscal support in the second half of 2021 and broader vaccinations coverage across the group.

On the domestic scene, Kenya's economy rebounded strongly in the second quarter of 2021, with real GDP growing 10.1 percent supported by easing of COVID-19 containment measures. Economic growth is projected to rebound to 6.0 percent in 2021 from the contraction of 0.3 percent in 2020. In terms of fiscal years, economic growth is projected to recover to 5.9 percent in FY 2021/22 from 2.9 percent in FY 2020/21. The economic recovery is supported by the prevailing stable macroeconomic environment, ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and the third Economic Stimulus Programme.

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.

The County Government of Isiolo will focus on implementing priority areas identified in 2018-2022 County Integrated Development Plan (CIDP) and 2021 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 2022 CFSP is prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the current state of the economy, provides macro-fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of Government spending plans as a basis for the FY 2022/23 budget.

As we finalize the budget for the FY 2021/22 and the medium term, I wish to emphasize that we are operating under tight resource constraints amidst significant revenue shortfalls occasioned by declining economic activities as a result of the adverse effects of the COVID-19 Pandemic. On the other hand, the Government is confronted with significant expenditure demands. This called for proper prioritization to ensure focus is on critical expenditures with the highest positive impact on the well-being of the people of Isiolo. In this regard, the County Government will continue to prudently manage the use of public resources over the 2022/23-2024/25 Medium Term Expenditure Framework (MTEF).

Funding priority is accorded to completion of ongoing projects, which are supportive to accelerate inclusive growth and development.

The preparation of the 2022 CFSP was a collaborative effort among various departments and we are grateful for their timely inputs. We are also grateful to the core team from the Planning and Budget Department who worked tirelessly to put together inputs from different departments and stakeholders and ensured the document was produced in time while maintaining high quality standards.

**MR. PATRICK LENAWASAE**  
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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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## *About the County Fiscal Strategy Paper*

The County Fiscal Strategy Paper (CFSP) is a Government policy document that sets out the broad strategic priorities and policy goals to guide the County Governments in preparing their budgets for the subsequent financial year and over the medium term.

In the document, adherence to the fiscal responsibility principles demonstrates prudent and transparent management of public resources in line with the Constitution and the Public Finance Management (PFM) Act, 2012.

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 2022/23 and the medium term. It further provides the proposed sector ceilings and the baseline ceilings.

**Chapter 7:** Provides a summarized Conclusion of the 2022 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 2022 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), 2021 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 2022 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	Education, Vocational Training, Youth Sports Culture Gender and Social	0501003510 P1 General Administration, Planning and Support Services.

Code	Department	Program
	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 sent out an advertisement requesting for memorandums and inputs from the public; 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 Global growth in 2021 is projected at 5.9 percent from a contraction of 3.1 percent in 2020 (WEO October 2021). However, most of the emerging markets and developing economies are projected to experience a more challenging recovery from the COVID-19 pandemic compared to their counterparts. This is largely on account of uneven access to COVID-19 vaccine which is therefore likely to impact negatively on the full resumption of economic activities in these economies. Additionally, the rapid spread of Delta and the threat of new variants which have increased uncertainty about how quickly the pandemic can be overcome
- 11 The advanced economies are projected to recover to 5.2 percent in 2021 from a contraction of 4.5 percent in 2020. This projected recovery, particularly in the United States, reflects the anticipated legislation of additional fiscal support in the second half of 2021 and broader vaccinations coverage across the group.
- 12 Economic growth in the Sub-Saharan Africa region is projected at 3.7 percent in 2021 from a contraction of 1.7 percent in 2020 due to improved exports and commodity prices, and the rollout of vaccination programmes. This growth will also be supported by a recovery in both private consumption and investment as economies re-open. However, the recent increase in infection rates in sub-Saharan Africa are expected to weigh down the region's recovery in 2022

##### **2.1.2 National Economic Overview**

- 13 The National Accounts were revised and rebased in 2020 where the base year was changed from 2009 to a more current base year of 2016. The revised growth rates were relatively lower than in the previous estimates, largely on account of an expanded base, change of benchmark data, data sources as well as revision of time series indicators.
- 14 The economy contracted by 0.3 percent in 2020 from a growth of 5.0 percent in 2019 following the adverse impact of COVID-19 pandemic and the resultant swift containment measures. The government's priority was premised on the need to safeguard the lives of Kenyans and Kenyan residents while at the same time cushioning the economy from the effects of COVID-19 pandemic. Consequently, the health crisis required the introduction of temporal restrictive measures to curb the spread of the virus which resulted to negative impacts on some key sectors of the economy. Many businesses especially those related to tourism and educational activities closed down during the second quarter of 2020. Pick up of economic activities resumed in the third quarter of 2020 with further improvements in subsequent quarters.
- 15 The contraction was spread across all sectors of the economy but was more dismal in accommodation and food services activities, education, and transport sectors. The overall performance of the economy in 2020 was cushioned from a deeper slump by accelerated growths in agricultural production (4.8 percent), mining and quarrying (6.7 percent), construction activities (11.8 percent) and health services (6.7 percent).

- 16 The agriculture sector was more vibrant in 2020 compared to 2019 despite a contraction in global demand in 2020. The sector's Gross Value Addition was 4.8 percent in 2020 compared to 2.6 percent in 2019. This was mainly on account of favorable weather conditions in 2020 which improved production of food crops such as beans, rice, sorghum and millet and, livestock and related products such as milk and meat. Improved production of cash crops such as tea and sugarcane also supported the sectors growth.
- 17 The performance of the industry sector improved to a growth of 3.8 percent in 2020 compared a growth of 3.4 percent in 2019. This was mainly on account of improved performance of the construction sector. The construction sector grew by 11.8 percent in the 2020 compared to a growth of 5.6 percent in 2019. The strong growth was attributed to the continued investments in road infrastructure by the Government, expanded construction in the housing sub-sector and the ongoing rehabilitation of the Metre Gauge Railway (MGR).
- 18 Electricity and water Supply sector grew by 0.1 percent in 2020 compared to a growth of 1.7 percent in 2019 mainly on account of decline in thermal and wind generation despite the increase in hydro generation. Activities in the manufacturing sector slowed down in 2020 mainly due to COVID-19 containment measures. The sector is estimated to have contracted by 0.1 percent in 2020 compared to 2.5 percent growth in 2019 mainly on account of significant contractions in production in key food products such as processing of coffee and manufacture of beverages. The manufacture of leather and wood products also contracted during the review period.
- 19 Services sector was adversely affected by the closure of the economy thereby recording negative growths in most of the sectors in 2020. The sector contracted by 2.2 percent in 2020 compared to a growth of 6.7 percent in 2019. Accommodation and Food Services was adversely affected by the COVID -19 containment measures compared to other service sectors and contracted by 47.7 percent in 2020 compared to a growth of 14.3 percent in 2019. This was due to restrictions of international travels while domestic travel was negatively impacted on by restriction of movement to and from some counties and zones for some months especially in the second quarter of 2020. Most hotels and restaurants also either closed or scaled down their operations due to public health measures taken to prevent the spread of the pandemic as well significant reduction in the number of customers.
- 20 Transportation and storage sector contracted by 7.8 percent compared to a growth of 6.3 percent 2019. The sector's performance was constrained by the COVID-19 pandemic containment measures including restriction of movement across the borders as well as and within the country, social distance in public service vehicles and arrangements of working remotely. However, the sector was cautioned from a deeper contraction by an increase in freight transport through the Standard Gauge Railway from 4,159 thousand tons in 2019 to 4,418 thousand tons in 2020. Information and Communication sector's growth slowed to 4.8 percent in 2020 compared to 7.5 percent growth in 2019. The growth was mainly supported by increased uptake of digital services as the COVID-19 measures which resulted in increased remote working and learning activities remotely as well as rise in cashless payments for financial transactions.
- 21 Similar to the global economy, Kenya's economy is projected to rebound in 2021 to 6.0 percent from an earlier projection of 7.0 percent in the 2021 BPS. The downward revision was due to the impact of containment measures between March and July period as a result of the third wave of the COVID-19 pandemic
- 22 The recovery in 2021 reflects the lower base of 2020 when most service sectors were



adversely affected by the closure of the economy thereby recording negative growths. The outlook in 2021 will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda, Economic Recovery Strategy and other priority programmes as outlined in the Third Medium Term of Vision 2030. Weather conditions are expected to be favourable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes.

- 23 The Government is currently focusing on the implementation of the Economic Recovery Strategy (ERS) that aims at restoring the economy to a strong growth path, creating jobs and economic opportunities across all regions of the country with a view to tackling social and income inequalities. It is expected that the successful implementation of the Economic Recovery Strategy which is also aligned to the “Big Four” Agenda will promote inclusive growth and transform the lives of Kenyans.
- 24 The economy grew by 10.1 percent in the second quarter of 2021 compared to a contraction of 4.7 percent in a similar period in 2020. This growth was mainly supported by the rebound in economic activities in Mining and quarrying, Construction, Wholesale and Retail, Information and Communication, Education and Health sub-sectors.
- 25 The agriculture, forestry and fishing sector declined by 0.9 percent in the second quarter of 2021 compared to a growth of 4.9 percent over the same period in 2020. This is mainly attributed to the depressed rainfall distribution that has affected production of crops such as Tea. However, the sectors performance was cushioned from a steeper slump from a further decline by favorable performance in milk production, horticultural export and sugarcane production
- 26 The Service sub sector grew by 15.7 percent in the second quarter of 2021 compared to a contraction of 6.7 percent over the same period in 2020. The growth was largely attributed to the growth in the Wholesale and retail trade (9.5 percent), Information and communication (25.2 percent), Transport and Storage (16.9 percent), Health (10.0 percent) and Education (67.6 percent) sectors.
- 27 The industry sector grew by 7.9 percent in the Second quarter of 2021 from a contraction of 0.5 percent in a similar quarter in 2020. The manufacturing and electricity and water supply sector grew by 9.6 percent and 5.1 percent in second quarter of 2021 from a contraction of 4.7 percent in both sectors in similar period of 2019. The construction sectors decline to 6.5 percent in second quarter in 2021 over a growth of 8.2 percent in a similar period of 2020
- 28 **Inflation rate:** Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since end 2017. The year-on-year inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven by higher food prices. However, the inflation rate remained within the target range supported by muted demand pressures

- 29 **Kenya shilling exchange rate:** The foreign exchange market has largely remained stable but partly affected by tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic. In this regard, the Kenya Shilling to the US Dollar exchanged at Ksh 110.9 in October 2021 compared to Ksh 108.6 in October 2020
- 30 **Interest rates:** Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent on 28<sup>th</sup> September 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 October 2021 supported by Government payments. As such, the interbank rate remained low but increased slightly to 5.3 percent in October 2021 from 2.7 percent in October 2020
- 31 Interest rates on the Treasury bills remained relatively stable in October 2021. The 91-day Treasury Bills rate was at 7.0 percent in October 2021 compared to 6.5 percent in October 2020. Over the same period, the 182-day Treasury Bills rate increased to 7.4 percent from 6.9 percent while the 364-day also increased to 8.3 percent from 7.8 percent. The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate remained stable at 12.1 percent in August 2021 compared to 11.9 percent in August 2020 while the average deposit rates declined from 6.6 percent to 6.3 percent over the same period. This led to an increase in the average interest rate spread by 0.5 percentage points over the review period
- 32 Net Foreign Assets (NFA) of the banking system in the year to September 2021 contracted by 11.7 percent, compared to a contraction of 10.3 percent in the year to September 2020. The decline in NFA of the Central Bank was largely due to scheduled debt service and other central bank operations. The NFA of commercial banks also declined during the review period as a result of a decrease in deposits abroad.
- 33 Meanwhile, Net Domestic Assets (NDA) registered a growth of 13.6 percent in the year to September 2021, a decline compared to a growth of 17.3 percent over a similar period in 2020. This moderation mainly reflected a slowdown in net lending to government resulting from a reduced utilization of Government deposits at the Central Bank of Kenya. Net credit flows to the private sector and other public sectors improved during the review period.
- 34 Private sector credit improved to a growth of 7.7 percent in the 12 months to September 2021 compared to a growth of 7.6 percent in the year to September 2020. All economic sectors, except mining and quarrying, registered positive credit growth rates reflecting improved demand as economic activities picked up in the first three quarters of 2021. Strong credit growth was mainly observed in consumer durables (17.6 percent); finance and insurance (11.7 percent); transport and communication (10.9 percent); manufacturing (9.8 percent) and business services (7.6 percent).

- 35 The Credit Guarantee Scheme for the vulnerable Micro, Small and Medium Enterprises (MSMEs) that was launched in October 2020, continues to de-risk lending by commercial banks and is critical to increasing credit flow to the sector.
- 36 The overall balance of payments position declined to a deficit of USD 107.6 million (0.1 percent of GDP) in the year to August 2021 from a surplus of USD 989.5 million (1.0 percent of GDP) in the year to August 2020. This was mainly due to a decline in receipts from services despite an improvement in the capital and financial accounts.
- 37 The current account remained stable in the year to August 2021. The current account deficit was at USD 5,707.3 million (5.2 percent of GDP) compared to USD 4,975.6 million (4.8 percent of GDP) in the year to August 2020 (Table 1.5). The current account balance was supported by an improvement in the net primary income balance and the net secondary income balance.
- 38 The balance in the merchandise account reduced by USD 979.9 million to a deficit of USD 10,069.7 million in the year to August 2021 mainly due to increased payments on imports despite an improvement in the export earnings (Table 3). In the year to August 2021, exports grew by 9.9 percent primarily driven by increased receipts from exports of horticulture and manufactured goods. On the other hand, imports of goods increased by 10.4 percent in the year to August 2021 mainly reflecting increases in imports of oil and other intermediate goods.
- 39 Net receipts on the services account declined by USD 577.4 million to USD 143.3 million in the year to August 2021 compared to USD 720.8 million in a similar period in 2020 mainly on account of lower receipts from transport and travel services. The balance on the primary account improved by USD 151.6 million to a deficit of USD 1,440.5 million in the year to August 2021, due to lower reinvestment related outflows. Secondary income inflows remained resilient and increased by USD 674.0 million during the review period supported by remittances.
- 40 The capital account balance improved by USD 278.3 million and registered a surplus of USD 412.2 million in the year to August 2021. Net financial inflows also improved to USD 5,923.5 million in August 2021 compared to USD 4,157.9 million in August 2020. The net financial inflows were mainly in the form of other investments, portfolio investments and financial derivatives. Direct investments recorded net financial outflows during the same period.
- 41 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 1.11). 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.

- 42 Activity in the capital markets improved in October 2021 compared to October 2020, with equity share prices increasing as shown by the NSE 20 Share Index. The NSE 20 Share Index stood at 1,960 points by end of October 2021, an increase compared to 1,784 points by end October 2020. Market capitalization also increased to Ksh. 2,775 billion from Ksh. 2,150 billion over the same period indicating increased trading activities.

### **2.1.3 National Fiscal Overview**

- 43 Budget execution in the first three months of FY 2021/22 progressed well. Revenues recorded positive growth rates to reflect improvement in business environment, impact of reversal of some tax relief measures effected in January 2021, tax policy measures and enhanced revenue administration by the Kenya Revenue Authority. Revenues are expected to progressively improve in the rest of the fiscal year following the reopening of the economy, uptake of the COVID-19 vaccine and the increased demand for imports as well as improved domestic sales. Revenue targets for the FY 2021/22 are also expected to be achieved considering the performance in the first quarter.
- 44 The Government has embarked on expenditure rationalization and prioritization to ensure that expenditures are on the most impactful programmes that yield the highest welfare benefits to Kenyans

#### **Revenue Performance**

- 45 Revenue collection to September 2021 grew by 33.7 percent compared to a contraction of 10.0 percent in September 2020. This growth is attributed to the improved business environment following the reopening of the economy and ease on measures put in place to contain the spread of the COVID-19 pandemic. As at end September 2021, the cumulative total revenue inclusive of Ministerial Appropriation in Aid (AiA) was Ksh 506.3 billion against a target of Ksh 480.3 billion. This performance was Ksh. 26.0 billion above the set target.
- 46 Ordinary revenue to September 2021 recorded a growth of 29.0 percent compared to a 10.9 percent in September 2020. This growth was recorded in all broad categories of ordinary revenue. Specifically; Income tax grew by 29.2 percent, Value Added Tax (VAT) by 44.9 percent, Excise taxes by 23.4 percent and import duty by 16.8 percent. In nominal terms, ordinary revenue collection to September 2021 was Ksh 441.8 billion against a target of Ksh. 425.1 billion. This performance was Ksh. 16.7 billion above the target.
- 47 Ministerial A-I-A inclusive of the Railway Development Levy was Ksh 64.5 billion against a target of Ksh 55.2 billion reflecting timely reporting of SAGAs AiA. Ministerial AIA revenue, recorded 78.7 percent growth for the period ending

September 2021 compared to a contraction of 1.9 percent over a similar period in 2020.

### **Expenditure performance**

- 48 Total expenditure and net lending for the period ending September 2021 was Ksh 631.7 billion which was below the projected amount by Ksh 34.7 billion. Recurrent spending amounted to Ksh 453.7 billion while development expenditures amounted to Ksh 117.0 billion. Transfer to County Governments amounted to Ksh. 61.1 billion.
- 49 Recurrent spending was above the projected target by Ksh 5.0 billion mainly on account of higher than targeted expenditures on domestic interest payments and on operation and maintenance.
- 50 Development expenditure was below target by Ksh 7.8 billion on account of below target disbursements to foreign financed programmes by Ksh 23.5 billion signalling continued challenges with absorption of externally financed projects as well as the effects of the COVID-19 pandemic. Disbursements to domestically financed programmes on the other hand, were above target by Ksh 16.4 billion reflecting accelerated absorption in the first quarter of the financial year.
- 51 Fiscal operations of the Government by end of September 2021 resulted in an overall deficit, including grants of Ksh 111.9 billion against a projected deficit of Ksh 174.9 billion. This deficit was financed through net domestic borrowing of Ksh 140.0 billion and net foreign repayment of Ksh 28.2 billion.

## 2.2 County Economic and Fiscal Overview

### 2.2.1 County Economic Overview

52 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.

53 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

54 The revised Approved Budget under supplementary I for the Financial Year 2021/22 amounts to Kshs. 6,367,840,135 with Kshs. 4,169,531,080 (65.5percent) allocated for Recurrent Expenditure and Kshs. 2,198,309,055 (34.5 percent) for Development Expenditure.

#### 2.2.2.1 County Revenue Analysis

55 To be able to finance the budget for the Financial Year 2021/22, the County Government is expected to receive total revenue of Kshs. 6,367,840,135 whose breakdown is as shown in the table 2 below.

**Table 2: 2021/22 Supplementary 1 Expected Revenue**

<b>REVENUE</b>	<b>Approved Estimates for FY 2021/2022</b>	<b>Approved Supplementary 1 for FY 2021/22</b>	<b>%</b>
<b>EQUITABLE SHARE</b>	<b>4,710,388,265</b>	<b>4,710,388,265</b>	73.97%
General Provisions (Equitable Share)	4,710,388,265	4,710,388,265	73.97%
<b>CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT</b>	<b>68,000,000</b>	<b>68,000,000</b>	1.07%
Funds Received from Road Maintenance Levy Fund			0.00%
Supplement for Construction of County Headquarters	68,000,000	68,000,000	1.07%
<b>CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS</b>	<b>617,731,369</b>	<b>597,286,901</b>	9.38%
Current Grants from Foreign Governments Danida	9,396,750	9,396,750	0.15%
World Bank Loan for Transforming Health Systems for Universal Care Project	25,534,815	25,534,815	0.40%
World Bank Loan for Transforming Health Systems for	20,444,468		0.00%

<b>REVENUE</b>	<b>Approved Estimates for FY 2021/2022</b>	<b>Approved Supplementary 1 for FY 2021/22</b>	<b>%</b>
Universal Care Project B/F 2020/2021			
UNFPA	8,864,000	8,864,000	0.14%
Climate Smart Agricultural Project	330,699,130	330,699,130	5.19%
KDSP	120,374,189	120,374,189	1.89%
World bank – emergency locust response	76,030,667	76,030,667	1.19%
Sweden Agricultural Sector Development Support Programme (ASDSP)	26,387,350	26,387,350	0.41%
<b>CBK County Revenue Fund 1000171715</b>		<b>554,044,219</b>	<b>8.70%</b>
CBK County Revenue Fund 1000171716 KDSP			0.00%
CBK County Recurrent 1000171405		488,304	0.01%
CBK County Development 1000171367		1,188,967	0.02%
CBK Isiolo County Health Services 1000270721		29,023,493	0.46%
CBK Isiolo County Fuel Levy 1000293427		3,384,424	0.05%
CBK Isiolo County Village Poly Proj 1000369377		4,892,403	0.08%
CBK Isiolo County AGR SEC DEV S.PRG II 1000371307		17,110,983	0.27%
CBK Isiolo County Kenya Climate Smart Agr 1000371315		137,488,832	2.16%
CBK Isiolo County Urban Development 1000392266		101,147,532	1.59%
CBK Isiolo County Urban Institutional 1000392274		255,182	0.00%
CBK Isiolo County Livestock Support 1000392298		243,151	0.00%
Isiolo County KDSP Account 1000426845		29,211,140	0.46%
Sub - Total		878,478,632	13.80%
<b>GROSS COUNTY EXTERNAL REVENUE ESTIMATES</b>	<b>5,396,119,634</b>	<b>6,254,153,798</b>	<b>98.21%</b>
<b>INTERNAL COUNTY OWN REVENUE ESTIMATES</b>	<b>113,686,337</b>	<b>113,686,337</b>	<b>1.79%</b>
<b>GROSS COUNTY REVENUE ESTIMATES</b>	<b>5,509,805,971</b>	<b>6,367,840,135</b>	<b>100.00%</b>

56 The total revised budget under supplementary 1 revenue estimate for fiscal year 2021/22 is Kshs. 6,367,840,135 that includes Kshs. 113,686,337 from local revenue sources, Kshs. 4,710,388,265 from equitable share, Kshs. 68,000,000 from additional Conditional Allocations from the National Government (supplement for construction of county head quarters), and Kshs. 597,286,901 from Conditional Allocation from development partners from loans and grants to County Government (includes Ksh 9,396,750 from Danida, Ksh. 25,534,815- World Bank Loan for transforming Universal care project, Ksh. 8,864,000 from UNFPA, Ksh. 330,699,130 for climate Smart Agriculture Project, Ksh. 120,374,189 from Kenya Devolution Support Programme (KDSP), Ksh. 76,030,667- World Bank- emergency locust response and Ksh 26,387,350 from ASDSP. The balance from financial year 2020/21 was Ksh. 878,478,632.

### **Revenue Received from exchequer as at 31st December 2021**

57 In the first half of financial year 2021/22, the County had receipts of Ksh. 2,884,759,893 comprising of Ksh. 1,954,811,131 from the equitable share, Ksh. 51,470,413 local revenue and a balance brought forward of Kshs. 878,478,632 from financial year 2020/21. 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 2021/22.

**Table 3: Direct Transfers from National Government**

<b>REVENUE SOURCE</b>	<b>Approved Estimates for FY 2021/2022</b>	<b>Approved Supplementary 1 for FY 2021/22</b>	<b>Actual Cumulative receipts</b>
<b>EQUITABLE SHARE</b>	<b>4,710,388,265</b>	<b>4,710,388,265</b>	<b>1,954,811,131</b>
General Provisions (Equitable Share)	4,710,388,265	4,710,388,265	1,954,811,131
<b>CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT</b>	<b>68,000,000</b>	<b>68,000,000</b>	
Supplement for Construction of County Headquarters	68,000,000	68,000,000	
<b>CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS</b>	<b>617,731,369</b>	<b>597,286,901</b>	
Current Grants from Foreign Governments Danida	9,396,750	9,396,750	
World Bank Loan for Transforming Health Systems for Universal Care Project	25,534,815	25,534,815	
World Bank Loan for Transforming Health Systems for Universal Care Project B/F 2020/2021	20,444,468		
UNFPA	8,864,000	8,864,000	
Climate Smart Agricultural Project	330,699,130	330,699,130	
KDSP	120,374,189	120,374,189	
World bank – emergency locust response	76,030,667	76,030,667	
Sweden Agricultural Sector Development Support Programme (ASDSP)	26,387,350	26,387,350	
<b>CBK County Revenue Fund 1000171715</b>		<b>554,044,219</b>	<b>554,044,219</b>
CBK County Recurrent 1000171405		488,304	488,304
CBK County Development 1000171367		1,188,967	1,188,967
CBK Isiolo County Health Services 1000270721		29,023,493	29,023,493
CBK Isiolo County Fuel Levy 1000293427		3,384,424	3,384,424
CBK Isiolo County Village Poly Proj 1000369377		4,892,403	4,892,403
CBK Isiolo County AGR SEC DEV S.PRG II 1000371307		17,110,983	17,110,983
CBK Isiolo County Kenya Climate Smart Agr 1000371315		137,488,832	137,488,832
CBK Isiolo County Urban Development 1000392266		101,147,532	101,147,532
CBK Isiolo County Urban Institutional 1000392274		255,182	255,182
CBK Isiolo County Livestock Support 1000392298		243,151	243,151
Isiolo County KDSP Account 1000426845		29,211,140	29,211,140
Sub - Total		878,478,632	878,478,632
<b>GROSS COUNTY EXTERNAL REVENUE ESTIMATES</b>	<b>5,396,119,634</b>	<b>6,254,153,798</b>	<b>2,833,289,763</b>
<b>INTERNAL COUNTY OWN REVENUE ESTIMATES</b>	<b>113,686,337</b>	<b>113,686,337</b>	<b>51,470,130</b>
<b>GROSS COUNTY REVENUE ESTIMATES</b>	<b>5,509,805,971</b>	<b>6,367,840,135</b>	<b>2,884,759,893</b>

Source: County Treasury

**2.2.2.2 Internal Revenue**

58 In the first half of financial year 2021/22, the County collected Ksh. 51,470,130 out of a half year target of Ksh. 56,843,168.5 with the largest revenue contributors being Game fees (59%). The collection for the first half of FY 2021/22 shows an overall shortfall of 9 percent from the set target. All revenue sources reflected a decline, and this is because of the negative effects of Covid –19 pandemic on the economy.



59 The table below provides a summary of the revenues received from the various streams during the first half of the financial year 2021/22 against their set targets.

**Table 4: Local Revenue Collection Performance in the First half year of FY 2021/22**

No	Revenue Source	Target	Actual Receipt	Percentage of half year target
1	Plot application/Transfer/Sub Division	900,000	676,500	75%
2	Land Rent/Rates – current	3,500,000	1,206,589	34%
3	Penalties Rent/Rates	600,000	39,088	7%
4	Land Rent/Rates – Arreas	3,000,000	3,069,447	102%
5	Livestock Auction	2,094,497	1,859,855	89%
6	Sand Cess	5,000,000	2,176,000	44%
7	Barter/Murram/Audit/fire charge	1,618,776	143,450	9%
8	Miraa export/cess	2,009,078	2,440,050	121%
9	S.B.P fees	4,250,000	1,118,355	26%
10	Promotion, Advertisement/branding	600,000		0%
11	Liquor licence	1,900,000		0%
12	Public works/other charges	250,000		0%
13	Stand Premium/consent and clearance	100,000	190,000	190%
14	Lease extension	100,000		0%
15	Livestock Veterinary	800,000	268,475	34%
16	Weight and Measures	250,000	27,100	11%
17	Public Inspection - Public Health	750,000	131,775	18%
18	Tractor Hire	400,000		0%
19	Agriculture Training Centre	150,000		0%
20	Game entrance/Royalties	21,416,618	30,198,925	141%
21	Market Stalks/Fee and Produce	600,000	1,078,800	180%
22	Street parking fees	2,740,000	2,514,534	92%
23	Hospital cost sharing	2,450,000	3,527,730	144%
24	Slaughter fees	1,000,000	788,940	79%
25	Building plan approval/bill and sign board	614,201	14,800	2%
	<b>TOTAL</b>	<b>56,843,168.5</b>	<b>51,470,413</b>	<b>91%</b>

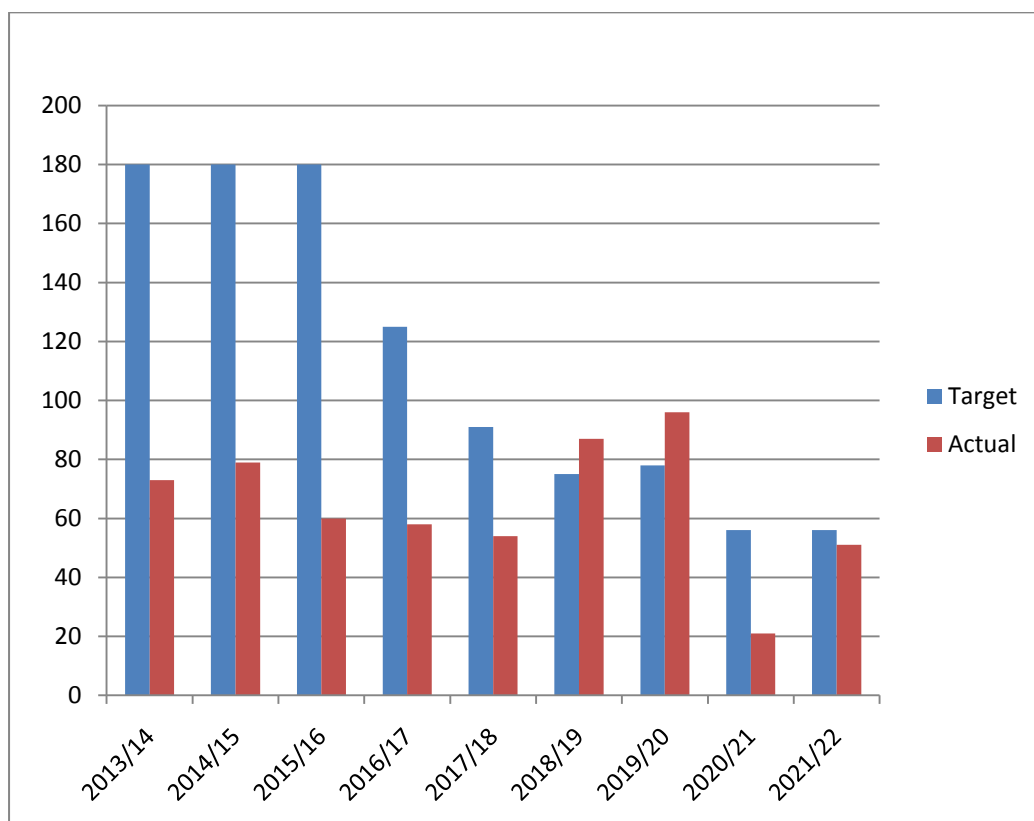
Source: County Treasury, 2022

### Analysis of performance of local revenue in the first half of FY 2013/14 to first half of FY 2021/22 (in Ksh. Millions)

**Table 5: Half year OSR performance FY 2013/13 to FY 2021/22**

Revenue Source	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Target</b>	180	180	180	125	91	75	78	56	56
<b>Actual</b>	73	79	60	58	54	87	96	21	51

## HALF YEAR OWN SOURCE REVENUE PERFORMANCE FROM FY 2013/14 TO FY 2021/22



**Figure 1: Half Year Local Revenue Performance from FY 2013/14 to FY 2021/22**

60 The table below shows a detailed half year performance of local revenue per revenue stream for the FY 2020/21 and 2021/22.

**Table 6: Comparison of Local Revenue Collection Performance for the First half of FY 2020/21 and 2021/22**

Revenue Source	Actual Receipts in the first half of 2020/21 (Ksh.)	Actual Receipts in the first half of 2021/22 (Ksh.)	Deviation
Plot application/Transfer/Sub Division	645,050	676,500	31,450
Land Rent/Rates – current	1,234,324	1,206,589	-27,735
Penalties Rent/Rates	270,492	39,088	-231,404
Land Rent/Rates – Arreas	1,304,654	3,069,447	1,764,793
Livestock Auction	1,904,010	1,859,855	-44,155
Sand Cess	4,221,400	2,176,000	-2,045,400
Barter/Murram/Audit/fire charge	0	143,450	143,450
Miraa export/cess	1,662,600	2,440,050	777,450
S.B.P fees	980,820	1,118,355	137,535
Promotion, Advertisement/branding	12,000		-12,000
Liquor licence	0		0
Public works/other charges	65,700		-65,700
Stand Premium/consent and clearance	20,000	190,000	170,000
Lease extension	0		0
Livestock Veterinary	280,165	268,475	-11,690
Weight and Measures	9,600	27,100	17,500
Public Inspection - Public Health	122,109	131,775	9,666
Tractor Hire	104,250		-104,250
Agriculture Training Centre	40,890		-40,890

Revenue Source	Actual Receipts in the first half of 2020/21 (Ksh.)	Actual Receipts in the first half of 2021/22 (Ksh.)	Deviation
Game entrance/Royalties	3,781,689	30,198,925	26,417,236
Market Stalks/Fee and Produce	715,900	1,078,800	362,900
Street parking fees	1,508,655	2,514,534	1,005,879
Hospital cost sharing	1,893,926	3,527,730	1,633,804
Slaughter fees	636,120	788,940	152,820
Building plan approval/bill and sign board	35,520	14,800	-20,720
<b>Grand Total</b>	<b>21,449,874</b>	<b>51,470,413</b>	<b>30,020,539</b>

Source: County Treasury, 2022

### 2.2.3 County Expenditure Analysis

61 The County spent a total of Ksh. 1,528,485,053 during the first half of financial year 2021/22 against a revised annual approved budget of Ksh. 6,367,840,135 which represents an absorption rate of 24% percent of the total budget and a 7 percent increase from the performance in a similar period in FY 2020/21. The total expenditure in a similar period in FY 2020/21 was Ksh. 1,431,854,683.

62 A total of Ksh 1,121,835,481 was spent on recurrent activities in the first half of financial year 2021/22. The recurrent expenditure for the period under review represented 33 percent of the approved supplementary 1 recurrent budget, a decrease of 5% compared to a similar period in financial year 2020/21. Development expenditure recorded an absorption rate of 19 percent (Ksh.406,649,572), an increment from 61 percent from the amount spent in a similar period of financial year 2020/21.(i.e. development expenditure in the first half of FY 2020/21 was Ksh 253,248,848)

#### 2.2.3.1 Recurrent Expenditure Analysis

The total recurrent expenditure during the review period (first half of the financial year 2021/22) was Ksh. **1,121,835,481** against a half year recurrent budget of Ksh. **2,084,765,540** representing absorption rate of **54%** percent. The county absorbed 29.9% of the annual recurrent budget and this reflected under absorption of 46% in the first half of the FY 2021/22 caused by delays in procurement of goods and services and release of funds by the exchequers. 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 2021/22**

Department	Approved Recurrent Budget for half Year FY 2021/22	Revised Budget (Supp 1)	Half Year Revised Budget (Supp 1)	Half Year Actual Recurrent Expenditure for FY 2021/22	Absorption Rate (%)
County Assembly	448,252,680	448,252,680	224,126,340	187,354,389	84%
Governor,Office	302,040,316	307,646,808	153,823,404	103,361,570	67%
CPSB	58,639,215	59,706,625	29,853,313	22,869,732	77%
Deputy governor	25,000,000	25,000,000	12,500,000	1,218,168	10%

Department	Approved Recurrent Budget for half Year FY 2021/22	Revised Budget (Supp 1)	Half Year Revised Budget (Supp 1)	Half Year Actual Recurrent Expenditure for FY 2021/22	Absorption Rate (%)
county secretary	24,692,234	31,127,905	15,563,953	5,121,089	33%
Delivery unit	22,204,882	19,704,882	9,852,441	7,205,392	73%
Finance and Economic Planning	156,127,379	259,119,776	129,559,888	23,367,053	18%
Economic Planning	55,836,173	65,263,933	32,631,967	12,080,790	37%
Special Programmes and ICT	43,992,850	254,303,285	127,151,643	4,035,500	3%
Cohesion	54,663,959	70,139,535	35,069,768	14,980,800	43%
Lands and Physical Planning	24,873,199	28,766,821	14,383,411	3,185,795	22%
Roads and Infrastructure	16,016,000	18,250,840	9,125,420	1,989,800	22%
Public Works and Housing	22,751,268	24,132,288	12,066,144	809,815	7%
Agriculture	50,013,358	50,748,528	25,374,264	1,514,808	6%
Livestock & Fisheries	121,437,775	141,182,475	70,591,238	2,618,102	4%
Education and Vocational Training	201,898,884	239,606,884	119,803,442	67,815,588	57%
Youth and Sports	30,331,991	35,024,991	17,512,496	13,757,326	79%
Culture and Social Service	20,884,319	21,374,319	10,687,160	1,413,503	13%
Tourism and Wildlife	130,781,330	233,605,944	116,802,972	10,733,300	9%
Trade	28,106,543	60,935,150	30,467,575	3,416,730	11%
PSM	178,273,224	242,657,578	121,328,789	31,545,424	26%
Administration	12,924,615	11,664,530	5,832,265	0	0%
Water and Sanitation	64,377,162	101,570,612	50,785,306	20,289,439	40%
Energy, Environment and Natural Resource	23,381,772	39,829,941	19,914,971	719,100	4%
Health Services	1,198,860,235	1,308,924,396	654,462,198	573,614,173	88%
Municipal Administration	57,410,772	70,990,354	35,495,177	6,818,095	19%
<b>Total</b>	<b>3,373,772,135</b>	<b>4,169,531,080</b>	<b>2,084,765,540</b>	<b>1,121,835,481</b>	<b>54%</b>

Source: County Treasury, 2022

### 2.2.3.2 Development Expenditure Analysis

63 The total development expenditure during the review period (first half of the financial year 2021/22) was 406,649,572 against a total year budget of Ksh 2,198,309,055 representing an annual absorption rate of 18 percent and 37 % of the projected half year budget caused by delays in procurement of development projects and releases of funds by the exchequers. The table below provides the analysis of development expenditure during the first half of the financial year 2021/22.

**Table 8: Departmental Development Expenditure Analysis for the first half of the FY 2021/22**

Department	Approved Development Budget for half Year FY 2021/22	Half Year Revised Budget (Supp 1)	Half Year Actual Development Expenditure for FY 2021/22	Absorption Rate (%)
County Assembly	80,000,000	51,000,000		0%
Governor,Office	-	-	-	
CPSB	-	-	-	
Deputy governor	-	-	-	
county secretary	-	-	-	
Delivery unit		-		
Finance and Economic Planning	638,894,189	229,687,095	115,407,467	50%
Economic Planning	-	-		
Special Programmes and ICT	110,000,000	55,000,000	11,490,000	21%
Cohesion	40,000,000	-	-	
Lands and Physical Planning	12,400,000	11,376,911	2,400,000	21%
Roads and Infrastructure	155,500,000	59,392,338	-	0%
Public Works and Housing	3,500,000	-	-	
Agriculture	441,117,147	293,858,481	77,110,983	26%
Livestock & Fisheries	52,544,000	35,065,576	15,475,000	44%
Education and Vocational Training	23,000,000	13,128,082	3,316,919	25%
Youth and Sports	100,000,000	67,487,500	31,283,856	46%
Culture and Social Service	14,000,000	15,850,000	1,903,000	12%
Tourism and Wildlife	15,000,000	5,000,000	-	0%
Trade	2,500,000	1,250,000	-	0%
PSM	7,000,000	6,117,259		0%
Administration		-		
Water and Sanitation	87,791,804	76,112,584	77,335,434	102%
Energy, Environment and Natural Resource	39,806,983	21,903,370		0%
Health Services	163,943,283	68,364,792	70,926,913	104%
Municipal Administration	149,036,430	88,560,541	-	0%
<b>Total</b>	<b>2,136,033,836</b>	<b>1,099,154,527</b>	<b>406,649,572</b>	<b>37%</b>

Source: County Treasury, 2022

- 64 Going forward the county needs to first track the implementation of the budget especially Development Projects by:
- i. Carrying out prefeasibility studies of projects, acquisition of sites, having approved Bill of quantities and any other things that may delay the project implementation.
  - ii. Establishment of project implementation committees
  - iii. Seeking technical expertise aid from other government agencies

## **CHAPTER THREE**

### **FORWARD ECONOMIC AND FISCAL DEVELOPMENTS**

#### **3.1 Global Economic Outlook and Fiscal Development**

- 65 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.
- 66 Global growth is expected to moderate to 3.4 percent over the medium term reflecting projected damage to supply potential and forces that preceded the pandemic, including slower labour force growth due to aging population in advanced economies and some emerging market economies. The emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses.
- 67 The Sub-Saharan African region has not been spared the negative effects of the pandemic with the region estimated to have contracted by 1.8 percent in 2020. Consistent with forecast in other regions, economic growth in the region is expected to recover to 3.4 percent in 2021 and 4.1 percent in 2022 supported by improved exports and commodity prices along with a recovery in both private consumption and investment. However, per capita output is not expected to return to 2019 levels until after 2022.

#### **3.2 National Forward Economic and Fiscal Development**

- 68 Like the rest of the world, the domestic economy was not spared from the adverse impact of the Pandemic in 2020. As such, economic growth is estimated to have contracted to 0.3 percent in 2020. The economic growth is projected to bounce back to 6.0 percent in 2021 reflecting recovery due to reopening after the closure associated with the COVID-19 Pandemic. This also in part reflects the lower base in 2020 when most service sectors especially accommodation and restaurant, education as well transport services contracted in second and third quarters of 2020 with huge margins.
- 69 In terms of fiscal years, the economy is projected to expand by 2.9 percent in the FY 2020/21, 5.9 percent in FY 2021/22 and 6.1 percent in FY 2025/26. This outlook will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda and Economic Recovery Strategy. Weather conditions are expected to be favorable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes. These factors will push up consumer demand and

increase both public and private sector investment reinforcing the projected growth. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) of the Vision 2030

### **3.3 County Forward Economic and Fiscal Development**

70 Broad strategic priorities and policy are specified in the CFSP that will guide the County Government in the preparation of the budget for FY 2022/23 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.

71 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**

72 The County Government is expected to receive total revenue of Ksh. 5,433,510,259 in the financial year 2022/2023. Whose breakdown are as follows:

- i. National Equitable share Ksh 4,710,388,265
- ii. Conditional Grant from National Government transfers amounting to kshs 90,800,000 to supplement construction of county head quarters
- iii. The County is further expected to receive grants and loans worth Ksh.518,635,657 from development partners. This will comprise of a Danida grant of Ksh. 8,937,800, Ksh. 330,699,130 from climate smart agriculture project, Ksh. 44,469,550- World bank Emergency Locust response and Ksh. 9,529,177 from ASDP.
- iv. Local Revenue is however projected at Ksh. 113,686,337
- v. Medical equipment worth Ksh.110,638,298 which is deducted at source and therefore not included as revenue to the county.

73 The table below provides a summary of the revenue projections.

**Table 9: Summary of Revenue Projections for FY 2022/23**

<b>REVENUE SOURCE</b>	<b>REVENUE ESTIMATES FOR FY 2022/2023</b>	<b>PERCENTAGE</b>
<b>EXTERNAL REVENUE ESTIMATES</b>		
<b>EQUITABLE SHARE</b>	<b>4,710,388,265</b>	<b>87%</b>
General Provisions (Equitable Share)	4,710,388,265	87%
<b>CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT</b>	<b>90,800,000</b>	<b>2%</b>
Supplement for Construction of County Headquarters	90,800,000	2%
<b>CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS</b>	<b>518,635,657</b>	<b>10%</b>
Current Grants from Foreign Governments Danida	8,937,800	0.2%
Climate Smart Agricultural Project	330,699,130	6%
Financing locally led climate action	125,000,000	2%
World bank - emergencylocust response	44,469,550	1%
Sweden Agricultural Sector Development Support Programme (ASDSP)	9,529,177	0%
<b>GROSS COUNTY EXTERNAL REVENUE ESTIMATES</b>	<b>5,319,823,922</b>	<b>98%</b>
<b>INTERNAL COUNTY OWN REVENUE ESTIMATES</b>	<b>113,686,337</b>	<b>2%</b>
<b>GROSS COUNTY REVENUE ESTIMATES</b>	<b>5,433,510,259</b>	<b>100%</b>

*Source: Budget Policy Statement, 2022 and draft county grants bill 2022*



## **CHAPTER FOUR STRATEGIC PRIORITIES AND INTERVENTIONS**

### **4.1 Overview**

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

#### **4.1.1 Livestock Management and Crop Productivity**

75 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.

76 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).

77 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.

78 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**

- 79 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.
- 80 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.
- 81 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**

- 82 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.
- 83 The budget for financial year 2022/23 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**

84 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**

85 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.

86 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**

87 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**

88 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**

89 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.

90 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**

91 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**

92 The County Assembly will continue to concentrate on development of county assembly chamber.

#### **4.2 CIDP Enablers 2018 – 2022**

93 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.

94 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.

95 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.

96 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.

97 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.

98 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.

99 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.

100As 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.

## **CHAPTER FIVE FISCAL POLICY AND BUDGET FRAMEWORK**

101 This section presents consolidated fiscal policies and framework for FY 2022/2023 and MTEF; and measures the County Government will take in budget allocation.

### **5.1 County Fiscal Policy**

102 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.

103 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.

104 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.

105 The County's fiscal policy for the FY 2022/23 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; and
- v. Productivity reforms of the public sector to improve value for money in service delivery.

## **5.2 County Fiscal Framework**

106 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.

107 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**

108 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.

109 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.

110 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.

111 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**

112 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.

113 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.

114 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).

115 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 2022/23**

116 The budget framework for financial year 2022/23 targets strategic priorities outlined in the ADP for financial year 2022/23 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**

117 The total revenue projection estimate for the financial year 2022/23 is Kshs 5,433,510,259. This is in line with figures provided in the County Allocation of revenue bill and the draft County grants bill. The figures will be amended once the acts are enacted. Currently the county grants bill which was supposed to guide the distribution of grants for financial year 2021/22 has not been passed yet. We anticipate a late release of the grants into the county revenue fund and this will greatly affect absorption of the funds.

#### **5.3.2 Expenditure Forecasts**

118 To fully implement the expenditure forecast by sectors for the financial year 2022/23, the expenditure forecast for priority programmes in the financial year 2022/23 stands at Ksh. 5,433,510,259 comprising of a recurrent expenditure forecast of Ksh 3,522,772,135 and development expenditure forecast of Ksh 1,910,738,124. Both recurrent and development expenditure forecasts over the medium term are presented in table 10 and 11 respectively.

119 The resources that the County will require to implement priority programmes in the Annual Development Plan, 2021 will be partly met through the Medium-Term Expenditure Framework (MTEF) budget. The projected revenue target for the Financial Year 2022/23 is Ksh. 5,433,510,259 against the total sector expenditure projections of Ksh 5,433,510,259.

120 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, 2022/23 will largely depend on the goodwill of other development partners.

#### **5.3.2.1 Recurrent Expenditure Forecasts**

121 The table below provides the recurrent expenditure forecast by sectors over the medium term (Financial Year 2022/23 to Financial Year 2024/25).

**Table 10: Departmental Recurrent Expenditure Forecast for FY 2022/23 to 2024/25**

<b>DEPARTMENT</b>	<b>RECURRENT ESTIMATES FOR FY 2021/22</b>	<b>RECURRENT PROJECTION FOR FY 2022/23</b>	<b>RECURRENT PROJECTION FOR FY 2023/24</b>	<b>RECURRENT PROJECTION FOR FY 2024/25</b>
County Assembly	448,252,680	448,252,680	466,182,787	484,830,099
Governor,Office	302,040,316	300,040,316	312,041,929	324,523,606
CPSB	58,639,215	70,639,215	73,464,784	76,403,375
Deputy governor	25,000,000	24,692,234	25,679,923	26,707,120
county secretary	24,692,234	24,000,000	24,960,000	25,958,400
Delivery unit	22,204,882	22,204,882	23,093,077	24,016,800
Finance and Economic Planning	156,127,379	166,127,379	172,772,474	179,683,373
Economic Planning	55,836,173	59,836,173	62,229,620	64,718,805
Special Programmes and ICT	43,992,850	41,663,959	43,330,517	45,063,738
Cohesion	54,663,959	40,992,850	42,632,564	44,337,867
Lands and Physical Planning	24,873,199	23,873,199	24,828,127	25,821,252
Roads and Infrastructure	16,016,000	16,016,000	16,656,640	17,322,906
Public Works and Housing	22,751,268	22,751,268	23,661,319	24,607,771
Agriculture	50,013,358	55,013,358	57,213,892	59,502,448
Livestock & Fisheries	121,437,775	122,437,775	127,335,286	132,428,697
Education and Vocational Training	201,898,884	231,898,884	241,174,839	250,821,833
Youth and Sports	30,331,991	22,331,991	23,225,271	24,154,281
Culture and Social Service	20,884,319	20,884,319	21,719,692	22,588,479
Tourism and Wildlife	130,781,330	140,781,330	146,412,583	152,269,087
Trade	28,106,543	25,106,543	26,110,805	27,155,237
PSM	178,273,224	180,273,224	187,484,153	194,983,519
Administration	12,924,615	12,924,615	13,441,600	13,979,264
Water and Sanitation	64,377,162	61,377,162	63,832,248	66,385,538
Energy, Environment and Natural Resource	23,381,772	23,381,772	24,317,043	25,289,725
Health Services	1,198,860,235	1,307,860,235	1,360,174,644	1,414,581,630
Municipal Administration	57,410,772	57,410,772	59,707,203	62,095,491
<b>Total</b>	<b>3,373,772,135</b>	<b>3,522,772,135</b>	<b>3,663,683,020</b>	<b>3,810,230,341</b>

### 5.3.2.2 Development Expenditure Forecast

122 The table below provides the development Expenditure forecast over medium term (Financial Year 2022/23 to Financial Year 2024/25)

**Table 11: Departmental Development Expenditure Forecast for FY 2022/23 to 2024/25**

DEPARTMENT	DEVELOPMENT ESTIMATES FOR FY 2021/22	DEVELOPMENT PROJECTION FOR FY 2022/23	DEVELOPMENT PROJECTION FOR FY 2023/24	DEVELOPMENT PROJECTION FOR FY 2024/25
County Assembly	80,000,000	80,000,000	83,200,000	86,528,000
Governor,Office	-	0	-	-
CPSB	-	0	-	-
Deputy governor	-	0	-	-
county secretary	-	0	-	-
Delivery unit		0	-	-
Finance and Economic Planning	638,894,189	90,800,000	94,432,000	98,209,280
Economic Planning	-	10,000,000	10,400,000	10,816,000
Special Programmes and ICT	110,000,000	110,000,000	114,400,000	118,976,000
Cohesion	40,000,000	20,000,000	20,800,000	21,632,000
Lands and Physical Planning	12,400,000	62,400,000	64,896,000	67,491,840
Roads and Infrastructure	155,500,000	165,500,056	172,120,058	179,004,861
Public Works and Housing	3,500,000	7,000,000	7,280,000	7,571,200
Agriculture	441,117,147	441,117,147	458,761,833	477,112,306
Livestock & Fisheries	52,544,000	57,544,000	59,845,760	62,239,590
Education and Vocational Training	23,000,000	37,965,185	39,483,792	41,063,144
Youth and Sports	100,000,000	57,999,944	60,319,942	62,732,739
Culture and Social Service	14,000,000	24,242,945	25,212,663	26,221,169
Tourism and Wildlife	15,000,000	20,000,000	20,800,000	21,632,000
Trade	2,500,000	27,590,347	28,693,961	29,841,719
PSM	7,000,000	7,000,000	7,280,000	7,571,200
Administration		20,000,000	20,800,000	21,632,000
Water and Sanitation	87,791,804	137,791,804	143,303,476	149,035,615
Energy, Environment and Natural Resource	39,806,983	150,806,983	156,839,262	163,112,833
Health Services	163,943,283	199,943,283	207,941,014	216,258,655
Municipal Administration	149,036,430	183,036,430	190,357,887	197,972,203
<b>Total</b>	<b>2,136,033,836</b>	<b>1,910,738,124</b>	<b>1,987,167,649</b>	<b>2,066,654,355</b>

## 5.4 Risk Management

123 To ensure fiscal discipline, the County government will have a balanced budget in the Financial Year 2022/23. 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.

124 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**

<b>Risk</b>	<b>Impact</b>	<b>Mitigation</b>
<b>Pending bills</b>	Crippling the County Government's ability to deliver in subsequent financial years.	Implementing projects in a timely manner and adherence to budget lines
<b>Reduction in funding</b>	Inconsistent rate of infrastructural development in the County.	Enhanced resource mobilization from.
<b>Late Disbursement of Funds</b>	Increased county operating costs and accumulation of pending bills.	Prepare a procurement plan that is in sync with the cash flow.
<b>Inefficient Utilization of Resources</b>	Wastage and slow achievement of the county goals.	Full enforcement of existing Government assets management frameworks.
<b>Planning and Implementation Process Risks</b>	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.
<b>Procurement</b>	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.
<b>Accounting and Reporting Risks</b>	Internal audit oversight and accounting errors.	Skilled financial accounting staff with adequate supervision. Regular review of financial statements and approved selection of accounting policies.
<b>Technical Risks.</b>	Sub-standard quality of infrastructure and systems installation	Strengthening of the design and BQ section.
<b>Absorptive Risks</b>	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.
<b>Inadequate Legal Framework</b>	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.
<b>Change Management Risks</b>	Implementation of projects outside sector needs and duplication of projects.	Strengthening of the Sector Working Groups.
<b>Natural calamities</b>	Floods and famines resulting in reallocation of	Establishment of an emergency

<b>Risk</b>	<b>Impact</b>	<b>Mitigation</b>
	budget to accommodate the situation.	fund
<b>Court cases.</b>	Litigations and court injunctions may derail timely execution of the Budget.	Strict adherence to the provisions of the law and existing legal frameworks
<b>Political risks</b>	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**

- 125 The FY2022/23 budget and the Medium Term Budget Framework builds on the Isiolo County Governments effort to support economic recovery and mitigate against the adverse effects of the COVID-19 pandemic. This will be done by prioritizing implementation of programs outlined in the CIDP (2018-2022).
- 126 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.
- 127 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**

- 128 The resource envelope projections for the financial year 2022/23 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 2022 and the local revenue collection as per the County Finance Act.
- 129 All the conditional transfers from the National Government are included in the resource envelope for financial year 2022/23. 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 2022/23**

Revenue Source	Approved Estimates For FY 2021/2022	Approved Supplementary 1 For FY2021/22	Revenue Projection For FY 2022/23	Revenue Projection For FY 2023/24	Revenue Projection For FY2024/25
<b>EQUITABLE SHARE</b>	<b>4,710,388,265</b>	<b>4,710,388,265</b>	<b>4,710,388,265</b>	<b>4,898,803,796</b>	<b>5,094,755,947</b>
General Provisions (Equitable Share)	4,710,388,265	4,710,388,265	4,710,388,265	4,898,803,796	5,094,755,947
<b>CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT</b>	<b>68,000,000</b>	<b>68,000,000</b>	<b>90,800,000</b>	<b>90,800,000</b>	<b>94,432,000</b>
Supplement for Construction of County Headquarters	68,000,000	68,000,000	90,800,000	90,800,000	94,432,000
<b>CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS</b>	<b>617,731,369</b>	<b>597,286,901</b>	<b>518,635,657</b>	<b>539,381,083</b>	<b>560,956,327</b>
Current Grants from Foreign Governments Danida	9,396,750	9,396,750	8,937,800	9,295,312	9,667,124
World Bank Loan for Transforming Health Systems for Universal Care Project	25,534,815	25,534,815		-	-
World Bank Loan for Transforming Health Systems for Universal Care Project B/F 2020/2021	20,444,468			-	-
UNFPA	8,864,000	8,864,000		-	-
Climate Smart Agricultural Project	330,699,130	330,699,130	330,699,130	343,927,095	357,684,179
Financing Locally led climate action	-	-	125,000,000	130,000,000	135,200,000
Kenya Devolution Support Programme (KDSP) World bank	120,374,189	120,374,189		-	-
World bank - emergencylocust response	76,030,667	76,030,667	44,469,550	46,248,332	48,098,265
Sweden Agricultural Sector Development Support Programme (ASDSP)	26,387,350	26,387,350	9,529,177	9,910,344	10,306,758
balance b/f		878,478,632		-	-
<b>GROSS COUNTY EXTERNAL REVENUE ESTIMATES</b>	<b>5,328,119,634</b>	<b>6,254,153,798</b>	<b>5,319,823,922</b>	<b>5,532,616,879</b>	<b>5,753,921,554</b>
<b>INTERNAL COUNTY OWN REVENUE ESTIMATES</b>	<b>113,686,337</b>	<b>113,686,337</b>	<b>113,686,337</b>	<b>118,233,790</b>	<b>122,963,142</b>
<b>GROSS COUNTY REVENUE ESTIMATES</b>	<b>5,441,805,971</b>	<b>6,367,840,135</b>	<b>5,433,510,259</b>	<b>5,650,850,669</b>	<b>5,876,884,696</b>

Source: Budget Policy Statement, 2022

### 6.3 Proposed Resource Allocation Prioritization Criteria

130 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 40.1 percent of the resource envelope. This is due to non revenue growth accompanied by annual increments, promotions and new recruitments.
- (ii) **Operations and Maintenance:** These are resources available to sectors for basic operations and maintenance. This will account for about 24.9 percent of the non-discretionary expenditures.
- (iii) **Development Expenditure:** This will account for 35 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 2021, Annual Development plan.

131 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

132 In finalizing the preparation of the budget for the financial year 2022/2023, 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

133 The 2021/22 baseline estimates depicts the department's current spending levels. In the recurrent expenditure category, expenditures on compensation of employee's accounts for about 35 percent of the resource envelope and it take the first charge. Expenditure on operations and maintenance accounts for 29 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.

134 The 2022/23 projected estimates depict the department's current spending levels. In the recurrent expenditure category, expenditures on compensation of employee's accounts for about 40.1 percent of the resource envelope and it take the first charge.

Expenditure on operations and maintenance accounts for 24.9 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.

135 Table 14: Summary Basis for Setting of Ceilings Estimates

Sector	Sub Sector	Item Classification	Estimates Kshs	% of Total Budget	Estimates Kshs	% Total Budget
County Assembly	County Assembly	<b>Recurrent</b>	<b>448,252,680</b>	<b>8.17%</b>	<b>448,252,680</b>	8.25%
		Compensation to Employees	304,255,261	5.54%	304,255,261	5.60%
		Operations and Maintenance	143,997,419	2.62%	143,997,419	2.65%
		<b>Development</b>	<b>80,000,000</b>	<b>1.46%</b>	<b>80,000,000</b>	1.47%
		<b>Sub Total</b>	<b>528,252,680</b>	<b>9.62%</b>	<b>528,252,680</b>	9.72%
County Executive	Office of Governor	<b>Recurrent</b>	<b>300,040,316</b>	<b>5.47%</b>	<b>300,040,316</b>	5.52%
		Compensation to Employees	151,586,166	2.76%	151,586,166	2.79%
		Operations and Maintenance	148,454,150	2.70%	148,454,150	2.73%
		<b>Sub Total</b>	<b>300,040,316</b>	<b>5.47%</b>	<b>300,040,316</b>	5.52%
	CPSB	<b>Recurrent</b>	<b>70,639,215</b>	<b>1.29%</b>	<b>70,639,215</b>	1.30%
		Compensation to Employees	32,457,934	0.59%	32,457,934	0.60%
		Operations and Maintenance	38,181,281	0.70%	38,181,281	0.70%
		<b>Sub Total</b>	<b>70,639,215</b>	<b>1.29%</b>	<b>70,639,215</b>	1.30%
	County Secretary	<b>Recurrent</b>	<b>24,692,234</b>	<b>0.45%</b>	<b>24,000,000</b>	0.44%
		Compensation to Employees	9,958,213	0.18%	9,958,213	0.18%
		Operations and Maintenance	14,734,021	0.27%	14,041,787	0.26%
		<b>Sub Total</b>	<b>24,692,234</b>	<b>0.45%</b>	<b>24,000,000</b>	0.44%
	Deputy governor	<b>Recurrent</b>	<b>24,000,000</b>	<b>0.44%</b>	<b>24,692,234</b>	0.45%
		Compensation to Employees	8,576,298	0.16%	8,576,298	0.16%
		Operations and Maintenance	15,423,702	0.28%	16,115,936	0.30%
		<b>Sub Total</b>	<b>24,000,000</b>	<b>0.44%</b>	<b>24,692,234</b>	0.45%

Sector	Sub Sector	Item Classification	Estimates Kshs	% of Total Budget	Estimates Kshs	% Total Budget
	Delivery Unity	<b>Recurrent</b>	<b>22,204,882</b>	<b>0.40%</b>	<b>22,204,882</b>	0.41%
		Compensation to Employees	11,749,821	0.21%	11,749,821	0.22%
		Operations and Maintenance	10,455,061	0.19%	10,455,061	0.19%
		<b>Sub Total</b>	<b>22,204,882</b>	<b>0.40%</b>	<b>22,204,882</b>	0.41%
	<b>Total</b>	<b>441,576,647</b>	<b>8.04%</b>		0.00%	
Finance and Economic Planning and Special programme	Finance and Economic Planning	<b>Recurrent</b>	<b>166,127,379</b>	<b>3.03%</b>	<b>166,127,379</b>	3.06%
		Compensation to Employees	86,740,471	1.58%	86,740,471	1.60%
		Operations and Maintenance	79,386,908	1.45%	79,386,908	1.46%
		<b>Development</b>	<b>138,894,189</b>	<b>2.53%</b>	<b>90,800,000</b>	1.67%
		<b>Sub Total</b>	<b>305,021,568</b>	<b>5.56%</b>	<b>256,927,379</b>	4.73%
	Economic Planning	<b>Recurrent</b>	<b>59,836,173</b>	<b>1.09%</b>	<b>59,836,173</b>	1.10%
		Compensation to Employees	12,197,503	0.22%	12,197,503	0.22%
		Operations and Maintenance	47,638,670	0.87%	47,638,670	0.88%
		<b>Development</b>	<b>10,000,000</b>	<b>0.18%</b>	<b>10,000,000</b>	0.18%
		<b>Sub Total</b>	<b>69,836,173</b>	<b>1.27%</b>	<b>69,836,173</b>	1.29%
	Special Programmes and ICT	<b>Recurrent</b>	<b>41,663,959</b>	<b>0.76%</b>	<b>41,663,959</b>	0.77%
		Compensation to Employees	398,400	0.01%	398,400	0.01%
		Operations and Maintenance	41,265,559	0.75%	41,265,559	0.76%
		<b>Development</b>	<b>120,000,000</b>	<b>2.19%</b>	<b>110,000,000</b>	2.02%
		<b>Sub Total</b>	<b>161,663,959</b>	<b>2.95%</b>	<b>151,663,959</b>	2.79%
	Cohesion	<b>Recurrent</b>	<b>40,992,850</b>	<b>0.75%</b>	<b>40,992,850</b>	0.75%
		Compensation to Employees	924,000	0.02%	924,000	0.02%
		Operations and Maintenance	40,068,850	0.73%	40,068,850	0.74%
		<b>Development</b>	<b>40,000,000</b>	<b>0.73%</b>	<b>20,000,000</b>	0.37%
		<b>Sub Total</b>	<b>80,992,850</b>	<b>1.48%</b>	<b>60,992,850</b>	1.12%

Sector	Sub Sector	Item Classification	Estimates Kshs	% of Total Budget	Estimates Kshs	% Total Budget	
		<b>Total</b>	<b>617,514,550</b>	<b>11.25%</b>		0.00%	
<b>Lands, Physical Planning, Roads and public works</b>	<b>Lands and Physical Planning</b>	<b>Recurrent</b>	<b>21,873,199</b>	<b>0.40%</b>	<b>23,873,199</b>	0.44%	
		Compensation to Employees	11,753,929	0.21%	11,753,929	0.22%	
		Operations and Maintenance	10,119,270	0.18%	12,119,270	0.22%	
		<b>Development</b>	<b>22,400,000</b>	<b>0.41%</b>	<b>62,400,000</b>	1.15%	
		<b>Sub Total</b>	<b>44,273,199</b>	<b>0.81%</b>	<b>86,273,199</b>	1.59%	
	<b>Roads and Infrastructure</b>	<b>Recurrent</b>	<b>16,016,000</b>	<b>0.29%</b>	<b>16,016,000</b>	0.29%	
		Compensation to Employees	10,970,672	0.20%	10,970,672	0.20%	
		Operations and Maintenance	5,045,328	0.09%	5,045,328	0.09%	
		<b>Development</b>	<b>165,500,000</b>	<b>3.01%</b>	<b>165,500,056</b>	3.05%	
		<b>Sub Total</b>	<b>181,516,000</b>	<b>3.31%</b>	<b>181,516,056</b>	3.34%	
	<b>Public Works and Housing</b>	<b>Recurrent</b>	<b>20,751,268</b>	<b>0.38%</b>	<b>22,751,268</b>	0.42%	
		Compensation to Employees	11,788,218	0.21%	11,788,218	0.22%	
		Operations and Maintenance	8,963,050	0.16%	10,963,050	0.20%	
		<b>Development</b>	<b>7,000,000</b>	<b>0.13%</b>	<b>7,000,000</b>	0.13%	
		<b>Sub Total</b>	<b>27,751,268</b>	<b>0.51%</b>	<b>29,751,268</b>	0.55%	
			<b>Total</b>	<b>253,540,467</b>	<b>4.62%</b>		0.00%
	<b>Agriculture, livestock and Fishery</b>	<b>Agriculture</b>	<b>Recurrent</b>	<b>50,013,358</b>	<b>0.91%</b>	<b>55,013,358</b>	1.01%
			Compensation to Employees	43,555,786	0.79%	43,555,786	0.80%
			Operations and Maintenance	6,457,572	0.12%	11,457,572	0.21%
			<b>Development</b>	<b>461,117,147</b>	<b>8.40%</b>	<b>441,117,147</b>	8.12%
<b>Sub Total</b>			<b>511,130,505</b>	<b>9.31%</b>	<b>496,130,505</b>	9.13%	
<b>Livestock &amp; Fisheries</b>		<b>Recurrent</b>	<b>112,437,775</b>	<b>2.05%</b>	<b>122,437,775</b>	2.25%	
		Compensation to Employees	71,726,808	1.31%	101,726,808	1.87%	
		Operations and Maintenance	40,710,967	0.74%	20,710,967	0.38%	

Sector	Sub Sector	Item Classification	Estimates Kshs	% of Total Budget	Estimates Kshs	% Total Budget	
		<b>Development</b>	<b>57,544,000</b>	<b>1.05%</b>	<b>57,544,000</b>	1.06%	
		<b>Sub Total</b>	<b>169,981,775</b>	<b>3.10%</b>	<b>179,981,775</b>	3.31%	
		<b>Total</b>	<b>681,112,280</b>	<b>12.41%</b>		0.00%	
<b>Education, Vocational Training , Youth Sports and Gender</b>	<b>Education and Vocational Training</b>	<b>Recurrent</b>	<b>231,898,884</b>	<b>4.22%</b>	<b>231,898,884</b>	4.27%	
		Compensation to Employees	168,598,891	3.07%	168,598,891	3.10%	
		Operations and Maintenance	63,299,993	1.15%	63,299,993	1.16%	
		<b>Development</b>	<b>47,965,185</b>	<b>0.87%</b>	<b>37,965,185</b>	0.70%	
		<b>Sub Total</b>	<b>279,864,069</b>	<b>5.10%</b>	<b>269,864,069</b>	4.97%	
	<b>Youth and Sports</b>	<b>Recurrent</b>	<b>22,331,991</b>	<b>0.41%</b>	<b>22,331,991</b>	0.41%	
		Compensation to Employees	5,814,398	0.11%	5,814,398	0.11%	
		Operations and Maintenance	16,517,593	0.30%	16,517,593	0.30%	
		<b>Development</b>	<b>110,000,000</b>	<b>2.00%</b>	<b>57,999,944</b>	1.07%	
		<b>Sub Total</b>	<b>132,331,991</b>	<b>2.41%</b>	<b>80,331,935</b>	1.48%	
	<b>Culture and Social Service</b>	<b>Recurrent</b>	<b>27,884,319</b>	<b>0.51%</b>	<b>20,884,319</b>	0.38%	
		Compensation to Employees	19,087,736	0.35%	19,087,736	0.35%	
		Operations and Maintenance	8,796,583	0.16%	1,796,583	0.03%	
		<b>Development</b>	<b>24,000,000</b>	<b>0.44%</b>	<b>24,242,945</b>	0.45%	
		<b>Sub Total</b>	<b>51,884,319</b>	<b>0.95%</b>	<b>45,127,264</b>	0.83%	
			<b>Total</b>	<b>464,080,379</b>	<b>8.45%</b>		0.00%
	<b>Tourism and Trade</b>	<b>Tourism and Wildlife</b>	<b>Recurrent</b>	<b>130,781,330</b>	<b>2.38%</b>	<b>140,781,330</b>	2.59%
			Compensation to Employees	106,932,045	1.95%	106,932,045	1.97%
			Operations and Maintenance	23,849,285	0.43%	33,849,285	0.62%
			<b>Development</b>	<b>20,000,000</b>	<b>0.36%</b>	<b>20,000,000</b>	0.37%
<b>Sub Total</b>			<b>150,781,330</b>	<b>2.75%</b>	<b>160,781,330</b>	2.96%	
<b>Trade</b>		<b>Recurrent</b>	<b>25,106,543</b>	<b>0.46%</b>	<b>25,106,543</b>	0.46%	

Sector	Sub Sector	Item Classification	Estimates Kshs	% of Total Budget	Estimates Kshs	% Total Budget	
		Compensation to Employees	9,211,387	0.17%	9,211,387	0.17%	
		Operations and Maintenance	15,895,156	0.29%	15,895,156	0.29%	
		<b>Development</b>	<b>27,590,347</b>	<b>0.50%</b>	<b>27,590,347</b>	0.51%	
		<b>Sub Total</b>	<b>52,696,890</b>	<b>0.96%</b>	<b>52,696,890</b>	0.97%	
	<b>PSM</b>	<b>Recurrent</b>	<b>180,273,224</b>	<b>3.28%</b>	<b>180,273,224</b>	3.32%	
		Compensation to Employees	87,730,102	1.60%	87,730,102	1.61%	
		Operations and Maintenance	92,543,122	1.69%	92,543,122	1.70%	
		<b>Development</b>	<b>7,000,000</b>	<b>0.13%</b>	<b>7,000,000</b>	0.13%	
		<b>Sub Total</b>	<b>187,273,224</b>	<b>3.41%</b>		0.00%	
	<b>Administration</b>	<b>Recurrent</b>	<b>12,924,615</b>	<b>0.24%</b>	<b>12,924,615</b>	0.00%	
		Compensation to Employees	-	0		0.00%	
		Operations and Maintenance	12,924,615	0.24%	12,924,615	0.00%	
		<b>Development</b>	<b>40,000,000</b>	<b>0.73%</b>	<b>20,000,000</b>	0.00%	
		<b>Sub Total</b>	<b>52,924,615</b>	<b>0.96%</b>	<b>32,924,615</b>	0.00%	
		<b>Total</b>	<b>443,676,059</b>	<b>8.08%</b>	<b>12,924,615</b>	0.00%	
	<b>Water, Sanitation, Energy, Environment and Natural Resource</b>	<b>Water and Sanitation</b>	<b>Recurrent</b>	<b>60,377,162</b>	1.10%	61,377,162	1.13%
			Compensation to Employees	28,986,428	0.53%	34,537,216	0.64%
			Operations and Maintenance	31,390,734	0.57%	26,839,946	0.49%
			<b>Development</b>	<b>187,791,804</b>	<b>3.42%</b>	<b>137,791,804</b>	2.54%
			<b>Sub Total</b>	<b>248,168,966</b>	<b>4.52%</b>	<b>199,168,966</b>	3.67%
<b>Energy, Environment and Natural Resource</b>		<b>Recurrent</b>	<b>23,381,772</b>	<b>0.43%</b>	<b>23,381,772</b>	0.43%	
		Compensation to Employees	14,337,573	0.26%	14,337,573	0.26%	
		Operations and Maintenance	9,044,199	0.16%	9,044,199	0.17%	
		<b>Development</b>	<b>59,806,983</b>	<b>1.09%</b>	<b>150,806,983</b>	2.78%	
		<b>Sub Total</b>	<b>83,188,755</b>	<b>1.52%</b>	<b>174,188,755</b>	3.21%	

Sector	Sub Sector	Item Classification	Estimates Kshs	% of Total Budget	Estimates Kshs	% Total Budget
		<b>Total</b>	<b>331,357,721</b>	<b>6.04%</b>		0.00%
<b>Health Services</b>	<b>Health Services</b>	<b>Recurrent</b>	<b>1,287,860,235</b>	<b>23.46%</b>	<b>1,307,860,235</b>	24.07%
		Compensation to Employees	971,505,667	17.70%	971,505,667	17.88%
		Operations and Maintenance	316,354,568	5.76%	336,354,568	6.19%
		<b>Development</b>	<b>199,943,283</b>	<b>3.64%</b>	<b>199,943,283</b>	3.68%
		<b>Total</b>	<b>1,487,803,518</b>	<b>27.10%</b>	<b>1,507,803,518</b>	27.75%
<b>Municipal Administration</b>	<b>Municipal Administration</b>	<b>Recurrent</b>	<b>50,410,772</b>	<b>0.92%</b>	<b>57,410,772</b>	1.06%
		Compensation to Employees	22,272,000	0.41%	22,272,000	0.41%
		Operations and Maintenance	28,138,772	0.51%	35,138,772	0.65%
		<b>Development</b>	<b>190,036,430</b>	<b>3.46%</b>	<b>183,036,430</b>	3.37%
		<b>Total</b>	<b>240,447,202</b>	<b>4.38%</b>	<b>240,447,202</b>	4.43%
		<b>Grand total</b>	<b>5,489,361,503</b>	<b>100.00%</b>	<b>5,433,510,259</b>	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**

136 The departmental budget ceilings for financial year 2022/23 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.**

DEPT	FY 2021/22 APPROVED ESTIMATES			FY 2021/22 REVISED 1 ESTIMATES			FY 2022/23 CEILINGS			FY 2023/24 PROJECTION			FY 2023/24 PROJECTION		
	REC ESTIMATE S	DEVT ESTIMATE S	TOTAL ESTIMATE S	REC ESTIMATE S	DEVT ESTIMATES	TOTAL ESTIMATE S	REC ESTIMATES	DEVT ESTIMATES	TOTAL ESTIMATES	REC ESTIMATES	DEVT ESTIMATES	TOTAL ESTIMATE S	REC ESTIMATE S	DEVT ESTIMATES	TOTAL ESTIMATES
County Assembly	448,252,680	80,000,000	528,252,680	448,252,680	102,000,000	550,252,680	448,252,680	80,000,000	528,252,680	466,182,787	83,200,000	549,382,787	484,830,099	86,528,000	571,358,099
Governor, Office	302,040,316	-	302,040,316	307,646,808	-	307,646,808	300,040,316	0	300,040,316	312,041,929	0	312,041,929	324,523,606	0	324,523,606
CPSB	58,639,215	-	58,639,215	59,706,625	-	59,706,625	70,639,215	0	70,639,215	73,464,784	0	73,464,784	76,403,375	0	76,403,375
Deputy governor	25,000,000	-	25,000,000	25,000,000	-	25,000,000	24,692,234	0	24,692,234	25,679,923	0	25,679,923	26,707,120	0	26,707,120
county secretary	24,692,234	-	24,692,234	31,127,905	-	31,127,905	24,000,000	0	24,000,000	24,960,000	0	24,960,000	25,958,400	0	25,958,400
Delivery unit	22,204,882	-	22,204,882	19,704,882	-	19,704,882	22,204,882	0	22,204,882	23,093,077	0	23,093,077	24,016,800	0	24,016,800
Finance and Economic Planning	156,127,379	638,894,189	795,021,568	259,119,776	459,374,189	718,493,965	166,127,379	90,800,000	256,927,379	172,772,474	94,432,000	267,204,474	179,683,373	98,209,280	277,892,653
Economic Planning	55,836,173	-	55,836,173	65,263,933	-	65,263,933	59,836,173	10,000,000	69,836,173	62,229,620	10,400,000	72,629,620	64,718,805	10,816,000	75,534,805
Special Programmes and ICT	43,992,850	110,000,000	153,992,850	254,303,285	110,000,000	364,303,285	41,663,959	110,000,000	151,663,959	43,330,517	114,400,000	157,730,517	45,063,738	118,976,000	164,039,738
Cohesion	54,663,959	40,000,000	94,663,959	70,139,535	-	70,139,535	40,992,850	20,000,000	60,992,850	42,632,564	20,800,000	63,432,564	44,337,867	21,632,000	65,969,867

DEPT	FY 2021/22 APPROVED ESTIMATES			FY 2021/22 REVISED 1 ESTIMATES			FY 2022/23 CEILINGS			FY 2023/24 PROJECTION			FY 2023/24 PROJECTION		
	REC ESTIMATE S	DEVT ESTIMATE S	TOTAL ESTIMATE S	REC ESTIMATE S	DEVT ESTIMATES	TOTAL ESTIMATE S	REC ESTIMATES	DEVT ESTIMATES	TOTAL ESTIMATES	REC ESTIMATES	DEVT ESTIMATES	TOTAL ESTIMATE S	REC ESTIMATE S	DEVT ESTIMATES	TOTAL ESTIMATES
Lands and Physical Planning	24,873,199	12,400,000	37,273,199	28,766,821	22,753,822	51,520,643	23,873,199	62,400,000	86,273,199	24,828,127	64,896,000	89,724,127	25,821,252	67,491,840	93,313,092
Roads and Infrastructure	16,016,000	155,500,000	171,516,000	18,250,840	118,784,675	137,035,515	16,016,000	165,500,056	181,516,056	16,656,640	172,120,058	188,776,698	17,322,906	179,004,861	196,327,766
Public Works and Housing	22,751,268	3,500,000	26,251,268	24,132,288	-	24,132,288	22,751,268	7,000,000	29,751,268	23,661,319	7,280,000	30,941,319	24,607,771	7,571,200	32,178,971
Agriculture	50,013,358	441,117,147	491,130,505	50,748,528	587,716,962	638,465,490	55,013,358	441,117,147	496,130,505	57,213,892	458,761,833	515,975,725	59,502,448	477,112,306	536,614,754
Livestock & Fisheries	121,437,775	52,544,000	173,981,775	141,182,475	70,131,151	211,313,626	122,437,775	57,544,000	179,981,775	127,335,286	59,845,760	187,181,046	132,428,697	62,239,590	194,668,288
Education and Vocational Training	201,898,884	23,000,000	224,898,884	239,606,884	26,256,164	265,863,048	231,898,884	37,965,185	269,864,069	241,174,839	39,483,792	280,658,632	250,821,833	41,063,144	291,884,977
Youth and Sports	30,331,991	100,000,000	130,331,991	35,024,991	134,975,000	169,999,991	22,331,991	57,999,944	80,331,935	23,225,271	60,319,942	83,545,212	24,154,281	62,732,739	86,887,021
Culture and Social Service	20,884,319	14,000,000	34,884,319	21,374,319	31,700,000	53,074,319	20,884,319	24,242,945	45,127,264	21,719,692	25,212,663	46,932,355	22,588,479	26,221,169	48,809,649
Tourism and Wildlife	130,781,330	15,000,000	145,781,330	233,605,944	10,000,000	243,605,944	140,781,330	20,000,000	160,781,330	146,412,583	20,800,000	167,212,583	152,269,087	21,632,000	173,901,087

DEPT	FY 2021/22 APPROVED ESTIMATES			FY 2021/22 REVISED 1 ESTIMATES			FY 2022/23 CEILINGS			FY 2023/24 PROJECTION			FY 2023/24 PROJECTION		
	REC ESTIMATE S	DEVT ESTIMATE S	TOTAL ESTIMATE S	REC ESTIMATE S	DEVT ESTIMATES	TOTAL ESTIMATE S	REC ESTIMATES	DEVT ESTIMATES	TOTAL ESTIMATES	REC ESTIMATES	DEVT ESTIMATES	TOTAL ESTIMATE S	REC ESTIMATE S	DEVT ESTIMATES	TOTAL ESTIMATES
Trade	28,106,543	2,500,000	30,606,543	60,935,150	2,500,000	63,435,150	25,106,543	27,590,347	52,696,890	26,110,805	28,693,961	54,804,766	27,155,237	29,841,719	56,996,956
PSM	178,273,224	7,000,000	185,273,224	242,657,578	12,234,519	254,892,097	180,273,224	7,000,000	187,273,224	187,484,153	7,280,000	194,764,153	194,983,519	7,571,200	202,554,719
Administration	12,924,615		12,924,615	11,664,530	-	11,664,530	12,924,615	20,000,000	32,924,615	13,441,600	20,800,000	34,241,600	13,979,264	21,632,000	35,611,264
Water and Sanitation	64,377,162	87,791,804	152,168,966	101,570,612	152,225,167	253,795,779	61,377,162	137,791,804	199,168,966	63,832,248	143,303,476	207,135,725	66,385,538	149,035,615	215,421,154
Energy, Environment and Natural Resource	23,381,772	39,806,983	63,188,755	39,829,941	43,806,739	83,636,680	23,381,772	150,806,983	174,188,755	24,317,043	156,839,262	181,156,305	25,289,725	163,112,833	188,402,557
Health Services	1,198,860,235	163,943,283	1,362,803,518	1,308,924,396	136,729,585	1,445,653,981	1,307,860,235	199,943,283	1,507,803,518	1,360,174,644	207,941,014	1,568,115,659	1,414,581,630	216,258,655	1,630,840,285
Municipal Administration	57,410,772	149,036,430	206,447,202	70,990,354	177,121,082	248,111,436	57,410,772	183,036,430	240,447,202	59,707,203	190,357,887	250,065,090	62,095,491	197,972,203	260,067,694
Total	3,373,772,135	2,136,033,836	5,509,805,971	4,169,531,080	2,198,309,055	6,367,840,135	3,522,772,135	1,910,738,124	5,433,510,259	3,663,683,020	1,987,167,649	5,650,850,669	3,810,230,341	2,066,654,355	5,876,884,696



## **CHAPTER SEVEN CONCLUSION**

137 The CFSP 2022 is prepared as a guiding tool for budget preparation of financial year 2022/23. 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 2022/23.

138 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.

139 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.

140 In the budget for the financial year 2022/23, 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 2022 and County Grants Act are out.**