



COUNTY GOVERNMENT OF ISIOLO

FINANCE AND ECONOMIC PLANNING

2021 COUNTY BUDGET REVIEW

AND

OUTLOOK PAPER (CBROP)

SEPTEMBER 2021

FOREWORD

The 2021 County Budget Review and Outlook Paper (CBROP) has been 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 6.0 percent in 2021, from a contraction of 3.2 percent in 2020. However, economic prospects vary across countries with the emerging markets and developing economies expected to pick up slowly compared to the 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, economic growth is expected to rebound to 6.2 percent in FY 2021/22 from the slowdown in FY 2020/21 and remain above 6.0 percent over the medium term. This recovery reflects the lower base effect of 2020 when most service sectors were adversely affected by the closure of the economy. The outlook in 2021 will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government.

The fiscal performance in the FY 2020/21 was satisfactory despite the slight underperformance in revenue and elevated expenditures associated with the adverse impact of COVID-19 pandemic. The shortfalls in revenue reflect the weak business environment as a result of the adverse impact of the COVID-19 pandemic containment measures adopted in March 2020. In light of this, the fiscal policy supporting the FY 2021/22 budget is designed to support resilient and sustainable economic recovery as well as inclusive growth, mobilize resources and reduce any anticipated fiscal deficit.

MR. ABDI HAJI DAUD

COUNTY EXECUTIVE COMMITTEE MEMBER FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

This 2021 County Budget Review and Outlook Paper (CBROP), is prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its regulations. The document provides a review of the recent economic developments and actual fiscal performance of the Financial Year 2020/2021 in comparisons to the budget appropriations for the same year. It further provides an overview of how the actual performance of the Financial Year 2021/2022 affected our compliance with the Fiscal Responsibility Principles and the financial objectives as spelt in the PFM Act, 2012 as well as information showing changes from the projections outlined in the 2021 County Fiscal strategy paper (CFSP).

Despite the tough year and the unexpected nuisance of the global pandemic that befell us, the preparation of the 2021 CBROP was as the norm a collaborative effort among various units. The spending units and the revenue collection department provided useful information regarding the Financial Year 2020/21 Budget execution and the Revenue performance. We are grateful for this. I would also like to take this opportunity to give my special thanks to the Economic Planning and Budgeting department staff for working tirelessly in the development of this document.

MR. PATRICK LENAWASAE

COUNTY CHIEF OFFICER – ECONOMIC PLANNING

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ABBREVIATIONS AND ACRONYMS

A.I. A	Appropriation in Aid
BPS	Budget Policy Statement
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CG	County Government
ICT	Information, Communication and Technology
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PFM	Public Finance Management
SRC	Salaries and Remuneration Commission
SWGs	Sector Working Groups
RE	Recurrent Expenditure
DE	Development Expenditure

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

The County Budget Review and Outlook Paper, 2021 is prepared in accordance with Section 118 of the Public Financial Management Act, 2012. The law states that:

1. The County Treasury shall prepare and submit CBROP to County Executive Committee for approval by 30th September of each financial year. A County Budget Review and Outlook Paper shall include:
 - a) Actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
 - b) Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
 - c) Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest County Fiscal Strategy Paper; and
 - d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2. County Executive committee shall consider the County Budget Review and outlook Paper with a view of approving it with or without amendments, not later than fourteen days after its submission.
3. Not later than seven days after the CBROP has been approved by Executive committee, the County Treasury shall:
 - a) Submit the paper to the Budget and Appropriation Committee of the County Assembly to be laid before the County assembly; and
 - b) Publish and publicize the paper not later than fifteen days after laying the Paper before County Assembly.

Fiscal Responsibility Principles in the Public Financial Management Act

In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFMA, 2012 {Section 107(b)} states that:

- 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% of the County budget shall be allocated to development expenditure;
- c) The County Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County Government revenue as prescribed by the regulations;
- d) Over the medium term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- e) Public debt and obligations shall be maintained at a sustainable level as approved by County Government;
- f) Fiscal risks shall be managed 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.

EXECUTIVE SUMMARY

This County Budget Review and Outlook Paper (CBROP), is prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its regulations. The document provides actual fiscal performance for the FY 2020/2021, macro-economic projections and the sector ceilings for the FY 2022/23-2024/25 Medium Term Budget. The document also provides an overview of how the actual performance of the FY 2020/21 affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act as well as information showing changes from the projections outlined in the 2021 County Fiscal Strategy Paper.

The fiscal performance for the FY 2020/21 was below par as the County, the Country and the entire globe grappled with the effects of the advent of the Novel Covid-19 pandemic. Despite this and other challenges like expenditure pressures from domestic payables from previous financial years, the Fiscal outcome largely adhered to the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012. The county managed to collect a cumulative local revenue amount of **KES 46,784,040** which was an under performance of **KES 66,902,297** from the FY 2020/21 Local revenue target of **KES 113,686,337**. The local revenue collection will stabilize once things go back to normal and efforts will be made to further improve County own Source Revenue collection.

In FY 2020/21 the county government allocated 35.4% of its total budget for development expenditure and 64.6 % on recurrent expenditure. Despite the current strange economic circumstance due to the global pandemic, we remain steadfast in maintaining Macroeconomic Stability, even in the face of expenditure pressures associated with domestic payables from previous financial years and a swollen wage bill. The updated County Economic Outlook will be firmed up in the CFSP 2022 to reflect any changes in Economic and Financial conditions.

The PFMA, 2012 has set standards for compliance with the MTEF budgeting process. Therefore, it is expected that the financial year 2021/22 Sector budget ceilings will form the indicative baseline for Sector budget ceilings for the Financial Year 2022/23. However, the sector ceilings shall be modified to reflect the development goals and priorities of the County Government.

There are risks to the medium term framework that include among others, the advent of and continued development of the Covid-19 situation in the Country, insecurity, pressures on expenditures from domestic payables from previous financial years and recurrent related expenditures and the perennial drought that might disrupt economic activities especially for the pastoralists. The County Government will closely monitor these developments and undertake appropriate measures to safeguard the economic stability should these risks materialize.

I. INTRODUCTION

A. Background

1. This County Budget Review and Outlook Paper (CBROP) is the seventh to be prepared by the County government of Isiolo.

B. Objectives of the CBROP

2. The 2021 CBROP provides a review of the fiscal performance for the financial year 2020/21 including adherence to the objectives and principles outlined in the 2021 County Fiscal Strategy Paper and the PFM Act, 2012. It also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term plan. The 2021 CBROP will guide development of the 2022 CFSP that will summarize the various projects and initiatives undertaken during the Third Medium Term Plan (MTP III 2018-2022).
3. As required by the PFM Act, 2012, the budget process aims to promote the efficient and effective use of resources. To meet the resource requirements of the FY 2021/22 budget and the medium term, the Government will continue to implement prudent measures aimed at enhancing the local revenue and rationalizing expenditures. In this regard, this CBROP provides sector ceilings which will set in motion the budget preparation for the FY 2022/23 and the medium term. The sector ceilings are guided by the overall resource envelope that is informed by the macroeconomic and fiscal outlook as presented in section III and IV of this document. Budgetary allocations in this CBROP are in line with the governments priorities as outlined in the CFSP.

C. Organization of the Document

4. The rest of the paper is organized as follows: Section II provides a review of the fiscal performance for the Financial Year 2019/20 and its implications on the financial objectives set out in the 2020 CFSP submitted to the County Assembly. This is followed in Section III by brief highlights of the recent economic developments. Section IV presents the macroeconomic policies and outlook. The proposed resources allocation framework is detailed in Section V while Section VI gives the conclusion.

II. REVIEW OF FISCAL PERFORMANCE IN THE FINANCIAL YEAR 2020/21

A. Development priorities for Financial year 2020/21

5. Prioritization of resource allocation was based on the County Integrated Development Plan 2018-2022, broad development policies of the County Government as well as the medium term priorities identified during the County-wide public consultative forums held at all the ten wards.
6. In pursuit of the theme of the budget for financial year 2020/21, the development objectives stipulated in the 2020 CFSP identified the following key development priority areas that cover;
 - a. Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock;
 - b. Investment in Infrastructure development and expansion i.e. Roads, Water Supply, Market development, Livestock and agriculture transformation for sustainable economic growth and development;
 - c. Investing in quality, affordable and accessible Health Services (i.e. preventative, curative and rehabilitative health care services);
 - d. Investing in Education, focusing on construction of more ECD structures and equipping of youth polytechnics, technical institutions as well as social development of the communities through social programs;
 - e. Promotion of trade and industrial development for a rapidly industrializing economy;
 - f. Enhancing governance, transparency and accountability in the delivery of services.
 - g. Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society where all have access to equitable share of resources;
 - h. Promotion of Public participation through involvement in decision making in order to enhance ownership and sustainability of development programs and
 - i. Investing in Energy, Environmental conservation, natural resource management, modern urban infrastructure and sustainable land management for socio economic development;

B. Fiscal Performance Overview for Financial Year 2020/21

i. Revenue performance

7. The fiscal performance for Financial Year 2020/21 was highly affected by the Outbreak and Rapid spread of the Covid-19 global pandemic. The pandemic did not only affect the revenue performance in FY 2020/21 but is also expected to affect revenue performances

well into FY 2021/22 In particular, the tourism revenue stream has been negatively affected due to the persisting Covid-19 lockdown regulations that has been set to try and curb the spread of the virus. The County cumulatively collected a Local revenue amount of KES **46,784,040** against a revised target of KES **113,686,337**. This reflected a 58.8% deficit which was occasioned by the underperformance of the tourism sector which is one of the major revenue streams in the County due to the advent of the pandemic.

Table 1: Fiscal outturn in Financial Year 2020/21

ITEM	2019-20				2020-21			
	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE
EXTERNAL REVENUEESTIMATES								
EQUITABLE SHARE	4,241,100,000	4,241,100,000	-	100.00%	4,241,100,000	4,241,100,000	0	100.00%
General Provisions (Equitable Share)	4,241,100,000	4,241,100,000	0	100.00%	4,241,100,000	4,241,100,000	0	100.00%
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT	578,420,394	407,251,347	-171,169,047	70.41%	233,336,461	133,336,462	99,999,999	57.14%
Funds Received from Road Maintenance Levy Fund	120,386,438	120,386,438	0	100.00%	124,519,106	124,519,107	-1	100.00%
Funds Received from Road Maintenance Levy Fund B/F	92,443,056	92,443,056	0	100.00%			0	
Leasing of Medical Equipment	-	-	0	0.00%			0	
Rehabilitation of Village Polytechnics	-	-	0	0.00%			0	
Road levy fund bal/bf	-	-	0	0.00%			0	
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	3,472,461	0	100.00%	3,472,461	3,472,461	0	100.00%
Covid-19 Funds	16,238,000	37,418,000	21,180,000	230.43%			0	
Free Maternity Fund	-	0	0	0.00%			0	
Supplement for Construction of County Headquarters	121,000,000	0	-121,000,000	0.00%	100,000,000	0	100,000,000	0.00%
conditional allocation for development of youth polytechnic	10,833,298	10,833,298	0	100.00%	5,344,894	5,344,894	0	100.00%
Universal Health Care (UHC)	142,698,094	71,349,047	-71,349,047	50.00%				
UHC B/F 2018/19	71,349,047	71,349,047	0	100.00%				
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	617,695,526	546,902,101	-70,793,425	88.54%	686,085,395	379,340,521	306,744,874	55%
Current Grants from Foreign Governments Danida	16,572,474	16,093,750	-478,724	97.11%	12,060,000	12,060,000	0	100.00%

ITEM	2019-20				2020-21			
	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE
DANIDA for Covid-19	4,375,000	4,375,000	0	100.00%			0	
Kenya Devolution Support Programme (KDSP) World bank	30,000,000	30,000,000	0	100.00%	60,000,000	45,000,000	15000000	75.00%
World Bank Loan for Transforming Health Systems for Universal Care Project	64,373,437	53,033,354	-11,340,083	82.38%	26,720,000	25,272,243	1,447,757	94.58%
World Bank Loan for Transforming Health Systems for Universal Care Project B/F	17,986,573	17,986,573	0	100.00%			0	
Climate Smart Agricultural Project	170,794,330	144,904,360	-25,889,970	84.84%	479,143,620	233,645,362	245,498,258	49%
Climate Smart Agricultural Project Bal B/F 2018/19	37,829,823	37,829,823	0	100.00%			0	
Food and Agriculture Organization of the United Nations- Livestock grant	5,652,760	0	-5,652,760	0.00%			0	
Development Support Programme (ASDSP)	18,540,513	17,867,094	-673,419	96.37%	14,193,675	11,496,853	2,696,822	81.00%
Sweden Agriculture Sector Development Support (ASDSP) II B/F	13,634,416	13,634,416	0	100.00%			0	
Urban Support Project Development	93,968,100	67,209,631	-26,758,469	71.52%	93,968,100	51,866,063	42,102,037	55.20%
Urban Support Project Development Bal B/F	93,968,100	93,968,100	0	100.00%			0	
Urban Support Project- Recurrent	8,800,000	8,800,000	0	100.00%			0	
Urban Support Project- Recurrent (2017/18+2018/19)	41,200,000	41,200,000	0	100.00%			0	
IDA (WB) Credit (National Agricultural and Rural Inclusive Growth Project NAGRIP)								
World Bank Loan for Transforming Health Systems for Universal Care Project		0	0	0.00%			0	
GROSS COUNTY EXTERNAL REVENUE ESTIMATES	5,437,215,920	5,195,253,448	-241,962,472	95.55%	5,160,521,856	4,753,776,983	406,744,873	92.12%
Balance from Previous FY	125,024,134	125,024,134	0	100.00%	487,416,572	487,416,572		

ITEM	2019-20				2020-21			
	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE
INTERNAL COUNTY OWN REVENUE ESTIMATES			0	0.00%				
RECEIPTS FROM ADMINISTRATIVE FEES ANDCHARGES	500,000	301,000	-199,000	60.20%				
other land revenue (Plot Application/Transfer/Sub-Division	1,200,000	957,000	-243,000	79.75%	1,800,000	1,254,550	545,450	69.70%
LAND RATES	16,661,337	12,130,690	-4,530,647	72.81%		8,378,276	-8,378,276	
Land Rent & Rates - Current year	5,661,337	4,780,454	-880,883	84.44%	7,000,000	3,788,784	3,211,216	54.13%
Penalties Rent & Rates	1,000,000	1,305,523	305,523	130.55%	1,200,000	445,623	754,377	37.14%
Land Rent & Rates – Arrears	10,000,000	6,044,713	-3,955,287	60.45%	6,000,000	4,143,869	1,856,131	69.06%
CESSSES	12,800,000	13,908,826	1,108,826	108.66%		11,080,005	-11,080,005	
Livestock Auction	3,500,000	3,988,761	488,761	113.96%	4,188,993	3,158,945	1,030,048	75.41%
Sand Cess Murrum	8,500,000	8,774,468	274,468	103.23%	10,000,000	7,882,600	2,117,400	78.83%
other cess (Produce Cess/Barter/Murrum/Cheque Clearance)(included tractor)2016/17	800,000	1,145,597	345,597	143.20%	3,237,552	38,460	3,199,092	1.19%
OTHER MISCELLANEOUS RECEIPTS	19,400,000	12,940,602	-6,459,398	66.70%	20,418,156	10,017,716	10,400,440	49.06%
Miraa Export	2,500,000	2,546,282	46,282	101.85%	4,018,156	3,282,400	735,756	81.69%
Miscellaneous Charges	1,500,000	308,070	-1,191,930	20.54%			0	
S.B.P Fees/Promotion	7,500,000	5,401,093	-2,098,907	72.01%	8,500,000	5,862,425	2,637,575	68.97%
Liquor License	2,500,000	2,875,204	375,204	115.01%	3,800,000	0	3,800,000	0.00%
Public Works /Other Charges	200,000	0	-200,000	0.00%	500,000	65700	434,300	13.14%
Stand Premiums	200,000	43,000	-157,000	21.50%	200,000	155,000	45,000	77.50%
Clearance & Consents	200,000	201,000	1,000	100.50%			0	

ITEM	2019-20				2020-21			
	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE
Plot Transfer Approval	300,000	181,000	-119,000	60.33%			0	
Lease Extension	200,000	0	-200,000	0.00%	200,000	0	200,000	0.00%
Planning & Survey	2,000,000	0	-2,000,000	0.00%			0	
Livestock/Veterinary Inspection(meat)	1,000,000	1,001,903	1,903	100.19%	1,600,000	477,051	1,122,949	29.82%
Weights and Measure	500,000	38,400	-461,600	7.68%	500,000	30,000	470,000	6.00%
Tractors Hire	400,000	279,650	-120,350	69.91%	800,000	104,250	695,750	13.03%
ATC	400,000	65,000	-335,000	16.25%	300,000	40,890	259,110	13.63%
Audit Fee	-	0	0	0.00%			0	
GAME ENTRANCE(GATE, ROYALTIES,KATO)	107,140,000	70,767,362	-36,372,638	66.05%	42,833,236	5,146,347	37,686,889	12.01%
MARKET/TRADE CENTRE FEE	200,000	362,410	162,410	181.21%			0	
market stalls rent -Kiosks & Stalls	200,000	362,410	162,410	181.21%	1,200,000	919,187	280,813	76.60%
VEHICLE PARKING FEES	4,260,000	4,100,630	-159,370	96.26%			0	
street Parking Fees	4,260,000	4,100,630	-159,370	96.26%	5,480,000	3,541,784	1,938,216	64.63%
HEALTH FACILITIES OPERATIONS SERVICE FEES	5,400,000	4,573,175	-826,825	84.69%			0	
Hospital Cost Sharing	5,400,000	4,573,175	-826,825	84.69%	4,900,000	3,669,246	1,230,754	74.88%
SLAUGHTER HOUSES ADMINISTRATION FEES	1,900,000	1,359,400	-540,600	71.55%			0	
Slaughter Fees	1,900,000	1,359,400	-540,600	71.55%	2,000,000	1,207,540	792,460	60.38%
WATER SUPPLY ADMINISTRATION –METERED				0.00%			0	
WATER CHARGE	-	0	0	0.00%			0	
4%Water Levies IWASCO	-	0	0	0.00%			0	

ITEM	2019-20				2020-21			
	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE
TECHNICAL SERVICES FEES	1,400,000	675,267	-724,733	48.23%			0	
LIVESTOCK FISHERIES DEVELOPMENT	200,000	0	-200,000	0.00%			0	
BRANDING FEE	500,000	631,000	131,000	126.20%			0	
Building Plan Approvals	700,000	44,267	-655,733	6.32%	1,228,402	350,560	877,842	28.54%
GROSS INTERNAL REVENUE ESTIMATES	170,861,337	122,076,362	-48,784,975	71.45%	113,686,337	46,784,040	66,902,297	41.15%
A.I.A			0	0.00%			0	

Source: county treasury

Internal Revenue

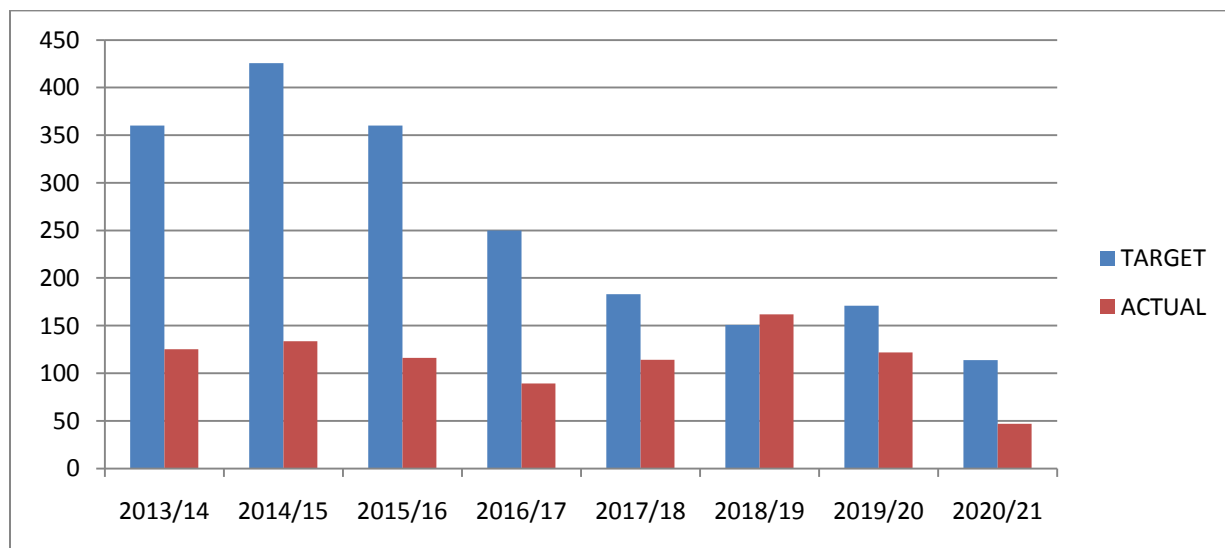
8. The cumulative revenue collection from local sources for the period between July 2020 and 30th June 2021 amounted to **KES 46,784,040** from a revised target of **KES 113,686,337**. This represented a revenue shortfall of 58.8%. During the First Half of the FY 2020/21 the County raised **KES 21,449,874** against a Half Year target of **KES 56,843,169**. This was **KES 74,817,505** less than the amount collected over the same comparable period in the FY 2019/20. The unusually huge revenue shortfall over the entire period is attributed to the Novel Covid-19 pandemic that paralyzed operations all over the globe with the County's largest revenue stream, Tourism, which was the hardest hit collecting **KES 3,146,347** against a total amount of **KES 66,974,988** that the revenue stream raised in the first half of the FY 2019/20.
9. Once the global and National situation goes back to normal the County will continue to chase its aspirations of fulfilling its high local revenue collection potential by coming up with new strategies of further enhancing local revenue sources. This can be achieved by widening the internal revenue base through diversification of internal revenue streams and sealing leakages by scaling up secure revenue collection channels, enhanced enforcement, supervision and regular field spot checks of revenue clerks.

Table 2: Local Revenue Collection for Financial Years 2013/14- 2020/21 in Millions

YEAR	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
TARGET	360.00	425.70	360.00	250.00	182.86	150.80	170.90	113.69
ACTUAL	125.06	133.70	116.03	89.16	114.10	161.70	122.00	46.78

Source: County Treasury

Figure 1: Local Revenue Collection for Financial Year 2013/14 - 2020/21 in Millions



The local revenue recorded an upward growth in Financial Years 2017/18 and Financial Year 2018/19. The Financial Year 2018/19 collection reflects an upward growth of 42% from the amount realized in FY2017/18. This growth informed the upward revision of the County's revenue target for FY 2019/20 from KES. 155 Million To KES. 170 Million. Lowest revenue collection was recorded in FY 2020/21 i.e KES 46.78 Million.

External Revenue

10. By end of the Fiscal period 2020/21 the County Government had a total revenue receipts of **KES 5,287,977,595** whose breakdown are as follows: External revenue receipts of **KES 4,753,776,983**; internal revenue of **KES 46,784,040** and CRF Account Balance from Previous FY 2019/20 of **KES 487,416,572**.
11. The county received external revenue of **KES 4,753,776,983** which was made up of equitable share amounting to **KES 4,241,100,000**, Conditional allocations from Development Partners of **KES 379,340,521** (**KES 12,060,000** from DANIDA, World Bank Loan for Transforming Health Systems for Universal Care Project of **KES. 25,272,243**, **KES 51,866,063** from the Kenya Urban Support Programme, **KES 233,645,362** from the Kenya Climate Smart Agriculture project, **KES 11,496,853** from Sweden Agricultural Sector Development Support Programme (ASDSP), **KES 45,000,000** from Kenya Devolution Support Project (KDSP). The deficit for conditional grants from development partners was **KES 306,744,874**; this comprised of deficits from the following (**KES 42,102,037** from Kenya Urban Support Project, **KES 245,498,250**- Kenya Climate Smart Agriculture Project; **KES 15,000,000** – Kenya Devolution Support Program; **KES 2,696,822** from ASDSP and **KES 1,447,757** from THS universal health care project.
12. There was no balance brought forward for conditional grants
13. The County received total of **KES 133,336,462** as conditional grants from the National Government, this includes Funds Received from Road Maintenance Levy Fund of **KES 124,519,107**; Health Care Services Fund (User fee foregone) of **KES. 3,472,461**, **KES** and **KES 5,344,894** for Rehabilitation of village polytechnics. The deficit for conditional grants from the National Government was **KES 100,000,000** which is the supplement for construction of county headquarters.
14. The Total deficit from external revenue was **KES 406,744,873**. This translates to **8%** of the total external revenue the county expected for FY 2020/21.
15. The County Revenue Fund account balance brought forward for FY 2019/20 amounted to **KES 487,416,572**.

ii Expenditure Performance

Total cumulative expenditure for the Financial Period 2020/21 amounted to KES **4,865.47** Million against an overall revised budget of KES **5,733.10** Million, representing an under spending of KES **867.63** Million. (This reflects a 15% deviation from the revised budget). This constituted of deficit of conditional grants from the National Government, development partners, Local revenue and unpaid bills.

These under spending was attributed to late disbursement of funds from the exchequer, Local revenue shortfall of **KES 66,902,297** due to the Covid-19 Pandemic, Conditional Allocations from National Government shortfall of **KES 100,000,00** i.e. the supplement for construction of County Head Quarters, Conditional grants from development partners short fall of KES 306,744,874; this comprised of deficits from the following (KES 42,102,037 from Kenya Urban Support Project, KES 245,498,250- Kenya Climate Smart Agriculture Project; KES 15,000,000 – Kenya Devolution Support Program; KES 2,696,822 from ASDSP and KES 1,447,757 from THS universal health care project. The delayed disbursement and revenue shortfall affected both recurrent and development expenditures in line spending units.

Table 3 below shows various County Departmental breakdown of Expenditures performance i.e. targets vis-à-vis realized actual.

Table 3: Expenditure Performance

Department	Revised Budget Allocation (Kshs. Millions) 2019/20			Actual Expenditure (Kshs. Millions) 2019/20			Absorption rate (%)			Revised Budget Allocation (Kshs. Millions) 2020/21			Actual Expenditure (Kshs. Millions) 2020/21			Absorption rate (%)		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
County Assembly	421.36	77.40	498.76	420.49	56.44	476.93	100%	73%	96%	459.36	100	559.36	460.82	98.99	559.81	100.3%	99.0%	100.1%
Office of the Governor	337.11	-	337.11	282.56	-	282.56	84%		84%	349.59	0	349.59	317.67	0	317.67	90.9%		90.9%
Office of the Deputy Governor	10.90	-	10.90	8.86	-	8.86	81%		81%									
County Public Service Board	51.77	-	51.77	49.05	-	49.05	95%		95%	61.01	0	61.01	51.69	0	51.69	84.7%		84.7%
Office of the County Secretary	23.60	-	23.60	16.96	-	16.96	72%		72%	27.93	0	27.93	15.75	0	15.75	56.4%		56.4%
Delivery unit	11.25	-	11.25	4.86	-	4.86	43%		43%	25.9	0	25.9	24.53	0	24.53	94.7%		94.7%
Special programmes	285.25	-	285.25	278.38	-	278.38	98%		98%	72.72	103.92	176.64	49.51	0	49.51	68.1%		28.0%
Finance	193.85	860.04	1,053.89	156.21	708.25	864.46	81%	82%	82%	298.57	357.64	656.21	212.21	245.4	457.61	71.1%	68.6%	69.7%
Economic Planning	52.87	-	52.87	48.56	-	48.56	92%		92%	56.67	0	56.67	47.36	0	47.36	83.6%		83.6%
Lands and physical planning	23.61	17.83	41.44	17.86	12.89	30.75	76%	72%	74%	27.39	16	43.39	15.7	3.53	19.23	57.3%	22.1%	44.3%
Roads	10.44	257.73	268.17	5.89	244.38	250.27	56%	95%	93%	15.58	162.87	178.45	7.29	139.15	146.44	46.8%	85.4%	82.1%
Public Works	25.56	-	25.56	17.79	-	17.79	70%		70%	21.83	0	21.83	18.58	0	18.58	85.1%		85.1%
Agriculture	49.53	247.80	297.33	41.83	191.19	233.02	84%	77%	78%	51.94	568.39	620.33	45.41	201.67	247.08	87.4%	35.5%	39.8%
Livestock and Fisheries	97.61	25.84	123.46	93.88	14.51	108.39	96%	56%	88%	157.72	33.34	191.06	141.48	28.55	170.03	89.7%	85.6%	89.0%
Cohesion and Intergovernmental relations	58.24	-	58.24	55.25	-	55.25	95%		95%	51.86	0	51.86	43.13	0	43.13	83.2%		83.2%
Education and Vocational training	193.85	41.65	235.50	168.88	21.22	190.10	87%	51%	81%	205.33	37.62	242.95	151.18	7.77	158.95	73.6%	20.7%	65.4%
Sports, Youth and gender Department	17.45	71.74	89.19	11.58	69.74	81.32	66%	97%	91%	56.31	70	126.31	50.91	47.44	98.35	90.4%	67.8%	77.9%
Culture	25.00	19.80	44.80	19.38	18.83	38.21	78%	95%	85%	25.13	21.5	46.63	18.24	4	22.24	72.6%	18.6%	47.7%
Tourism, Culture	113.83	6.49	120.32	97.63	7.05	104.68	86%	109%	87%	173.22	12.4	185.62	161.24	6.57	167.81	93.1%	53.0%	90.4%
Public Service Management and Administration	123.03	10.85	133.88	88.81	1.97	90.78	72%	18%	68%	158.07	13.32	171.39	123.33	2	125.33	78.0%	15.0%	73.1%

Water and Irrigation	60.93	90.35	151.29	50.13	65.72	115.85	82%	73%	77%	85.44	138.98	224.42	187.62	73.57	261.19	219.6%	52.9%	116.4%
Environment and Natural Resources	23.74	18.43	42.17	19.61	7.32	26.93	83%	40%	64%	27.26	6.5	33.76	13.18	0	13.18	48.3%		39.0%
Health Services	1,005.29	376.31	1,381.60	948.09	278.41	1,226.50	94%	74%	89%	1,206.14	133.73	1339.87	1,117.28	73.39	1190.67	92.6%	54.9%	88.9%
Trade, Industrialization	17.55	2.00	19.55	8.71	1.9	10.61	50%	95%	54%	32.76	0	32.76	17.81	0	17.81	54.4%		54.4%
Municipal Administration	84.95	290.26	375.21	62.29	192.11	254.40	73%	66%	68%	76.6	261.09	337.69	67.43	97.35	164.78	88.0%	37.3%	48.8%
Total	3,318.58	2,414.52	5,733.10	2,973.54	1,891.93	4,865.47	90%	78%	85%	3,724.33	2,037.30	5,761.63	3,359.35	1,029.38	4,388.73	90.2%	50.5%	76.2%

Source: Isiolo County Treasury

Cumulative Recurrent Expenditure

16. Recurrent expenditure for the FY 2020/21 amounted to KES **3,359.35 Million** against an approved revised budget estimates of KES **3,724.33 Million** representing an under spending on recurrent budget of KES **364.98 Million**. (An Absorption rate of 90.2 percent). The revised allocation for recurrent activities accounts for 64.6 percent of the total Revised Estimates and this conforms with PFM Act and the fiscal responsibility principle which requires that over the medium term, a maximum of seventy per cent of the County Government's budget shall be allocated to recurrent activities.

An analysis of the cumulative recurrent outlay of the financial Year 2020/21 shows that on average all Departments had over 90.2% absorption rate of the revised approved budget. With low absorption rates of 46.8%, 48.3%, and 54.4% exhibited by the Roads, Environment and Trade Sectors respectively.

Cumulative Development Expenditure

17. The cumulative Development expenditure for the FY 2020/21 amounted to KES **1,029.38 Million** compared to an approved revised budget of KES **2,037.30 Million**. This represented a development budget under absorption of KES. **1,007.92 Million** (An Absorption rate of **50.5%**). The revised allocation for expenditure on development activities accounts for **35.4%** of the total revised estimates and this conforms with PFM Act fiscal responsibility principle which requires that over the medium term, a minimum of thirty per cent of the County Government's budget shall be allocated to development activities.

18. An analysis of the development outlay shows that all the departments adhered to their budgets; the low absorption was due to slow start in the first quarter of the FY 2020/21 in terms of Development expenditure due to delays of disbursement of funds and slow procurement processes.

Challenges

19. In terms of spending, recurrent expenditure continues to claim the lion's share of the County's budgetary resources. In the Financial Year 2020/21, the County devoted about 64.6% of its actual total revenue towards recurrent spending and this is expected to continue to rise in the Financial Year 2020/21 budget due to annual salary increments and expected new recruitments for technical staff.

20. There issue of pending bills still lingers, and is a major concern. The bulk of this amount are pending accounts payable, most of it related to construction of buildings and civil works, and supply of goods and services.

21. weak effective monitoring and evaluation frameworks and internal controls

22. Challenges to fully shift to E-procurement

23. Delays in disbursement of funds from National Treasury.

Remedies

24. Enhancing local revenue through enactment of the various revenue bills, Review of valuation roll and embarked on alternative sources for supporting the capital budget that include PPP and joint ventures; Tightening enforcement across all revenue sources;
25. Adherence to the law that requires alignment of Supplementary Budgets to exchequer issues, expenditure, and commitments to eliminate instances of over issues;
26. Executive Committee members responsible for finance and economic planning to designate a person responsible for administering each established County Funds in line with Section 116 of the PFM Act, 2012;
27. To strengthen the capacity of county government employees through proper training and recruitment of qualified staff.
28. Adequate funding for monitoring and Evaluation unit as per the CIMES guidelines to enable it effectively carry out its function in tracking regular progress and reporting on development projects;
29. Timely requisition of funds by the Finance Department; and
30. Timely processing of payments from county treasury.

C. Implication of 2020/2021 Fiscal Performance on Financial Objectives

31. The fiscal performance in the FY 2020/21 has affected the financial objectives set out in the 2021 CFSP and the Budget for FY 2021/22 in the following ways: Currently, The base for own Source revenue projections exceeds the actual outcome by about KES 66.9 Million; forcing a downward adjustment of own source revenues base for FY 2021/22 and in the medium term. This adjustment in revenues is expected to translate to a downward adjustment in expenditure projections for the FY 2021/22.

In addition, adjustments will be made to fiscal aggregates to mirror revisions in the macroeconomic projections as well as revenue performance for the first quarter of the Financial Year 2021/22;

32. The baseline ceilings for departmental spending will be adjusted in line with the revised resource envelope under the updated macroeconomic framework in the 2022 County Fiscal Strategy Paper.

The under-spending in both recurrent and development budget for the FY 2020/21 has implications on the base used to project expenditures in the FY 2022/23 and the medium term. Appropriate revisions have been undertaken in the context of this CBROP taking into account the budget outturn for the FY 2020/21.

33. As highlighted above, the major reasons for deviations from the financial objectives include; implications of the COVID-19 pandemic on the Economy- adversely affecting revenue performance, Lower than projected revenue collections and slow uptake of both the National Government Conditional Grants and the Grants from the Development partners.

34. To remedy these deviations, the fiscal outlook will focus on strengthening local revenue collection. Ongoing projects will be prioritized and any new projects will be evaluated in the context of their furtherance of the government's agenda. The County Government will not deviate from the fiscal responsibility principles, but will make appropriate modification to the financial objectives to be contained in the County Fiscal Strategy Paper 2022 to reflect the changing fiscal environment in the context of the global pandemic that the economy is facing.

Fiscal Responsibility Principles

35. In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM regulations, and in keeping with prudent and transparent management of public resources, the County Government has largely adhered to the fiscal responsibility principles as set out in the statute as follows:

- a. The County Government's development expenditure as a percent of total revised budget was 35.4 percent in Financial Year 2020/21 and is set to continue stabilizing

- above the 30 percent minimum threshold set out in the PFM law over the medium term period.
- b. The law further requires that regulations shall be developed to set a ratio of County Government expenditures on wages and benefits for public officers to County Government revenue that shall not be exceeded. In the meantime, County Government needs to put in place measures aimed at containing the ever rising wage bill.
 - c. The deviations, in the revision in revenues and expenditures are due to the macroeconomic assumptions contained in this CBROP, which will be firmed up in the context of the 2022 CFSP. The Government will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives contained in the latest CFSP to reflect the changed circumstances.
36. As the County remains vulnerable to risks such as weather-related shocks and potential volatility in capital flows, we shall focus policies on the following priorities so as to help strengthen resilience and support sustained growth:
- a) Scaling up infrastructure investment in areas of road maintenance value addition in the livestock sub sector, water and mitigation of weather related vulnerabilities, given our high dependence on rain-fed agriculture. Efforts to mobilize domestic revenue will be enhanced to fund these priorities
 - b) Strengthening capacity-building in public financial management to ensure that the high expectations linked to devolution are met.
 - c) Effective natural resource management of County resources e.g. game parks, conservancies. A sound fiscal framework, including transparent management rules and the full integration of these resources into the budget will be done in order to fully realize this potential.

III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

A. Overview

37. 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.
38. 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.
39. 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 2Q20. 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.
40. The slowdown in the first quarter of 2020 was mainly due to the uncertainty surrounding the Covid-19 pandemic that was already slowing economic activity in most of the country's major trading partners. The contraction by 9.3 percent in the accommodation and food services sector exacerbated the decelerated growth in the first quarter of 2020. On the positive side, the economy was supported by strong agricultural activities that strengthened to 4.9 percent in the first quarter of 2020 from 4.7 percent over the same period in 2019. A resilient non-agriculture sector also supported growth, despite a slowdown to 5.2 percent from 5.9 percent over the period under review.
41. The agriculture sector grew by 4.9 percent in the first quarter of 2020 compared to a growth of 4.7 percent in the same period in 2019 supported by favorable weather conditions. Tea production and cane deliveries grew by 49.2 percent and 10.2 percent, respectively in the first quarter of 2020 relative to 2019. However, the production of coffee and formal milk intake declined by 11.8 percent and 1.2 percent over the same period
42. The contribution of agricultural sector to the overall GDP growth was 1.3 percentage points in the first quarter of 2020, an increase from 1.2 percentage points in the same quarter of 2019. Indicators in the sector also points to continued strong performance in the second quarter majorly on account of improved weather conditions and increased credit extension to

the sector. The sector received KES 2.5 billion net credit in April 2020, KES 0.9 billion in May but recorded a net repayment of KES 0.3 billion in June 2020.

43. The foreign exchange market has experienced some volatility in 2020, largely due to uncertainties with regard to the impact of Covid-19 Pandemic and a significant strengthening of the US Dollar in the global markets. However, the Kenya Shilling remained competitive supported by a stable current account deficit. The Shilling depreciated against the US Dollar, Sterling pound and the Euro exchanging at an average of KES 107.3, KES 135.3 and KES 122.5 in July 2020 from KES 103.2, KES 128.7 and KES 115.8 in July 2019, respectively.
44. The growth outlook for the calendar year 2020 and the FY 2020/21 and the medium term, will be supported by the stable macroeconomic environment, investments in the strategic areas under the “Big Four” agenda, the ongoing public investments in infrastructure projects, the Economic Stimulus Program being implemented and the planned Post Covid-19 Economic Recovery Strategy. 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) which is implementing Vision 2030.
45. Going forward, the macroeconomic outlook remains favorable although risks remain. Some of the challenges include among others, the uncertainty surrounding the Covid-19 pandemic, insecurity, pressures on expenditures especially recurrent related expenditures, human resource capacity gaps that might disrupt economic activities, natural disasters like drought, floods and diseases, external risks particularly on the uncertainty in the market prices of livestock and agriculture products. The county government will therefore closely monitor the developments and undertake appropriate measures to safeguard macroeconomic stability.
46. The County Government County Fiscal strategy paper for the fiscal year 2019/2020 highlighted the following priority areas:
 - a. Promotion of Livestock and Crop Productivity;
 - b. Investment in both Surface and Underground water resources;
 - c. Provision of Reliable, Adequate and Quality Road Infrastructure Network;
 - d. Improvement of Access, Quality and Affordable Health Services;
 - e. Promotion of Tourism including opening of new Conservancies and new Game Reserves; and
 - f. Investment in Early Childhood Development, Youth and Women Empowerment, and Vocational and Technical Training.
 - g. Promoting pro-poor development initiatives, building resilience of the communities to adapt to the adverse effects of climate change
47. The largest expenditure drivers in the Financial Year 2020/21 are Health Services, Finance and Economic Planning, Roads and Public Works; Water and Irrigation; Agriculture Livestock and Veterinary and Fisheries.

48. Isiolo County's economy is however, heavily dependent on livestock production, commerce and tourism products. The County is still faced with acute shortage of health facilities such as dispensaries, clinics and health centers. The County government embarked on a comprehensive and deliberate strategy to improve healthcare by rehabilitation of health facilities, Equipping of the facilities with modern equipment, construction of new health facilities and providing adequate staffing to all health facilities.
49. The need for provision of benefits to the staff such as pension and medical insurance cover has resulted in significant resources being allocated to the administration and public service management department. It is envisaged that dedicating significant resources to this sector will result to improved staff satisfaction in the county.
50. The County has also significantly invested in the Education sector, with budgetary provisions for construction of ECDE classrooms per ward.
51. It is important to note that much consideration has been taken to ensure that the distribution of resources is sensitive to equity, as well as demographic distribution. As a result, both equity and efficiency has always been one of the guiding principles in county resource allocations.

B. Implementation of the Financial Year 2021/22 Budget

52. The implementation of the Financial Year 2021/22 budget has taken off to a slow start due to delays in release of funds. Prompt measures will be taken to ensure that the implementation of the budget is back on track and priority programmes are fully implemented once the disbursement for the first quarter is received from the exchequer. This includes directing departments to revise their annual work plans, cash flow plans and procurement plans. Implementation of priority programmes will be tracked and feedback given periodically.
53. Regarding internal revenue, the collection for the financial year 2021/22 has started on a slow pace on the back of the global pandemic. The tourism sector is the major revenue earner for the County Government of Isiolo but strict measures of the covid-19 pandemic partial lock down has continued slowing down our county own revenue collection. The revenue returns by end August 2021 was **Ksh 15,545,175** this is higher than the collection in the first two months of July and August of FY 2020/21 which was **Ksh 6,105,471**. Even though the revenue collection improved from last year's collection for the same period, it's still way below the set target. There is still need for re-evaluation of County Own Revenue collection strategies to contain recurring leakages and improve efficiency in collection, implement austerity measures in expenditures, and revision of the county own revenue budget estimates to reduce deficit as it poses a serious threat to the implementation of County programmes.

Table 4 local first quarter realized revenue for financial year 2021/2022

REVENUE STREAM	TARGET	JULY	AUGUST	TOTAL	PERCENTAGE
Plot application/Transfer/Sub Division	1,800,000	188,000	83,500	271,500	15.08%
LAND RENTS				0	
Land Rent/Rates – current	7,000,000	204,876	358,020	562,896	8.04%
Penalties Rent/Rates	1,200,000	12,686	2,052	14,738	1.23%
Land Rent/Rates – Arreas	6,000,000	688,762	640,014	1,328,776	22.15%
CESSSES				0	
Livestock Auction	4,188,993	465,775	381,190	846,965	20.22%
Sand Cess	10,000,000	590,000	468,000	1,058,000	10.58%
Barter/Murram/Audit/fire charge	3,237,552	112,500	7020	119,520	3.69%
OTHER MISCELLANIOUS RECIEPT					
Miraa export/cess	4,018,156	460,400	361,400	821,800	20.45%
S.B.P fees	8,500,000	383,735	238,650	622,385	7.32%
Promotion, Advertisement/branding	1,200,000	0	0	0	0.00%
Liquor license	3,800,000			0	0.00%
Public works/other charges	500,000			0	0.00%
Stand Premium/consent and clearance	200,000	110,000	8000	118,000	59.00%
Lease extension	200,000			0	0.00%
Livestock Vertinary	1,600,000	30,020	25,875	55,895	3.49%
Weight and Measures	500,000		14,300	14,300	2.86%
Public Inspection - Public Health	1,500,000	48,950	40,525	89,475	5.97%
Tractor Hire	800,000	0		0	0.00%
Agriculture Training Centre	300,000	0	0	0	0.00%
PARK REVENUE					
Game entrance/Royalties	42,833,236	1,831,127	5,240,243	7,071,370	16.51%
MARKET/TRADE CENTRE					

Market Stalks/Fee and Produce	1,200,000	147,000	177,000	324,000	27.00%
VEHICLE PARKING					
Street parking fees	5,480,000	440,700	419,160	859,860	15.69%
HEALTH FACILITIES OPERATION ROOM					
Hospital cost sharing	4,900,000	455,560	685,135	1,140,695	23.28%
SLAUGHTER HOUSE					
Slaughter fees	2,000,000	108,000	111,000	219,000	10.95%
TECHNICAL SERVICE					
Building plan approval/bill and sign board	1,228,402	6,000		6,000	0.49%
TOTAL	113,686,337	6,284,091	9,261,084	15,545,175	13.67%

Source: County Revenue Office

54. The expenditure side recorded underperformance in both recurrent and development expenditures in the first quarter of the FY 2020/21 and this was caused by delays in accessing the money from national treasury as a result of the delay in passing of the Division of Revenue Bill and consequently the County Allocation of Revenue Bill of 2020.

IV. MACROECONOMIC POLICIES AND OUTLOOK

A. Overview

55. The theme of the County Budget for the Financial Year 2021/22 is harnessing the big four agenda for sustainable social economic growth and development. In pursuit of the theme of the budget for financial year 2020/21, the County Government identified key development priority areas that will continue to affix 2021/22, budget theme. The broad macro-economic priorities that will affirm sustainable social economic growth and development are as outlined below:

- (i) Investing in quality, affordable and accessible Health Services (i.e. preventative, curative and rehabilitative health care services).
- (ii) Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock
- (iii) Investment in Infrastructure development and expansion i.e. Roads, Water Supply, Market development, Livestock and agriculture transformation for sustainable economic growth and development.
- (iv) Investing in Education, focusing on construction of more ECDE structures and equipping of youth polytechnics, technical institutions as well as social development of the communities through social programs.
- (v) Promotion of trade and industrial development for a rapidly industrializing economy.
- (vi) Enhancing governance, transparency and accountability in the delivery of services.
- (vii) Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society where all have access to equitable share of resources;
- (viii) Promotion of Public participation through involvement in decision making in order to enhance ownership and sustainability of development programs;

56. Investing in this priority areas will Support the accelerated growth in the outer years as issues suppressing growth are addressed which include: infrastructure development projects, removal of obstacles that includes access to health, water, education and Trade promotion. Expansion of activities in other sectors of the county will also continue funded as they contribute to the county growth.

57. Against this backdrop, the Macroeconomic Framework guiding the projections takes into account, the County Government's strategic objectives as outlined in the 2018-2022 CIDP, second Medium Term Plan (MTP) for the period 2018-2022 of Vision 2030 and the broad development policies of the National Government.

B. Medium Term Fiscal Framework

i. Fiscal Policy Objective

58. The fiscal policy objective aims at supporting Economic Growth and ensuring the debt position remains sustainable while at the same time supporting the county system for effective delivery of public goods and services in a sustainable manner.

ii. Debt and Deficit Financing Policy

59. The County Government's borrowing plans remain anchored in the medium term debt management strategy which aims at ensuring public debt sustainability. The strategy outlines the desired levels, sources and terms which have to be adhered to. The County borrowing will adopt a framework guidelines designed by national government for counties that is consistent with the PFM Act. The framework includes the following safeguards: prior approval by National Treasury of all county borrowing; a limit on each County's debt (20 percent of the most recent audited revenues); and a limit on each County's debt service (15 percent of the most recent audited revenues). These safeguards effectively to limit County-level indebtedness to 1 percent of GDP.

iii. Medium Term Fiscal Projections

60. In the medium term, the overall budget deficit and current account deficit are projected to decline as the government has taken measures to contain local revenue targets and regularly revise the local revenue base in line with the presiding economic conditions and also strictly adhering to budget lines.

iv. 2021/22 Budget Framework

61. The allocation for the Financial Year 2021/22 is as shown in table 4 below;

Table 5: Allocations for Financial Year 2021/22

SECTOR/ SUB SECTOR	RECURRENT APPROVED ESTIMATES FOR FY 2021/22	DEVELOPMENT APPROVED ESTIMATES FY 2020/21	TOTAL APPROVED BUDGET ESTIMATES FY 2020/21
County Assembly	448,252,680	80,000,000	528,252,680
Governor,Office	302,040,316	-	302,040,316
CPSB	58,639,215	-	58,639,215
Deputy governor	25,000,000	-	25,000,000
county secretary	24,692,234	-	24,692,234
Delivery unit	22,204,882		22,204,882
Finance and Economic Planning	156,127,379	638,894,189	795,021,568

SECTOR/ SUB SECTOR	RECURRENT APPROVED ESTIMATES FOR FY 2021/22	DEVELOPMENT APPROVED ESTIMATES FY 2020/21	TOTAL APPROVED BUDGET ESTIMATES FY 2020/21
Economic Planning	55,836,173	-	55,836,173
Special Programmes and ICT	43,992,850	110,000,000	153,992,850
Cohesion	54,663,959	40,000,000	94,663,959
Lands and Physical Planning	24,873,199	12,400,000	37,273,199
Roads and Infrastructure	16,016,000	155,500,000	171,516,000
Public Works and Housing	22,751,268	3,500,000	26,251,268
Agriculture	50,013,358	441,117,147	491,130,505
Livestock & Fisheries	121,437,775	52,544,000	173,981,775
Education and Vocational Training	201,898,884	23,000,000	224,898,884
Youth and Sports	30,331,991	100,000,000	130,331,991
Culture and Social Service	20,884,319	14,000,000	34,884,319
Tourism and Wildlife	130,781,330	15,000,000	145,781,330
Trade	28,106,543	2,500,000	30,606,543
PSM	178,273,224	7,000,000	185,273,224
Administration	12,924,615		12,924,615
Water and Sanitation	64,377,162	87,791,804	152,168,966
Energy, Environment and Natural Resource	23,381,772	39,806,983	63,188,755
Health Services	1,198,860,235	163,943,283	1,362,803,518
Municipal Administration	57,410,772	149,036,430	206,447,202
Total	3,373,772,135	2,136,033,836	5,509,805,971

v. Outlook for the Financial Year 2021/22

62. There is still some expenditure in the budget for 2021/22 which is necessary in ensuring that the County government is fully operational and provides a stable administrative framework. Such as Construction of the headquarters by the Finance Department,
63. Some expenditures are one-off and therefore may not need to be provided for in the future. As a result, the budget outlook for the Financial Year 2022/23 promotes a re-orientation of expenditure with a focus towards poverty reduction as well as secured sources of livelihood. In order to accomplish this, efforts must be taken to critically examine the respective allocations for each sector and single out expenditures that can be re-designated to key development priority areas.
64. In this regard, several measures shall be used to identify areas where savings can be made. However, it will be important to understand that some sectors will continue to require more resources to finance non-core type expenditures to execute their mandates effectively. Thus, expenditure reductions for items such as foreign travels, tuition fees, and domestic travel, among others must be made where extravagant spending is identified. It is therefore important that these expenditures be reduced reasonably without crippling the targeted sectors or spending units and re-designating the resultant savings to the core areas in the Financial Year 2021/22.

vi. 2021/22 Budget Framework

Revenue Projections: The Financial Year 2021/22 approved budget projects a total revenue of KES **5,195,908,193**. The original approved budget for FY 2020/21 was KES 4,968,602,389 but the figure moved upwards to KES. **5,733,101,392** due to addition of **KES 125,024,134** balances from FY 2019/20, upward revision of the revenue target base and additional conditional grants from National Government and also Grants from Development partners.

The base for own source revenue projection is higher than the actual achieved revenue collection for FY 2020/21 hence this will force a downward revision of the revenue base for the FY 2021/22. The FY 2021/22 revenue sources will be as indicated in the table 6 below.

Table 6: Revenue Projections- FY 2021/22 to 2023/24

ITEM	2019-20				2020-21				2021/22	2022/23	2023/24
	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE	PRINTED ESTIMATES	PROJECTION	PROJECTION
EXTERNAL REVENUEESTIMATES											
EQUITABLE SHARE	4,241,100,000	4,241,100,000	-	100.00%	4,241,100,000	4,241,100,000	-	100.00%	4,710,388,265	4,945,907,678	5,193,203,062
General Provisions (Equitable Share)	4,241,100,000	4,241,100,000	0	100.00%	4,241,100,000	4,241,100,000	-	100.00%	4,710,388,265	4,945,907,678	5,193,203,062
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT	578,420,394	407,251,347	-171,169,047	70.41%	233,336,461	133,336,462	100,000,000	57.14%	68,000,000	71,400,000	74,970,000
Funds Received from Road Maintenance Levy Fund	120,386,438	120,386,438	0	100.00%	124,519,106	124,519,106		100.00%		-	-
Funds Received from Road Maintenance Levy Fund B/F	92,443,056	92,443,056	0	100.00%						-	-
Leasing of Medical Equipment	-	-	0	0.00%						-	-
Rehabilitation of Village Polytechnics	-	-	0	0.00%						-	-
Road levy fund ba/bf	-	-	0	0.00%						-	-
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	3,472,461	0	100.00%	3,472,461	3,472,461		100.00%		-	-
Covid-19 Funds	16,238,000	37,418,000	21,180,000	230.43%						-	-
Free Maternity Fund	-	0	0	0.00%						-	-
Supplement for Construction of County Headquarters	121,000,000	0	-121,000,000	0.00%	100,000,000	-	100,000,000	0.00%	68,000,000	71,400,000	74,970,000
conditional allocation for development of youth polytechnic	10,833,298	10,833,298	0	100.00%	5,344,894	5,344,894		100.00%		-	-
Universal Health Care (UHC)	142,698,094	71,349,047	-71,349,047	50.00%						-	-
UHC B/F 2018/19	71,349,047	71,349,047	0	100.00%						-	-
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	617,695,526	546,902,101	-70,793,425	88.54%	686,085,395	379,340,521	306,744,874	55%	617,731,369	648,617,937	681,048,834
Current Grants from Foreign Governments Danida	16,572,474	16,093,750	-478,724	97.11%	12,060,000	12,060,000		100.00%	9,396,750	9,866,588	10,359,917
DANIDA for Covid-19	4,375,000	4,375,000	0	100.00%						-	-
Kenya Devolution Support Programme (KDSP) World bank	30,000,000	30,000,000	0	100.00%	60,000,000	45,000,000	15,000,000	75.00%	120,374,189	126,392,898	132,712,543
World Bank Loan for Transforming Health Systems for Universal Care Project	64,373,437	53,033,354	-11,340,083	82.38%	26,720,000	25,272,243	1,447,757	94.58%	25,534,815	26,811,556	28,152,134
World Bank Loan for Transforming Health Systems for Universal Care Project B/F	17,986,573	17,986,573	0	100.00%					20,444,468	21,466,691	22,540,026
Climate Smart Agricultural Project	170,794,330	144,904,360	-25,889,970	84.84%	479,143,620	233,645,362	245,498,258	49%	330,699,130	347,234,087	364,595,791
Climate Smart Agricultural Project Bal B/F 2018/19	37,829,823	37,829,823	0	100.00%						-	-
UNFPA									8,864,000	9,307,200	9,772,560
Food and Agriculture Organization of the United Nations- Livestock grant	5,652,760	0	-5,652,760	0.00%						-	-
Development Support Programme (ASDSP)	18,540,513	17,867,094	-673,419	96.37%	14,193,675	11,496,853	2,696,822	81.00%	26,387,350	27,706,718	29,092,053
Sweden Agriculture Sector Development Support (ASDSP) II B/F	13,634,416	13,634,416	0	100.00%						-	-

ITEM	2019-20				2020-21				2021/22	2022/23	2023/24
	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE	PRINTED ESTIMATES	PROJECTION	PROJECTION
Urban Support Project Development	93,968,100	67,209,631	-26,758,469	71.52%	93,968,100	51,866,063	42,102,037	55.20%		-	-
Urban Support Project Development Bal B/F	93,968,100	93,968,100	0	100.00%			-			-	-
Urban Support Project- Recurrent	8,800,000	8,800,000	0	100.00%			-			-	-
Urban Support Project- Recurrent (2017/18+2018/19)	41,200,000	41,200,000	0	100.00%			-			-	-
World Bank Loan for Transforming Health Systems for Universal Care Project		0	0	0.00%			-			-	-
World bank - emergency locust response									76,030,667	79,832,200	83,823,810
GROSS COUNTY EXTERNAL REVENUE ESTIMATES	5,437,215,920	5,195,253,448	-241,962,472	95.55%	5,160,521,856	4,753,776,983	406,744,873	92.12%	5,396,119,634	5,665,925,616	5,949,221,896
Balance from Previous FY	125,024,134	125,024,134	0	100.00%	487,416,572	487,416,572	-			-	-
INTERNAL COUNTY OWN REVENUE ESTIMATES			0	0.00%			-			-	-
RECEIPTS FROM ADMINISTRATIVE FEES ANDCHARGES	500,000	301,000	-199,000	60.20%			-			-	-
other land revenue (Plot Application/Transfer/Sub-Division	1,200,000	957,000	-243,000	79.75%	1,800,000	1,254,550	545,450	69.70%	1,800,000	1,890,000	1,984,500
LAND RATES	16,661,337	12,130,690	-4,530,647	72.81%		8,378,276	(8,378,276)			-	-
Land Rent & Rates - Current year	5,661,337	4,780,454	-880,883	84.44%	7,000,000	3,788,784	3,211,216	54.13%	7,000,000	7,350,000	7,717,500
Penalties Rent & Rates	1,000,000	1,305,523	305,523	130.55%	1,200,000	445,623	754,377	37.14%	1,200,000	1,260,000	1,323,000
Land Rent & Rates – Arrears	10,000,000	6,044,713	-3,955,287	60.45%	6,000,000	4,143,869	1,856,131	69.06%	6,000,000	6,300,000	6,615,000
CESSES	12,800,000	13,908,826	1,108,826	108.66%						-	-
Livestock Auction	3,500,000	3,988,761	488,761	113.96%	4,188,993	3,158,945	1,030,048	75.41%	4,188,993	4,398,443	4,618,365
Sand Cess Murram	8,500,000	8,774,468	274,468	103.23%	10,000,000	7,882,600	2,117,400	78.83%	10,000,000	10,500,000	11,025,000
other cess (Produce Cess/Barter/Murram/Cheque Clearance)(included tractor)2016/17	800,000	1,145,597	345,597	143.20%	3,237,552	38,460	3,199,092	1.19%	3,237,552	3,399,430	3,569,401
OTHER MISCELLANEOUS RECEIPTS	19,400,000	12,940,602	-6,459,398	66.70%	20,418,156	10,017,716	10,400,440	49.06%	20,418,156	21,439,064	22,511,017
Miraa Export	2,500,000	2,546,282	46,282	101.85%	4,018,156	3,282,400	735,756	81.69%	4,018,156	4,219,064	4,430,017
Miscellaneous Charges	1,500,000	308,070	-1,191,930	20.54%			-			-	-
S.B.P Fees/Promotion	7,500,000	5,401,093	-2,098,907	72.01%	8,500,000	5,862,425	2,637,575	68.97%	8,500,000	8,925,000	9,371,250
Liquor License	2,500,000	2,875,204	375,204	115.01%	3,800,000	-	3,800,000	0.00%	3,800,000	3,990,000	4,189,500
Public Works /Other Charges	200,000	0	-200,000	0.00%	500,000	65,700	434,300	13.14%	500,000	525,000	551,250
Stand Premiums	200,000	43,000	-157,000	21.50%	200,000	155,000	45,000	77.50%	200,000	210,000	220,500
Clearance & Consents	200,000	201,000	1,000	100.50%			-			-	-
Plot Transfer Approval	300,000	181,000	-119,000	60.33%			-			-	-
Lease Extension	200,000	0	-200,000	0.00%	200,000	-	200,000	0.00%	200,000	210,000	220,500
Planning & Survey	2,000,000	0	-2,000,000	0.00%			-			-	-
Livestock/Veterinary Inspection(meat)	1,000,000	1,001,903	1,903	100.19%	1,600,000	477,051	1,122,949	29.82%	1,600,000	1,680,000	1,764,000
Weights and Measure	500,000	38,400	-461,600	7.68%	500,000	30,000	470,000	6.00%	500,000	525,000	551,250
Tractors Hire	400,000	279,650	-120,350	69.91%	800,000	104,250	695,750	13.03%	800,000	840,000	882,000
ATC	400,000	65,000	-335,000	16.25%	300,000	40,890	259,110	13.63%	300,000	315,000	330,750
Audit Fee	-	0	0	0.00%			-			-	-
GAME ENTRANCE(GATE, ROYALTIES,KATO)	107,140,000	70,767,362	-36,372,638	66.05%	42,833,236	5,146,347	37,686,889	12.01%	42,833,236	44,974,898	47,223,643
MARKET/TRADE CENTRE FEE	200,000	362,410	162,410	181.21%			-			-	-
market stalls rent -Kiosks & Stalls	200,000	362,410	162,410	181.21%	1,200,000	919,187	280,813	76.60%	1,200,000	1,260,000	1,323,000
VEHICLE PARKING FEES	4,260,000	4,100,630	-159,370	96.26%			-			-	-
street Parking Fees	4,260,000	4,100,630	-159,370	96.26%	5,480,000	3,541,784	1,938,216	64.63%	5,480,000	5,754,000	6,041,700
HEALTH FACILITIES OPERATIONS SERVICE FEES	5,400,000	4,573,175	-826,825	84.69%			-			-	-
Hospital Cost Sharing	5,400,000	4,573,175	-826,825	84.69%	4,900,000	3,669,246	1,230,754	74.88%	4,900,000	5,145,000	5,402,250

ITEM	2019-20				2020-21				2021/22	2022/23	2023/24
	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE	PRINTED ESTIMATES	PROJECTION	PROJECTION
SLAUGHTER HOUSES ADMINISTRATION FEES	1,900,000	1,359,400	-540,600	71.55%			-			-	-
Slaughter Fees	1,900,000	1,359,400	-540,600	71.55%	2,000,000	1,207,540	792,460	60.38%	2,000,000	2,100,000	2,205,000
WATER SUPPLY ADMINISTRATION -METERED				0.00%			-			-	-
WATER CHARGE	-	0	0	0.00%			-			-	-
4%Water Levies IWASCO	-	0	0	0.00%			-			-	-
TECHNICAL SERVICES FEES	1,400,000	675,267	-724,733	48.23%			-			-	-
LIVESTOCK FISHERIES DEVELOPMENT	200,000	0	-200,000	0.00%			-			-	-
BRANDING FEE	500,000	631,000	131,000	126.20%			-			-	-
Building Plan Approvals	700,000	44,267	-655,733	6.32%	1,228,402	350,560	877,842	28.54%	1,228,402	1,289,822	1,354,313
GROSS INTERNAL REVENUE ESTIMATES	170,861,337	122,076,362	-48,784,975	71.45%	113,686,337	46,784,040	66,902,297	41.15%	113,686,337	119,370,654	125,339,187
A.I.A										-	-
GROSS COUNTY REVENUE	5,733,101,391	5,442,353,944	290,747,447	95%	5,761,624,765	5,287,977,595	473,647,170	92%	5,509,805,971	5,785,296,270	6,074,561,083

Source: County Treasury

- I. Expenditure Forecasts: In Financial year 2021/22, overall approved expenditure estimate is at KES **5,509,805,971** compared to the approved estimates of KES **5,259,208,193** for FY 2020/21.
- II. **Recurrent expenditures** will amount to KES 3,373,772,135 (61.2 percent of total expenditure) compared with KES 3,255,955,913 (62.7 percent of total expenditure) in the Financial Year 2020/21 revised budget estimates. Expenditure ceilings on goods and services for sectors are based on funding allocation in the Financial Year 2020/21 budget as the baseline. The ceilings will be reduced to take into account one-off expenditures and then an adjustment factor will be applied to take into account the general increase in prices and acquisition of new assets for the new government. The wage bill is expected to stabilize at around 36 percent of total expenditure in the MTEF period 2021/22-2023/24 period.
- III. **Development expenditure** is projected at KES 2,136,033,836 (38.8 percent of total expenditure). Compared with KES 1,939,952,280 (37.3 percent of total expenditure) in the Financial Year 2020/21 revised Approved Budget.

C. Risks to the Economic Outlook

65. Internally, public expenditure pressures particularly arising from wage related recurrent expenditures and huge amount of pending domestic payables and local revenue shortfalls that has been occasioned by the advent of the COVID-19 global pandemic continue to pose a fiscal risk. In addition, the revenue leakages, adverse weather conditions, and the despite the fact that the COVID-19 pandemic is primarily a health crisis and a human tragedy, it also has far reaching adverse effects on the economy. Its attendant containment has disrupted livelihoods and poor households and small businesses have been hit harder than most. To try and mitigate this the County Government will develop framework for action aimed at saving lives, protecting households and businesses from the severe effects of the pandemic. In the event the above risks materialize; we shall revise again the macro economic framework and the Medium Term Sector Ceilings in the 2021/22 Budget.
66. In the meantime, the county Government continues to monitor the above risks and will undertake appropriate measures to safeguard macroeconomic stability when need arises.

V. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2021/22 Budget

67. Resource allocation and utilization in this Financial Year and in the medium term period is guided by the emerging priorities, County plans and the principles of PFMA, 2012 to ensure effective and efficient utilization of public resources. The sector allocations were informed by the County development goals as well as the people's aspirations as captured in the County Integrated Development Plan, 2018-22 and Public Consultation Fora reports. The County goals are aligned to the goals and the objectives of the Second Medium Term Plan of Kenya's Vision 2030.
68. Considering the tight fiscal position and the assumptions underpinning the medium term fiscal framework for Financial Year 2021/22, we must contain expenditures by adhering to the fiscal responsibilities outlined in the Public Finance Management Act, 2012. The fiscal framework for Financial Year 2021/22 that aims at striking an appropriate balance between support for growth and continued fiscal discipline. The County will therefore continue to address deficits sustainability issues by putting emphasis on efficiency and effectiveness of public spending and improving its own revenue performance.
69. The implementation of the Financial Year 2021/22 Budget has been a bit slow as County Departments/entities have not yet commenced its implementation due to the delay in the passing of the third generation revenue sharing formula by the senate.
70. The risks to the 2021/22 budget include weak internal controls and the medium term expenditure pressures with respect to the rising wage bill that is crowding out resources for essential services and economic development. In addition, implementation pace of development programmes continues to be a source of concern especially with regard to the delays due to recently concluded long overdue process of passing of the third generation revenue sharing formula by the senate. The risks will be monitored closely and measures to reduce the risks include:
- a) County Public Service Board is tasked to hire personnel who add value to the County.
 - b) County Government has put on hold approval of any policy and proposed legislation, which establishes new county sector entities with personnel and wage implications. All such establishments are delayed until a comprehensive restructuring of the County Government is done in accordance with the Constitution;

- c) On the revenue side, the County Treasury has instituted corrective measures to reverse the decline in revenue collection from local sources, enhanced compliance audit of large outstanding property tax payers, initiated automation of highly potential but leaking revenue sources, and has instituted collection of other sources of taxes such as liquor licenses, car park fees, royalties, advertisement and rental charges, this will help our revenue collection go up once the effect of the global pandemic recede and normalcy resumes fully; and
- d) All devolved entities collecting revenue are instructed to deposit them to the County revenue fund account as soon as those revenues are realized.

71. Expenditure increments will be continuously informed by the core needs identified through public consultation forums. In this regard, “high impact” areas or chronically neglected areas identified will receive additional funding. Further, the most important areas of public spending will include the phased Construction of the County Head Quarters, Construction of Isiolo Stadium, construction of the Isiolo Modern Market and storm water management in Isiolo Town.

The revenue sources of the county are critically low and savings must be made and the non-core spending areas to be used to fund these urgent projects.

B. Medium-Term Expenditure Framework

72. In view of the limited resources, we will continue to adjust non-priority expenditures to cater for the priority expenditures in all sectors. The County integrated development plan (2018-2022) and its annual development plan 2021/22 will continue to guide resource allocations.

73. The priority sectors, including Health, Water, Roads and Infrastructure, Livestock will continue to receive adequate resources. Health sector is already receiving a significant share of resources in the budget and we require the accounting officer to utilize the allocated resources more efficiently to generate fiscal space to accommodate strategic interventions in the sector. Livestock and Water sector will receive increasing share of resources to boost productivity with a view to deal with value addition and threats in food security in the county. Other priority programmes includes empowering of youth by putting in place a transformative technical and vocational education system through construction of polytechnics. Resources earmarked for these interventions are ring fenced over the medium term.

74. With the County Government's commitment in improving physical infrastructure countywide, the share of resources going to Roads, Housing and Public Works sector will continue to rise steadily over the medium term period. Other priority sectors such as Education, Sports, Youth and culture will also continue to receive adequate resources.
75. In light of the medium-term expenditure framework discussed above, the table below provides the tentative projected baseline ceilings for the Financial Year 2022/23 – 2023/24 MTEF period classified by sector.

Table 7: Total Projected Expenditure Ceilings for the MTEF period 2022/23 to 2023/24

SECTOR/SUB SECTOR	APPROVED ESTIMATES FOR FY 2021/22			2021 CBROP PROJECTED ESTIMATES FOR FY 2021/22			CHANGES FY 2021/22		PROJECTION FOR FY 2022/2023			PROJECTION FOR FY 2023/2024		
	RE	DE	TOTAL	RE	DE	TOTAL	RE	DE	RE	DE	TOTAL	RE	DE	TOTAL
County Assembly	448,252,680	80,000,000	528,252,680	448,252,680	80,000,000	528,252,680			470,665,314	80,000,000	550,665,314	494,198,580	84,000,000	578,198,580
Governor,Office	302,040,316	-	302,040,316	302,040,316	-	302,040,316			317,142,332	-	317,142,332	332,999,448	-	332,999,448
CPSB	58,639,215	-	58,639,215	58,639,215	-	58,639,215			61,571,176	-	61,571,176	64,649,735	-	64,649,735
Deputy governor	25,000,000	-	25,000,000	25,000,000	-	25,000,000			26,250,000	-	26,250,000	27,562,500	-	27,562,500
county secretary	24,692,234	-	24,692,234	24,692,234	-	24,692,234			25,926,846	-	25,926,846	27,223,188	-	27,223,188
Delivery unit	22,204,882	-	22,204,882	22,204,882	-	22,204,882			23,315,126	0	23,315,126	24,480,882	-	24,480,882
Finance and Economic Planning	156,127,379	638,894,189	795,021,568	156,127,379	638,894,189	795,021,568			163,933,748	246,966,245	410,899,993	172,130,435	259,314,557	431,444,992
Economic Planning	55,836,173	-	55,836,173	55,836,173	-	55,836,173			58,627,982	10,000,000	68,627,982	61,559,381	10,500,000	72,059,381
Special Programmes and ICT	43,992,850	110,000,000	153,992,850	43,992,850	110,000,000	153,992,850			46,192,493	50,000,000	96,192,493	48,502,117	52,500,000	101,002,117
Cohesion	54,663,959	40,000,000	94,663,959	54,663,959	40,000,000	94,663,959			57,397,157	20,000,000	77,397,157	60,267,015	21,000,000	81,267,015
Lands and Physical Planning	24,873,199	12,400,000	37,273,199	24,873,199	12,400,000	37,273,199			26,116,859	20,400,000	46,516,859	27,422,702	21,420,000	48,842,702
Roads and Infrastructure	16,016,000	155,500,000	171,516,000	16,016,000	155,500,000	171,516,000			16,816,800	171,050,000	187,866,800	17,657,640	179,602,500	197,260,140
Public Works and Housing	22,751,268	3,500,000	26,251,268	22,751,268	3,500,000	26,251,268			23,888,831	10,500,000	34,388,831	25,083,273	11,025,000	36,108,273
Agriculture	50,013,358	441,117,147	491,130,505	50,013,358	441,117,147	491,130,505		-	52,514,026	485,228,862	537,742,888	55,139,727	509,490,305	564,630,032
Livestock & Fisheries	121,437,775	52,544,000	173,981,775	121,437,775	52,544,000	173,981,775			127,509,664	57,798,400	185,308,064	133,885,147	60,688,320	194,573,467
Education and Vocational Training	201,898,884	23,000,000	224,898,884	201,898,884	23,000,000	224,898,884			211,993,828	50,300,000	262,293,828	222,593,520	52,815,000	275,408,520
Youth and Sports	30,331,991	100,000,000	130,331,991	30,331,991	100,000,000	130,331,991			31,848,591	110,000,000	141,848,591	33,441,020	115,500,000	148,941,020
Culture and Social Service	20,884,319	14,000,000	34,884,319	20,884,319	14,000,000	34,884,319			21,928,535	20,400,000	42,328,535	23,024,962	21,420,000	44,444,962
Tourism and Wildlife	130,781,330	15,000,000	145,781,330	130,781,330	15,000,000	145,781,330			137,320,397	50,500,000	187,820,397	144,186,416	53,025,000	197,211,416
Trade	28,106,543	2,500,000	30,606,543	28,106,543	2,500,000	30,606,543			29,511,870	2,750,000	32,261,870	30,987,464	2,887,500	33,874,964
PSM	178,273,224	7,000,000	185,273,224	178,273,224	7,000,000	185,273,224			187,186,885	7,700,000	194,886,885	196,546,229	8,085,000	204,631,229
Administration	12,924,615	-	12,924,615	12,924,615	-	12,924,615			13,570,846	20,000,000	33,570,846	14,249,388	21,000,000	35,249,388
Water and Sanitation	64,377,162	87,791,804	152,168,966	64,377,162	87,791,804	152,168,966			67,596,020	120,570,984	188,167,004	70,975,821	126,599,533	197,575,354
Energy, Environment and Natural Resource	23,381,772	39,806,983	63,188,755	23,381,772	39,806,983	63,188,755			24,550,861	43,787,681	68,338,542	25,778,404	45,977,065	71,755,469
Health Services	1,198,860,235	163,943,283	1,362,803,518	1,198,860,235	163,943,283	1,362,803,518			1,258,803,247	500,943,283	1,759,746,530	1,321,743,409	525,990,447	1,847,733,856
Municipal Administration	57,410,772	149,036,430	206,447,202	57,410,772	149,036,430	206,447,202			60,281,311	163,940,073	224,221,384	63,295,376	172,137,077	235,432,453
Total	3,373,772,135	2,136,033,836	5,509,805,971	3,373,772,135	2,136,033,836	5,509,805,971			3,542,460,742	2,242,835,528	5,785,296,270	3,719,583,779	2,354,977,304	6,074,561,083

C. Fiscal Risks

76. Despite the optimism, risks do remain. The county's economy is still vulnerable to exogenous shocks such as the current macroeconomic instability occasioned by the advent of the Covid-19 pandemic that threatens the Country's and subsequently the County's economic stability as the macroeconomic management and performance of most of the sectors under the National Government have a ripple effect on how the County will perform.
77. The risks to the 2021/22 Financial Year's budget include challenges in revenue performance as the county continues to grapple with the adverse effect of the global pandemic on major revenue streams. The current continuing process of County restructuring, recruitment and rationalization of staff is expected to exert pressure on wage expenditures.
78. Adjustments to the 2021/22 budget will also take into account the pending bills from FY 2020/21, actual performance of expenditure and absorption capacity for the remainder of the Financial Year and also keep a close eye on the development of the effects of the Covid-19 pandemic on the economy. Because of the resource constraints faced, the County Government will rationalize expenditures by cutting those that are non-priority. These may include slowing down or reprioritizing development expenditures and also dropping non key recurrent expenditures.

CONCLUSION AND WAY FORWARD

79. The FY 2022/23 and the medium-term budget is being prepared against a background of projected global and domestic economic recovery. The global recovery is supported by fiscal support in a few large economies, monetary easing and COVID-19 vaccinations. Likewise, Kenyan economy is projected to recover from the effects of COVID-19 Pandemic and grow at a rate of 6.2 percent in FY 2021/22 from a slowdown in FY 2020/21. Economic growth is thereafter projected to slow down to 5.9 percent in FY 2022/23, largely due to the uncertainty associated with the general election, and recover to 6.3 percent by FY 2025/26.
80. To strengthen the economic recovery, the budget for FY 2022/23 and the medium term will focus on resource mobilization and reduction on non-core expenditures in order to reduce the fiscal deficit and ensure debt sustainability. The Government will continue implementation of the Economic Recovery Strategy and its Agenda as prioritized in the third Medium Term Plan (MTP III) of the Vision 2030 to build resilient and sustainable economic recovery and inclusive growth
81. Given the tight resource envelope, all Sector Working Groups are required to carefully scrutinize all proposed departmental budgets for FY 2022/23 and the medium term to ensure that they strictly adhere to the hard sector ceilings and the strict deadlines provided in this document to facilitate the finalization and appropriation of the FY 2022/23 and the medium-term budget. The resource envelope and ceilings for each Sector provided in this County Budget Review and Outlook Paper will form inputs into the 2022 County Fiscal Strategy Paper.

ANNEX 1: BUDGET CALENDAR FOR THE FINANCIAL YEAR 2022/2023 MTEF BUDGET

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Preparation and Issuance of a circular setting out guidelines to be followed by all county government entities in the Budget process	County Treasury	20 July 2021
2. Launch of sector working groups	County Treasury	27 July 2021
3. Performance Review and Strategic Planning		
3.1 Review and update of strategic plans , previous Budget programme outputs and outcomes	Line sectors Working Groups	12 August 2021
3.2 review of programme expenditure performance and approval of projects for financial year 2020/21	Line sectors Working Groups	12 August 2021
3.3 Preparation of Annual Development Plan by sectors and submission to County Treasury	Line Sectors Working Groups	15 August 2021
3.4 Preparation and approval of Annual Development Plan to Cabinet for approval	Line Sectors Working Groups	22 August 2021
3.5 Preparation and approval of Annual Development Plan to County Assembly for approval	County Treasury	30 August 2021
4. Determination of Fiscal Framework		
4.1 Draft County Budget Review and Outlook Paper CBROP	County Treasury	24 th September 2021
4.2 Submission of CBROP to the Cabinet for Approval	County Treasury	27 th September 2021
4.3 Submission of CBROP to the County Assembly for Approval	CEC member Finance	28 th September 2021
4.4 Issue of guidelines for review of the 2021/22 County budget (supplementary budget)	County Treasury	15 th September 2021
5. Preparation of MTEF Budget Proposal		
5.1 Retreat to Draft Sector Reports	Line Sector Working Groups	3 rd - 9 th October 2021
5.2 Briefing of sector Chairperson and accounting officers on draft sector reports	Line Sector Working Groups	11 th -12 th October 2021
5.3 Public Sector Hearing	Line Sector Working Groups	18-23 th October 2021
5.4 Review and incorporation of stakeholders inputs in the sector proposals	Line Sector Working Groups	24 th -29 th October 2021
5.6 Submission of Draft sector reports to County treasury	Sector chair persons (Cos)	2 nd November 2021
5.7 Consultative meeting of accounting officers, CEC Members chairperson of sector working groups on sector budget proposals	County Treasury	8 th -12 th November 2021
6. Draft County Fiscal Strategy Paper (CFSP)		
6.1 Finalise the draft County Fiscal Strategy Paper & DMSP	Macro Working Group	15 th -19 th November 2021
6.1 public participation for CFSP		22 rd – 26 th November 2021
6.2 Retreat on finalization of the CFSP & DMSP	Macro Working Group	29 th November -4 th December 2021
6.3 Submission of County Fiscal Strategy paper (CFSP) to Cabinet for Approval	County Treasury	6 th December 2021
6.4 Submission of County Fiscal Strategy paper (CFSP) to County Assembly	County Treasury	10 th December 2021
6.5 Preparation and Submission of Debt Management Strategy Paper of the County Government over the Medium Term to the County Assembly	County Treasury	10 th December 2021
7. Preparation and Approval of the Final Budget		
7.1 Develop and issue final guidelines on the preparation of final	County Treasury	17 th December 2021

ACTIVITY	RESPONSIBILITY	DEADLINE
budget estimates to line sectors		
7.2 Departmental Submission of budget proposals to County Treasury	Line Sectors Working Groups	10 th January 2022
7.3 Consolidation retreat of the Final Budget Estimates	County Treasury	26 th January 2022
7.4 Submission of budget Estimates to cabinet for approval	County Treasury	26 th January 2022
7.5 Submission of draft budget Estimates to Assembly	County Treasury	31 th January 2022
7.6 Review of budget estimates by the county assembly	County Assembly	22 th February 2022
7.7 Report on draft budget from the county assembly	County Assembly	24 th February 2022
7.8 Consolidation of the final budget estimates	County Treasury	4 th March 2022
7.9 Submission of appropriation bill to County Assembly	County Treasury	8 th March 2022
8. Budget statement	CEC-Finance and Economic Planning	10 March 2022
8.1 Appropriation Bill passed	County Assembly	31 March 2022
8.2 Finance Bill passed	County Assembly	31 st March 2022
9. Budget implementation		
9.1 Preparation of the Annual Work plans for FY 2022/2023	Sectors	15 th April 2022
9.2 Preparation of procurement plans	Sectors	15 th April 2022
9.3 Preparation of cash flow projections	Sector	15 th April 2022