



COUNTY GOVERNMENT OF ISIOLO

FINANCE AND ECONOMIC PLANNING

2020 COUNTY BUDGET REVIEW

AND

OUTLOOK PAPER (CBROP)

SEPTEMBER 2020

FOREWORD

Section 118 of the Public Finance Management Act, 2012 provides for the preparation of the County Budget Review and Outlook Paper (CBROP) by the County Treasury. The Act states that In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify the details of the actual fiscal performance in the previous year compared to the budget appropriation for that year and the updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper.

In this light, the CBROP 2020 provides the basis for the review of the 2019/20 budget in the context of the Revised Estimates and it further provides the broad fiscal parameters for the next budget and medium term Fiscal period. It also contains information that shows changes in the forecasts in the 2019/20 budget due to emerging expenditure pressure from domestic payables from the previous financial year and unexpected expenditure streams in the current budget. It therefore plays a critical role in the revision and preparation of budget and management of public resources.

The CBROP 2020, is prepared at a time of a contracting global economy occasioned by the outbreak and the rapid spread of the Novel Covid-19 Pandemic. The Pandemic and its attendant containment measures has led to contraction of the global economy disrupting businesses and leading to loss of livelihoods for millions of people globally and extensively affected the fiscal performance of the FY 2019/20 budget on account of revenue shortfalls.

To strengthen the budget preparation process, the County government will continue to embrace performance based budgeting and deepen public financial reforms to increase efficiency and effectiveness in service delivery during this tough economic times.

Further, stricter fiscal discipline will be encouraged to ensure that the county is able to work towards reducing absolute poverty levels by bringing relevant and essentials services closer to people.

Finally, we shall ensure that there is transparency and accountability by continuing relaying our performance to the public as promised by publishing and publicizing our performances to our people as required by the Constitution and the Public Finance Management Act 2012.

MR. ABDI HAJI DAUD

COUNTY EXECUTIVE COMMITTEE MEMBER FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

This 2020 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 2019/2020 in comparisons to the budget appropriations for the same year. It further provides an overview of how the actual performance of the Financial Year 2019/2020 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 2020 County Fiscal strategy paper (CFSP).

Despite the tough year and the unexpected nuisance of the global pandemic that befell us, the preparation of the 2020 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 2019/20 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, 2020 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 2019/2020, macro-economic projections and the sector ceilings for the FY 2021/22-2023/24 Medium Term Budget. The document also provides an overview of how the actual performance of the FY 2019/20 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 2020 County Fiscal Strategy Paper.

The fiscal performance for the FY 2019/20 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 122,076,362** which was an under performance of **KES 48,784,975** from the FY 2019/20 Local revenue target of **KES 170,861,337**. 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 2019/20 the county government allocated 42% of its total budget for development expenditure. It is appreciated that this is the seventh time that the County is preparing a Budget Review and Outlook Paper. 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 2021 to reflect any changes in Economic and Financial conditions. In line with the County Treasury Circular No 1/2020, the 2021 CFSP will be submitted to County Assembly by 28th February 2021.

The PFMA, 2012 has set standards for compliance with the MTEF budgeting process. Therefore, it is expected that the financial year 2020/21 Sector budget ceilings will form the indicative baseline for Sector budget ceilings for the Financial Year 2021/22. 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 objective of CBROP is to provide a review of the fiscal performance in the Financial Year 2019/20 and how this impacts on the financial objectives and fiscal responsibility principles as set out in the 2020 County Fiscal Strategy Paper. This together with updated economic outlook that provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term expenditure framework. Details of the fiscal framework and the medium term policy priorities will be firmed up in the 2021 CFSP.
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 2020/21 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 2021/22 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 2019/20

A. Development priorities for Financial year 2019/20

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 2019/20, the development objectives stipulated in the 2019 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 2019/20

i. Revenue performance

7. The fiscal performance for Financial Year 2019/20 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 2019/20 but is also expected to affect revenue performances

well into FY 2020/21. In particular, the tourism revenue stream have 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 **122,076,362** against a revised target of KES **170,861,337**. This reflected a 28% deficit which was occasioned by the underperformance of the tourism revenue stream which is one of the major revenue stream in the County due to the advent of the pandemic.

Table 1: Fiscal outturn in Financial Year 2019/20

ITEM	2018-19				2019-20			
	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE
EXTERNAL REVENUEESTIMATES								
EQUITABLE SHARE	3,925,000,000	3,925,000,000	0	100.00%	4,241,100,000	4,241,100,000	-	100.00%
General Provisions (Equitable Share)	3,925,000,000	3,925,000,000	0	100.00%	4,241,100,000	4,241,100,000	0	100.00%
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT	555,800,518	272,677,146	-283,123,372	49.06%	578,420,394	407,251,347	(171,169,047)	70.41%
Funds Received from Road Maintenance Levy Fund	103,341,833	103,341,833	0	100.00%	120,386,438	120,386,438	0	100.00%
Funds Received from Road Maintenance Levy Fund B/F 2018/19	0	0	0	0.00%	92,443,056	92,443,056	0	100.00%
Leasing of Medical Equipment	0	0	0	0.00%	-	-	0	0.00%
Rehabilitation of Village Polytechnics	0	0	0	0.00%	-	-	0	0.00%
Road levy fund bal/bf 2017/18	23,164,758	23,164,758	0	100.00%	-	-	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	0	100.00%
Covid-19 Funds					16,238,000	37,418,000	21,180,000	230.43%
Free Maternity Fund		0	0	0.00%	-	0	0	0.00%
Supplement for Construction of County Headquarters	121,000,000	0	-121,000,000	0.00%	121,000,000	0	-121,000,000	0.00%
conditional allocation for development of youth polytechnic	21,235,000	0	-21,235,000	0.00%	10,833,298	10,833,298	0	100.00%
Universal Health Care (UHC)	283,586,466	142,698,094	-140,888,372	50.32%	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	395,106,870	233,470,346	-161,636,524	59.09%	617,695,526	546,902,101	(70,793,425)	88.54%
Current Grants from Foreign Governments Danida	12,656,250	17,509,974	4,853,724	138.35%	16,572,474	16,093,750	-478,724	97.11%
DANIDA for Covid-19					4,375,000	4,375,000	0	100.00%
Kenya Devolution Support Programme (KDSP) World bank	38,668,826	0	-38,668,826	0.00%	30,000,000	30,000,000	0	100.00%
World Bank Loan for Transforming Health Systems for Universal Care Project					64,373,437	53,033,354	-11,340,083	82.38%
World Bank Loan for Transforming Health Systems for Universal Care Project B/F	0	0	0	0.00%	17,986,573	17,986,573	0	100.00%
Climate Smart Agricultural Project	150,000,000	32,966,823	-117,033,177	21.98%	170,794,330	144,904,360	-25,889,970	84.84%
Climate Smart Agricultural Project Bal B/F 2018/19	0	0	0	0.00%	37,829,823	37,829,823	0	100.00%
Food and Agriculture Organization of the United Nations-Livestock grant	9,023,720	4,511,860	-4,511,860	50.00%	5,652,760	0	-5,652,760	0.00%
Development Support Programme (ASDSP)	22,028,970	8,020,256	-14,008,714	36.41%	18,540,513	17,867,094	-673,419	96.37%
Sweden Agriculture Sector Development Support (ASDSP) II B/F	0	0	0	0.00%	13,634,416	13,634,416	0	100.00%
Urban Support Project Development	93,968,100	93,968,100	0	100.00%	93,968,100	67,209,631	-26,758,469	71.52%
Urban Support Project Development Bal B/F	0	0	0	0.00%	93,968,100	93,968,100	0	100.00%
Urban Support Project- Recurrent	41,200,000	41,200,000	0	100.00%	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	66,229,830	35,293,333	-30,936,497	53.29%		0	0	0.00%

ITEM	2018-19				2019-20			
	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE
Universal Care Project								
GROSS COUNTY EXTERNAL REVENUE ESTIMATES	4,875,907,388	4,431,147,492	-444,759,896	90.88%	5,437,215,920	5,195,253,448	-241,962,472	95.55%
Balance from Previous FY	418,661,449	418,661,449	0	100.00%	125,024,134	125,024,134	0	100.00%
INTERNAL COUNTY OWN REVENUE ESTIMATES			0	0.00%			0	0.00%
RECEIPTS FROM ADMINISTRATIVE FEES ANDCHARGES	1,240,000	1,681,954	441,954	135.64%	500,000	301,000	-199,000	60.20%
other land revenue (Plot Application/Transfer/Sub-Division)	1,240,000	1,681,954	441,954	135.64%	1,200,000	957,000	-243,000	79.75%
LAND RATES	8,597,075	15,184,306	6,587,231	176.62%	16,661,337	12,130,690	-4,530,647	72.81%
Land Rent & Rates - Current year	6,197,075	7,318,959	1,121,884	118.10%	5,661,337	4,780,454	-880,883	84.44%
Penalties Rent & Rates	1,000,000	582,642	-417,358	58.26%	1,000,000	1,305,523	305,523	130.55%
Land Rent & Rates – Arrears	1,400,000	7,282,705	5,882,705	520.19%	10,000,000	6,044,713	-3,955,287	60.45%
CESSSES	18,020,712	16,970,685	-1,050,027	94.17%	12,800,000	13,908,826	1,108,826	108.66%
Livestock Auction	4,808,175	3,514,666	-1,293,509	73.10%	3,500,000	3,988,761	488,761	113.96%
Sand Cess Murrum	10,900,000	12,473,389	1,573,389	114.43%	8,500,000	8,774,468	274,468	103.23%
other cess (Produce Cess/Barter/Murrum/Cheque Clearance)(included tractor)2016/17	2,312,537	982,630	-1,329,907	42.49%	800,000	1,145,597	345,597	143.20%
OTHER MISCELLANEOUS RECEIPTS	22,743,748	16,094,272	-6,649,476	70.76%	19,400,000	12,940,602	-6,459,398	66.70%
Miraa Export	3,918,156	2,336,050	-1,582,106	59.62%	2,500,000	2,546,282	46,282	101.85%
Miscellaneous Charges	1,500,000	1,217,274	-282,726	81.15%	1,500,000	308,070	-1,191,930	20.54%
S.B.P Fees/Promotion	5,998,000	6,443,604	445,604	107.43%	7,500,000	5,401,093	-2,098,907	72.01%
Liquor License	800,000	2,801,563	2,001,563	350.20%	2,500,000	2,875,204	375,204	115.01%
Public Works /Other Charges	400,000	290,000	-110,000	72.50%	200,000	0	-200,000	0.00%
Stand Premiums	1,257,024	83,560	-1,173,464	6.65%	200,000	43,000	-157,000	21.50%
Clearance & Consents	279,946	182,000	-97,946	65.01%	200,000	201,000	1,000	100.50%
Plot Transfer Approval	2,590,717	600,000	-1,990,717	23.16%	300,000	181,000	-119,000	60.33%
Lease Extension	200,000	0	-200,000	0.00%	200,000	0	-200,000	0.00%
Planning & Survey	1,636,000	0	-1,636,000	0.00%	2,000,000	0	-2,000,000	0.00%
Livestock/Veterinary Inspection(meat)	1,864,000	1,551,180	-312,820	83.22%	1,000,000	1,001,903	1,903	100.19%
Weights and Measure	500,000	65,000	-435,000	13.00%	500,000	38,400	-461,600	7.68%
Tractors Hire	999,905	211,395	-788,510	21.14%	400,000	279,650	-120,350	69.91%
ATC	800,000	312,646	-487,354	39.08%	400,000	65,000	-335,000	16.25%
Audit Fee			0	0.00%	-	0	0	0.00%
GAME ENTRANCE(GATE, ROYALTIES,KATO)	70,130,130	97,477,182	27,347,052	138.99%	107,140,000	70,767,362	-36,372,638	66.05%
MARKET/TRADE CENTRE FEE	1,521,746	124,400	-1,397,346	8.17%	200,000	362,410	162,410	181.21%
market stalls rent -Kiosks & Stalls	1,521,746	124,400	-1,397,346	8.17%	200,000	362,410	162,410	181.21%
VEHICLE PARKING FEES	6,480,000	4,572,267	-1,907,733	70.56%	4,260,000	4,100,630	-159,370	96.26%
street Parking Fees	6,480,000	4,572,267	-1,907,733	70.56%	4,260,000	4,100,630	-159,370	96.26%
HEALTH FACILITIES OPERATIONS SERVICE FEES	16,049,190	7,842,485	-8,206,705	48.87%	5,400,000	4,573,175	-826,825	84.69%
Hospital Cost Sharing	16,049,190	7,842,485	-8,206,705	48.87%	5,400,000	4,573,175	-826,825	84.69%
SLAUGHTER HOUSES ADMINISTRATION FEES	1,993,353	1,436,440	-556,913	72.06%	1,900,000	1,359,400	-540,600	71.55%
Slaughter Fees	1,993,353	1,436,440	-556,913	72.06%	1,900,000	1,359,400	-540,600	71.55%

ITEM	2018-19				2019-20			
	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE
WATER SUPPLY ADMINISTRATION –METERED								0.00%
WATER CHARGE	2,376,000	10,000	-2,366,000	0.42%	-	0	0	0.00%
4%Water Levies IWASCO	2,376,000	10,000	-2,366,000	0.42%	-	0	0	0.00%
TECHNICAL SERVICES FEES	1,709,382	373,332	-1,336,050	21.84%	1,400,000	675,267	-724,733	48.23%
LIVESTOCK FISHERIES DEVELOPMENT	0	16,630	16,630	0.00%	200,000	0	-200,000	0.00%
BRANDING FEE	0	5,000	5,000	0.00%	500,000	631,000	131,000	126.20%
Building Plan Approvals	1,709,382	351,702	-1,357,680	20.57%	700,000	44,267	-655,733	6.32%
GROSS INTERNAL REVENUE ESTIMATES	150,861,336	161,767,323	10,905,987	107.23%	170,861,337	122,076,362	-48,784,975	71.45%
A.I.A	0	0	0	0.00%			0	0.00%
GROSS COUNTY REVENUEESTIMATES	5,445,430,173	5,011,576,264	-433,853,909	92.03%	5,733,101,391	5,442,353,944	-290,747,447	94.93%

Source: county treasury

Internal Revenue

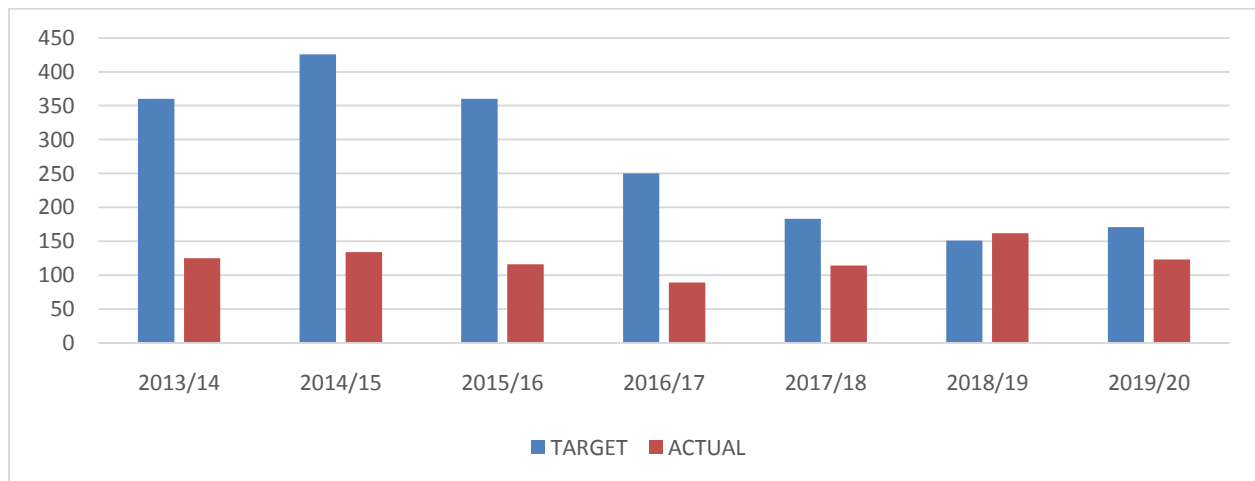
8. The cumulative revenue collection from local sources for the period between July 2019 and 30th June 2020 amounted to **KES 122,076,362** from a revised target of **KES 170,861,337**. This represented a revenue shortfall of 28%. During the First Half of the FY 2019/20 the County raised **KES 96,267,379** against a Half Year target of **KES 85,430,338**. This was KES 10M more than the amount collected over the same comparable period in the FY 2018/19. The unusually huge revenue shortfall over the second half of the FY 2019/20 where the County collected a cumulative amount of **KES 25,602,983** against a half year target of **KES 85,430,338** is attributed to the Novel Covid-19 pandemic that paralyzed operations all over the globe with the County's largest revenue stream, Tourism, was the hardest hit collecting **KES 3,792,375** 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- 2019/20 in Millions

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

Source: County Treasury

Figure 1: Local Revenue Collection for Financial Year 2013/14 - 2019/20 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.

External Revenue

10. By end of the Fiscal period 2019/20 the County Government had a total revenue receipts of **KES 5,442,353,944**, whose breakdown are as follows: External revenue receipts of **KES 4,943,360,087**; Balance B/F of **KES 251,893,361** from Conditional Allocations; internal revenue of **KES 122,076,362** and CRF Account Balance from Previous FY 2018/19 of **KES 125,024,134**. External revenue receipts for Financial Year 2019/20 was **KES 4,943,360,087** against a target of **KES 5,185,322,559**.
11. The county received **KES 4,943,360,087** which was made up of equitable share amounting to **KES 4,241,100,000**, Conditional allocations from Development Partners of **KES 342,283,189** (KES **16,093,750** from DANIDA, DANIDA for Covid-19 funds of **KES 4,375,000**, World Bank Loan for Transforming Health Systems for Universal Care Project of **KES. 53,033,354**, **KES 67,209,630.06** from the Kenya Urban Support Programme-Development, and **KES 8,800,000** for Recurrent. The county also received grants from Climate Smart Agricultural Project amounting to **KES 144,904,360**, and **KES 17,867,094** from Sweden Agricultural Sector Development Support Programme (ASDSP), **KES 30,000,000** from Kenya Devolution Support Project (KDSP) level 1 Grant. The deficit for conditional grants from development partners was **KES 70,793,425** (KES **478,724** from DANIDA, **KES 11,340,083** from THS, **KES 25,889,970** from Kenya Climate Smart Agriculture Project, **KES 5,652,760** from FAO, **KES 673,419** from ASDSP, and **KES 26,758,469** from UDG).
12. The balance brought forward from the FY 2018/19 for Conditional Grants for programmes/Projects from Development partners amounted to **KES 204,618,912** (World Bank Loan for Transforming Health Systems for Universal Care Project Balance of **KES.17,986,573**, Kenya Urban Support Programme- Development Balance of **KES 93,968,100**, Kenya Urban Support Programme- Recurrent of **KES 41,200,000**, Climate Smart Agricultural Project Balance of **KES 37,829,823**, Sweden Agricultural Sector Development Support Programme (ASDSP) Balance of **KES 13,634,416**).
13. The County received total of **KES 243,459,244** as conditional grants from the National Government, this includes Funds Received from Road Maintenance Levy Fund of **KES 120,386,438**, Health Care Services Fund (User fee foregone) of **KES. 3,472,461**, **KES 37,418,000** Covid-19 funds (this constituted **KES 21,180,000** health workers allowance and **KES 16,238,000** Covid-19 funds), Universal Health Care (UHC) funds of **KES 71,349,047**, and **KES 10,833,298** for Rehabilitation of village polytechnics. The deficit for conditional grants from the National Government was **KES 192,349,047** (KES **121,000,000** supplement for construction of county headquarters and **KES 71,349,047** for Universal Health Care (UHC)).

14. The balance brought forward from the FY 2018/19 for Conditional Grants from the National Government amounted to **KES 163,792,103** (Road Maintenance Levy Fund Balance of **KES 92,443,056** and Universal Health Care (UHC) funds Balance of **KES 71,349,047**)
15. The Total deficit from external revenue was **KES 263,142,472**. This translates to 5 % of the total external revenue the county expected for FY 2019/20.
16. The County Revenue Fund account balance brought forward for FY 2018/19 amounted to **KES 125,024,134**.

ii Expenditure Performance

Total cumulative expenditure for the Financial Period 2019/20 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 48,784,975** due to the Covid-19 Pandemic, Conditional Allocations from National Government shortfall of **KES 192,349,047**(**KES 121,000,000** Conditional Grant from the National Government for the construction of the County Head Quarters and Universal Health Care (UHC) funds Balance of **KES 71,349,047**) and Conditional Allocation from Development partners shortfall of **KES 70,793,425** (**KES 478,724** from DANIDA, **KES 11,340,083** from THS, **KES 25,889,970** from Kenya Climate Smart Agriculture Project, **KES 5,652,760** from FAO, **KES 673,419** from ASDSP, and **KES 26,758,469** from UDG).

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) 2018/19			Actual Expenditure (Kshs. Millions) 2018/19			Absorption rate (%)			Revised Budget Allocation (Kshs. Millions) 2019/20			Actual Expenditure (Kshs. Millions) 2019/20			Absorption rate (%)		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
County Assembly	415.28	85	500.28	393.67	76.21	469.88	95%	90%	94%	421.36	77.40	498.76	420.49	56.44	476.93	100%	73%	96%
Office of the Governor	298.44	0	298.44	287.75	0	287.75	96%		96%	337.11	-	337.11	282.56	-	282.56	84%		84%
Office of the Deputy Governor	24	0	24	20.86	0	20.86	87%		87%	10.90	-	10.90	8.86	-	8.86	81%		81%
County Public Service Board	52.41	0	52.41	53.03	0	53.03	101%		101%	51.77	-	51.77	49.05	-	49.05	95%		95%
Office of the County Secretary	33.16	3.94	37.1	30.93	2.38	33.31	93%	60%	90%	23.60	-	23.60	16.96	-	16.96	72%		72%
Delivery unit	10.48	0	10.48	10.11	0	10.11	96%		96%	11.25	-	11.25	4.86	-	4.86	43%		43%
Special programmes	432.37	17.37	449.74	431.29	3.51	434.8	100%	20%	97%	285.25	-	285.25	278.38	-	278.38	98%		98%
Finance	222.05	210.91	432.96	179.86	79.57	259.43	81%	38%	60%	193.85	860.04	1,053.89	156.21	708.25	864.46	81%	82%	82%
Economic Planning	44.43		44.43	43.3	0	43.3	97%		97%	52.87	-	52.87	48.56	-	48.56	92%		92%
Lands and physical planning	31.12	34.39	65.51	28.71	26.87	55.58	92%	78%	85%	23.61	17.83	41.44	17.86	12.89	30.75	76%	72%	74%
Roads	15.6	163.05	178.65	14.22	71.01	85.23	91%	44%	48%	10.44	257.73	268.17	5.89	244.38	250.27	56%	95%	93%
Public Works	27.77	3.3	31.07	25.92	3.3	29.22	93%	100%	94%	25.56	-	25.56	17.79	-	17.79	70%		70%
Agriculture	54.08	223	277.08	49.42	32.15	81.57	91%	14%	29%	49.53	247.80	297.33	41.83	191.19	233.02	84%	77%	78%
Livestock and Fisheries	123.57	71.41	194.98	103.71	53.55	157.26	84%	75%	81%	97.61	25.84	123.46	93.88	14.51	108.39	96%	56%	88%
Cohesion and Intergovernmental relations	45.88	0	45.88	42.71	0	42.71	93%		93%	58.24	-	58.24	55.25	-	55.25	95%		95%
Education and Vocational training	225.21	89.97	315.18	212.01	56.85	268.86	94%	63%	85%	193.85	41.65	235.50	168.88	21.22	190.10	87%	51%	81%
Sports, Youth and gender Department	24.85	136	160.85	18.08	130	148.08	73%	96%	92%	17.45	71.74	89.19	11.58	69.74	81.32	66%	97%	91%
Culture	37.9	17.1	55	34.05	9.79	43.84	90%	57%	80%	25.00	19.80	44.80	19.38	18.83	38.21	78%	95%	85%
Tourism, Culture	126.75	19.87	146.63	120.63	17.3	137.93	95%	87%	94%	113.83	6.49	120.32	97.63	7.05	104.68	86%	109%	87%
Public Service Management and Administration	167.14	29.8	196.94	150.17	12.2	162.37	90%	41%	82%	123.03	10.85	133.88	88.81	1.97	90.78	72%	18%	68%
Water and Irrigation	67.78	99.87	167.65	62.12	84.15	146.27	92%	84%	87%	60.93	90.35	151.29	50.13	65.72	115.85	82%	73%	77%
Environment and Natural Resources	34.41	15.68	50.09	31.6	0	31.6	92%	0%	63%	23.74	18.43	42.17	19.61	7.32	26.93	83%	40%	64%
Health Services	1002.28	498.67	1500.95	988.14	349.38	1337.52	99%	70%	89%	1,005.29	376.31	1,381.60	948.09	278.41	1,226.50	94%	74%	89%
Trade, Industrialization	25.08	4.75	29.83	18.55	1.06	19.61	74%	22%	66%	17.55	2.00	19.55	8.71	1.9	10.61	50%	95%	54%
Municipal Administration	82.16	135.81	217.97	62.94	49.09	112.03	77%	36%	51%	84.95	290.26	375.21	62.29	192.11	254.40	73%	66%	68%
Total	3,624.21	1,859.88	5,484.10	3,413.78	1,058.37	4,472.15	94%	57%	82%	3,318.58	2,414.52	5,733.10	2,973.54	1,891.93	4,865.47	90%	78%	85%

Source: Isiolo County Treasury

Cumulative Recurrent Expenditure

17. Recurrent expenditure for the FY 2019/20 amounted to KES **2,973.54** against an approved revised budget estimates of KES **3,318.57** representing an under spending on recurrent budget of KES **345.04**. (An Absorption rate of 90 percent). The revised allocation for recurrent activities accounts for 57.88 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 2019/20 shows that on average all Departments had over 90% absorption rate of the revised approved budget. With low absorption rates of 43%, 50%, and 56% exhibited by the Delivery Unit, Trade and Roads Sectors respectively.

Cumulative Development Expenditure

18. The cumulative Development expenditure for the FY 2019/20 amounted to KES **1,891.93** compared to an approved revised budget of KES **2,414.52**. This represented a development budget under absorption of KES. **522.59** (An Absorption rate of **78%**). The revised allocation for expenditure on development activities accounts for **42%** 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. **The 42% allocation for development expenditure can also be attributed to the allocations that were set aside for payment of pending bills of Ksh.660,038,656 From previous financial years. This sum was paid out as per the circular that was sent out by the National Treasury.**

19. 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 2019/20 in terms of Development expenditure due to delays of disbursement of funds and slow procurement processes.

Challenges

20. In terms of spending, recurrent expenditure continues to claim the lion's share of the County's budgetary resources. In the Financial Year 2019/20, the County devoted about 61 % of its actual total realized 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.

21. 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.

22. weak effective monitoring and evaluation frameworks and internal controls

23. Challenges to fully shift to E-procurement

24. Delays in disbursement of funds from National Treasury.

Remedies

25. 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;
26. Adherence to the law that requires alignment of Supplementary Budgets to exchequer issues, expenditure, and commitments to eliminate instances of over issues;
27. 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;
28. To strengthen the capacity of county government employees through proper training and recruitment of qualified staff.
29. 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;
30. Timely requisition of funds by the Finance Department; and
31. Timely processing of payments from county treasury.

C. Implication of 2019/2020 Fiscal Performance on Financial Objectives

32. The fiscal performance in the FY 2019/20 has affected the financial objectives set out in the 2020 CFSP and the Budget for FY 2020/21 in the following ways: Currently, The base for own Source revenue projections exceeds the actual outcome by about KES 48.28 Million; forcing a downward adjustment of own source revenues base for FY 2020/21 and in the medium term. This adjustment in revenues is expected to translate to a downward adjustment in expenditure projections for the FY 2020/21.

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 2020/21;

33. The baseline ceilings for departmental spending will be adjusted in line with the revised resource envelope under the updated macroeconomic framework in the 2021 County Fiscal Strategy Paper.

The under-spending in both recurrent and development budget for the FY 2019/20 has implications on the base used to project expenditures in the FY 20120/21 and the medium term. Appropriate revisions have been undertaken in the context of this CBROP taking into account the budget outturn for the FY 2019/20.

34. 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.

35. 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 2021 to reflect the changing fiscal environment in the context of the global pandemic that the economy is facing.

Fiscal Responsibility Principles

36. 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 42 percent in Financial Year 2019/20 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 have been firmed up in the context of the 2020 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.
37. 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

38. The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated global economies. As a result, the global economy is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent in 2019 with prospects across countries and regions remaining highly uncertain. Kenya has not been spared. The Pandemic and the containment measures slowed down economic activities in key sectors of the economy in the first quarter of 2020, resulting to a lower growth of 4.9 percent compared to a growth of 5.5 percent in a similar period in 2019. Overall, taking into account the available indicators for second quarter for 2020, the economy is projected to grow by 2.6 percent in the calendar year 2020 compared to the initial projection of 6.1 percent in the 2020 Budget Policy Statement. The economy is projected to rebound to 5.3 percent in 2021 and 5.9 percent over the medium term. In terms of fiscal years, the economy is projected to grow by 4.0 percent in the FY 2020/21 and 5.9 percent over the medium term.
39. 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.
40. 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
41. 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.
42. 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.

43. 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.
44. 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.
45. 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
46. 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.
47. 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.
48. 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.

49. The County has also significantly invested in the Education sector, with budgetary provisions for construction of ECDE classrooms per ward.

50. 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 2020/21 Budget

51. The implementation of the Financial Year 2020/21 budget has taken off to a slow start due to the challenges of the standoff in the Senate that led to the delay in passing of the Division of Revenue Bill. 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.
52. Regarding internal revenue, the collection for the financial year 2020/21 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 September 2020 was Ksh9, 921,435 this is lower than the collection in the first two months of July and August FY 2018/19 which was Ksh.41M in the months. Even though the low collection was attributed to COVID 19 pandemic effects, 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 2020/2021

REVENUE ESTIMATES 2020/2021	TARGET	JULY	AUG	SEP	TOTAL	%
Plot application/Transfer	1,200,000					
LAND RENTS						
Land Rent/Rates – current	7,000,000	300,000	180,900	155,200	636,100	9.1
Penalties Rent/Rates	1,200,000	20,000	17,000	23,200	60,200	5
Land Rent/Rates – Arrears	6,000,000	500,277	210,022	320,075	1,030,374	17.2
CESSSES					0	0
Livestock Auction	4,188,993	360,490	503,040	284,285	1,147,815	27.4
Sand Cess	10,000,000	483,500	604,500	860,000	1,948,000	19.5
Barter/Murram	3,237,552	0	0	0	0	0
OTHER MISCELLANIOUS RECIEPT					0	0
Miraa export/cess	4,018,156	281,800	285,500	244,500	811,800	20.2
S.B.P fees	8,500,000	404,411	116,160	212,224	732,795	8.6
Promotion, Advertisement/branding	1,200,000	12,000	0	0	12,000	1
Liquor license	3,800,000				0	0
Public works/other charges	500,000				0	0
Stand Premium	200,000				0	0
Plot transfer approval	600,000				0	0
Lease extension	200,000				0	0
Livestock Veterinary	1,600,000	55,200	66,550	70,450	192,200	12
Weight and Measures	500,000			8,400	8,400	1.7
Public Inspection - Public Health	1,500,000				0	0
Tractor Hire	800,000	20,000		76,250	96,250	12
Agriculture Training Centre	300,000	5,390	34,100	1,400	40,890	13.6
PARK REVENUE					0	0
Game entrance/Royalties	42,833,236		120,000	639,000	759,000	1.8
MARKET/TRADE CENTRE					0	0
Market Stalks/Fee and Produce	1,200,000	120,100	123,100	123,060	366,260	30.5
VEHICLE PARKING					0	0
Street parking fees	5,480,000	142,300	219,060	231,045	592,405	10.8
HEALTH FACILITIES OPERATION ROOM					0	0
Hospital cost sharing	4,900,000	341,405	348,546	410,875	1,100,826	24.5

REVENUE ESTIMATES 2020/2021	TARGET	JULY	AUG	SEP	TOTAL	%
SLAUGHTER HOUSE					0	0
Slaughter fees	2,000,000	76,620	138,500	156,000	371,120	18.6
TECHNICAL SERVICE					0	0
Building plan approval	1,228,402	15,000			15,000	1.2
TOTAL=	113,686,337	3,138,493.00	2,966,978	3,815,964	9,921,435.00	8.73

Source: County Revenue Office

53. 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

54. The theme of the County Budget for the Financial Year 2019/20 is harnessing the big four agenda for sustainable social economic growth and development. In pursuit of the theme of the budget for financial year 2019/20, the County Government identified key development priority areas that will continue to affix 2019/20, 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;

55. 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.

56. 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

57. 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

58. 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

59. 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. 2020/21 Budget Framework

60. The allocation for the Financial Year 2020/21 is as shown in table 4 below;

Table 5: Allocations for Financial Year 2020/21

SECTOR/ SUB SECTOR	RECURRENT APPROVED ESTIMATES FOR FY 2020/21	DEVELOPMENT APPROVED ESTIMATES FY 2020/21	TOTAL APPROVED BUDGET ESTIMATES FY 2020/21
COUNTY ASSEMBLY	421,355,158	80,000,000	501,355,158
OFFICE OF GOVERNOR	348,212,151	-	348,212,151
CPSB	61,013,600	-	61,013,600
COUNTY SECRETARY	21,939,807	-	21,939,807
DELIVERY UNIT	27,988,848	-	27,988,848
COHESION	50,361,199	-	50,361,199
FINANCE	202,057,801	317,130,972	519,188,773
SPECIAL PROGRAMME	45,821,972	103,918,164	149,740,136
ECONOMIC PLANNING	53,881,766		53,881,766
LANDS	27,545,199	29,500,000	57,045,199
ROADS	15,400,000	159,913,038	175,313,038
PUBLIC WORKS & URBAN DEVELOPMENT	21,876,220	3,500,000	25,376,220
MUNICIPAL ADMINISTRATION	51,124,196	228,983,610	280,107,806
AGRICULTURE	53,641,138	493,337,295	546,978,433

SECTOR/ SUB SECTOR	RECURRENT APPROVED ESTIMATES FOR FY 2020/21	DEVELOPMENT APPROVED ESTIMATES FY 2020/21	TOTAL APPROVED BUDGET ESTIMATES FY 2020/21
LIVESTOCK	116,243,466	35,241,770	151,485,236
EDUCATION & VOCATIONAL TRAINING	203,424,167	33,344,894	236,769,061
YOUTH & SPORTS	29,462,905	160,000,000	189,462,905
CULTURE AND SOCIAL SERVICE	24,605,377	21,002,537	45,607,914
TOURISM	134,181,330	19,400,000	153,581,330
TRADE	19,764,553	18,000,000	37,764,553
PSM	147,638,188	4,000,000	151,638,188
WATER	59,435,400	87,900,000	147,335,400
ENVIRONMENT	21,049,028	36,000,000	57,049,028
HEALTH SERVICES	1,097,932,444	108,780,000	1,206,712,444
TOTAL	3,255,955,913	1,939,952,280	5,195,908,193

v. Outlook for the Financial Year 2020/21

61. There is still some expenditure in the budget for 2020/21 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,
62. 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 20120/21 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.
63. 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 2020/21.

vi. 2020/21 Budget Framework

Revenue Projections: The Financial Year 2020/21 approved budget projects a total revenue of KES **5,195,908,193**. The original approved budget for FY 2019/20 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 2018/19, 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 2019/20 hence this will force a downward revision of the revenue base for the FY 2020/21. The FY 2020/21 revenue sources will be as indicated in the table 6 below.

Table 6: Revenue Projections- FY 2020/21 to 2023/24

ITEM	2018-19				2019-20				2020-21	2021-22	2022/23	2023/24
	PRINTED ESTIMATES	ACTUALS	DEVIATION S	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFOR MANCE	PRINTED ESTIMATES	PROJECTION	PROJECTION	PROJECTION
EXTERNAL REVENUEESTIMATES												
EQUITABLE SHARE	3,925,000,000	3,925,000,000	0	100.00%	4,241,100,000	4,241,100,000	-	100.00%	4,241,100,000	4,344,912,000	4,518,708,480	4,699,456,819
General Provisions (Equitable Share)	3,925,000,000	3,925,000,000	0	100.00%	4,241,100,000	4,241,100,000	-	100.00%	4,241,100,000	4,344,912,000	4,518,708,480	4,699,456,819
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT	555,800,518	272,677,146	-283,123,372	4	578,420,394	407,251,347	171,169,047	70.41%	233,336,461	242,669,919	252,376,716	262,471,785
Funds Received from Road Maintenance Levy Fund	103,341,833	103,341,833	0	100.00%	120,386,438	120,386,438	-	100.00%	124,519,106	129,499,870	134,679,865	140,067,060
Funds Received from Road Maintenance Levy Fund B/F 2018/19	0	0	0	0.00%	92,443,056	92,443,056	-	100.00%	0	0	0	0
Leasing of Medical Equipment	0	0	0	0.00%	0	0	-	0.00%	0	0	0	0
Rehabilitation of Village Polytechnics	0	0	0	0.00%	10,833,298	10,833,298	-	100.00%	0	0	0	0
Road levy fund bal 2017/18	23,164,758	23,164,758	0	100.00%	0	0	-	0.00%	0	0	0	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	-	100.00%	3,472,461	3,611,359	3,755,814	3,906,046
Corona					16,238,000	37,418,000	(21,180,000)	230.43%	0	0	0	0
Free Maternity Fund		0	0	0.00%	0	0	-	0.00%	0	0	0	0
Supplement for Construction of County Headquarters	121,000,000	0	-121,000,000	0.00%	121,000,000	0	121,000,000	0.00%	100,000,000	104,000,000	108,160,000	112,486,400
conditional allocation for development of youth polytechnic	21,235,000	0	-21,235,000	0.00%	0	0	-	0.00%	5,344,894	5,558,690	5,781,037	6,012,279
Universal Health Care (UHC)	283,586,466	142,698,094	-140,888,372	50.32%	142,698,094	71349047	71,349,047	50.00%	0	0	0	0
UHC B/F 2018/19					71,349,047	71349047	-	100.00%	0	0	0	0
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	395,106,870	233,470,346	-161,636,524	59.09%	613,320,526	542,527,101	70,793,425	88.46%	671,085,395	697,928,811	725,845,963	754,879,802
Current Grants from Foreign Governments Danida	12,656,250	17,509,974	4,853,724	138.35%	16,572,474	16,093,750	478,724	97.11%	12,060,000	12,542,400	13,044,096	13,565,860
DANIDA FOR COVID					4,375,000	4,375,000	-	100.00%				
Kenya Devolution Support Programme (KDSP) World bank	38,668,826	0	-38,668,826	0.00%	30,000,000	30,000,000	-	100.00%	45,000,000	46,800,000	48,672,000	50,618,880
Kenya Devolution Support Programme (KDSP) World bank	0	0	0	0.00%	0	0	-	0.00%	0	0	0	0
world bank loan to supplement financing of county health facilities	0	0	0	0.00%	0	0	-	0.00%	0	0	0	0
world bank loan to supplement financing of county health facilities# from 2016/17	0	0	0	0.00%	0	0	-	0.00%	0	0	0	0
World Bank Loan for Transforming Health Systems for Universal Care Project					64,373,437	53,033,354	11,340,083	82.38%	0	0	0	0
World Bank Loan for Transforming Health Systems for Universal Care Project B/F	0	0	0	0.00%	17,986,573	17,986,573	-	100.00%	26,720,000	27,788,800	28,900,352	30,056,366
Climate Smart Agricultural Project	150,000,000	32,966,823	-117,033,177	21.98%	170,794,330	144,904,360	25,889,970	84.84%	479,143,620	498,309,365	518,241,739	538,971,409
Climate Smart Agricultural Project Bal B/F 2018/19	0	0	0	0.00%	37,829,823	37,829,823	-	100.00%	0	0	0	0
Food and Agriculture Organization of the United Nations- Livestock grant	9,023,720	4,511,860	-4,511,860	50.00%	5,652,760	0	5,652,760	0.00%	0	0	0	0
Development Support Programme (ASDSP)	22,028,970	8,020,256	-14,008,714	36.41%	18,540,513	17,867,094	673,419	96.37%	0	0	0	0
Sweden Agriculture Sector Development Support (ASDSP) II	0	0	0	0.00%	13,634,416	13,634,416	-	100.00%	14,193,675	14,761,422	15,351,879	15,965,954
Urban Support Project Development	93,968,100	93,968,100	0	100.00%	93,968,100	67,209,631	26,758,469	71.52%	93,968,100	97,726,824	101,635,897	105,701,333
Urban Support Project Development bal B/F	0	0	0	0.00%	93,968,100	93,968,100	-	100.00%	0	0	0	0
Urban Support Project- Recurrent	41,200,000	41,200,000	0	100.00%	8,800,000	8,800,000	-	100.00%	0	0	0	0
Urban Support Project- Recurrent (2017/18+2018/19)					41,200,000	41,200,000	-	100.00%	0	0	0	0
World Bank Loan for Transforming Health Systems for Universal Care Project	66,229,830	35,293,333	-30,936,497	53.29%		0	-	#DIV/0!	0	0	0	0
GROSS COUNTY EXTERNAL REVENUE ESTIMATES	4,875,907,388	4,431,147,492	-444,759,896	5	5,432,840,920	5,190,878,448	241,962,472	95.55%	5,145,521,856	5,285,510,730	5,496,931,159	5,716,808,406
Balance from Previous FY	418,661,449	418,661,449	0	100.00%	125,024,134	125,024,134	-	100.00%	0	0	0	0
INTERNAL COUNTY OWN REVENUE ESTIMATES			0	0.00%			-	0.00%	0	0	0	0
RECEIPTS FROM ADMINISTRATIVE FEES ANDCHARGES	1,240,000	1,681,954	441,954	135.64%	500,000	301,000	199,000	60.20%	1,736,000	1,805,440	1,877,658	1,952,764
other land revenue (Plot Application/Transfer/Sub-Division)	1,240,000	1,681,954	441,954	135.64%	1,200,000	957,000	243,000	79.75%	1,736,000	1,805,440	1,877,658	1,952,764
LAND RATES	8,597,075	15,184,306	6,587,231	176.62%	16,661,337	12,130,690	4,530,647	72.81%	14,271,075	14,841,918	15,435,595	16,053,019
Land Rent & Rates - Current year	6,197,075	7,318,959	1,121,884	118.10%	5,661,337	4,780,454	880,883	84.44%	7,195,075	7,482,878	7,782,193	8,093,481
Penalties Rent & Rates	1,000,000	582,642	-417,358	58.26%	1,000,000	1,305,523	(305,523)	130.55%	1,500,000	1,560,000	1,622,400	1,687,296
Land Rent & Rates – Arrears	1,400,000	7,282,705	5,882,705	520.19%	10,000,000	6,044,713	3,955,287	60.45%	5,576,000	5,799,040	6,031,002	6,272,242
CESSSES	18,020,712	16,970,685	-1,050,027	94.17%	12,800,000	13,908,826	(1,108,826)	108.66%	21,626,545	22,491,607	23,391,271	24,326,922
Livestock Auction	4,808,175	3,514,666	-1,293,509	73.10%	3,500,000	3,988,761	(488,761)	113.96%	4,188,993	4,356,553	4,530,815	4,712,047
Sand Cess Murrum	10,900,000	12,473,389	1,573,389	114.43%	8,500,000	8,774,468	(274,468)	103.23%	14,200,000	14,768,000	15,358,720	15,973,069
other cess (Produce Cess/Barter/Murrum/Cheque Clearance)(included tractor)2016/17	2,312,537	982,630	-1,329,907	42.49%	800,000	1,145,597	(345,597)	143.20%	3,237,552	3,367,054	3,501,736	3,641,806

ITEM	2018-19				2019-20				2020-21	2021-22	2022/23	2023/24
	PRINTED ESTIMATES	ACTUALS	DEVIATION S	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFOR MANCE	PRINTED ESTIMATES	PROJECTION	PROJECTION	PROJECTION
OTHER MISCELLANEOUS RECEIPTS	22,743,748	16,094,272	-6,649,476	70.76%	19,400,000	12,940,602	6,459,398	66.70%	27,696,380	28,804,235	29,956,405	31,154,661
Miraa Export	3,918,156	2,336,050	-1,582,106	59.62%	2,500,000	2,546,282	(46,282)	101.85%	4,018,156	4,178,882	4,346,038	4,519,879
Miscellaneous Charges	1,500,000	1,217,274	-282,726	81.15%	1,500,000	308,070	1,191,930	20.54%	950,000	988,000	1,027,520	1,068,621
S.B.P Fees/Promotion	5,998,000	6,443,604	445,604	107.43%	7,500,000	5,401,093	2,098,907	72.01%	6,556,802	6,819,074	7,091,837	7,375,511
Liquor License	800,000	2,801,563	2,001,563	350.20%	2,500,000	2,875,204	(375,204)	115.01%	3,800,000	3,952,000	4,110,080	4,274,483
Public Works /Other Charges	400,000	290,000	-110,000	72.50%	200,000	0	200,000	0.00%	1,200,000	1,248,000	1,297,920	1,349,837
Stand Premiums	1,257,024	83,560	-1,173,464	6.65%	200,000	43,000	157,000	21.50%	1,285,536	1,336,957	1,390,436	1,446,063
Clearance & Consents	279,946	182,000	-97,946	65.01%	200,000	201,000	(1,000)	100.50%	419,919	436,716	454,184	472,352
Plot Transfer Approval	2,590,717	600,000	-1,990,717	23.16%	300,000	181,000	119,000	60.33%	3,886,076	4,041,519	4,203,180	4,371,307
Lease Extension	200,000	0	-200,000	0.00%	200,000	0	200,000	0.00%	300,000	312,000	324,480	337,459
Planning & Survey	1,636,000	0	-1,636,000	0.00%	2,000,000	0	2,000,000	0.00%	954,000	992,160	1,031,846	1,073,120
Livestock/Veterinary Inspection(meat)	1,864,000	1,551,180	-312,820	83.22%	1,000,000	1,001,903	(1,903)	100.19%	1,596,000	1,659,840	1,726,234	1,795,283
Weights and Measure	500,000	65,000	-435,000	13.00%	500,000	38,400	461,600	7.68%	750,000	780,000	811,200	843,648
Tractors Hire	999,905	211,395	-788,510	21.14%	400,000	279,650	120,350	69.91%	1,099,891	1,143,887	1,189,642	1,237,228
ATC	800,000	312,646	-487,354	39.08%	400,000	65,000	335,000	16.25%	880,000	915,200	951,808	989,880
Audit Fee			0	0.00%	-	0	-	0.00%		0	0	0
GAME ENTRANCE(GATE, ROYALTIES,KATO)	70,130,130	97,477,182	27,347,052	138.99%	107,140,000	70,767,362	36,372,638	66.05%	34,130,130	35,495,335	36,915,149	38,391,755
MARKET/TRADE CENTRE FEE	1,521,746	124,400	-1,397,346	8.17%	200,000	362,410	(162,410)	181.21%	1,430,446	1,487,664	1,547,170	1,609,057
market stalls rent -Kiosks & Stalls	1,521,746	124,400	-1,397,346	8.17%	200,000	362,410	(162,410)	181.21%	1,430,446	1,487,664	1,547,170	1,609,057
VEHICLE PARKING FEES	6,480,000	4,572,267	-1,907,733	70.56%	4,260,000	4,100,630	159,370	96.26%	7,480,000	7,779,200	8,090,368	8,413,983
street Parking Fees	6,480,000	4,572,267	-1,907,733	70.56%	4,260,000	4,100,630	159,370	96.26%	7,480,000	7,779,200	8,090,368	8,413,983
HEALTH FACILITIES OPERATIONS SERVICE FEES	16,049,190	7,842,485	-8,206,705	48.87%	5,400,000	4,573,175	826,825	84.69%	1,573,785	1,636,736	1,702,206	1,770,294
Hospital Cost Sharing	16,049,190	7,842,485	-8,206,705	48.87%	5,400,000	4,573,175	826,825	84.69%	1,573,785	1,636,736	1,702,206	1,770,294
SLAUGHTER HOUSES ADMINISTRATION FEES	1,993,353	1,436,440	-556,913	72.06%	1,900,000	1,359,400	540,600	71.55%	2,513,575	2,614,118	2,718,683	2,827,430
Slaughter Fees	1,993,353	1,436,440	-556,913	72.06%	1,900,000	1,359,400	540,600	71.55%	2,513,575	2,614,118	2,718,683	2,827,430
WATER SUPPLY ADMINISTRATION -METERED								0.00%		0	0	0
WATER CHARGE	2,376,000	10,000	-2,366,000	0.42%	0	0	-	0.00%	0	0	0	0
4%Water Levies IWASCO	2,376,000	10,000	-2,366,000	0.42%	0	0	-	0.00%	0	0	0	0
TECHNICAL SERVICES FEES	1,709,382	373,332	-1,336,050	21.84%	1,400,000	675,267	724,733	48.23%	1,228,401	1,277,537	1,328,639	1,381,784
Livestock Fisheries Development	0	16,630	16,630	0.00%	200,000	0	200,000	0.00%		0	0	0
Branding Fee	0	5,000	5,000	0.00%	500,000	631,000	(131,000)	126.20%		0	0	0
Building Plan Approvals	1,709,382	351,702	-1,357,680	20.57%	700,000	44,267	655,733	6.32%	1,228,401	1,277,537	1,328,639	1,381,784
GROSS INTERNAL REVENUE ESTIMATES	150,861,336	161,767,323	10,905,987	107.23%	170,861,337	122,076,362	48,784,975	71.45%	113,686,337	118,233,790	122,963,142	127,881,668
A.I.A	0	0	0	0.00%				0.00%		0	0	0
GROSS COUNTY REVENUEESTIMATES	5,445,430,173	5,011,576,264	-433,853,909	92.03%	5,733,101,391	5,437,978,944	290,747,447	94.85%	5,259,208,193	5,403,744,520	5,619,894,301	5,844,690,074

Source: County Treasury

- I. Expenditure Forecasts: In Financial year 2020/21, overall approved expenditure estimate is at KES **5,195,908,193** compared to the approved estimates of KES **4,968,602,389** for FY 2019/20, the figure for FY 2019/20 moved upwards to KES. 5,733,101,392 in the subsequent revised Estimates due to addition of KES 125,024,134 balances from FY 2018/19, Balances b/f for conditional grants and upward revision of County Own revenue target base as shown in table 5 above.
- II. FY 2020/21 budget estimate will be revised upward from KES 5,195,908,193 to Ksh 5,259,208,193 due to an increase of KES 63,300,000 of equitable share as per final CARA 2020. All the increment amount will be directed to development expenditure
- III. **Recurrent expenditures** will amount to KES 3,255,955,913 (62.7 percent of total expenditure) compared with KES 3,318,576,585 (58 percent of total expenditure) in the Financial Year 2019/20 revised budget estimates. Expenditure ceilings on goods and services for sectors are based on funding allocation in the Financial Year 2019/20 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 35 percent of total expenditure in the MTEF period 2020/21-2023/24 period.
- IV. Development expenditure is projected at KES 1,939,952,280 (37.3 percent of total expenditure). Compared with KES 2,414,524,807 (42 percent of total expenditure) in the Financial Year 2019/20 revised Approved Budget.

C. Risks to the Economic Outlook

64. 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 2020/21 Budget.
65. 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 2020/21 Budget

66. 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.
67. Considering the tight fiscal position and the assumptions underpinning the medium term fiscal framework for Financial Year 2020/21, we must contain expenditures by adhering to the fiscal responsibilities outlined in the Public Finance Management Act, 2012. The fiscal framework for Financial Year 2020/21 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.
68. The implementation of the Financial Year 2020/21 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.
69. The risks to the 2020/21 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.

70. 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

71. 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 2020/21 will continue to guide resource allocations.

72. 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.

73. 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.
74. In light of the medium-term expenditure framework discussed above, the table below provides the tentative projected baseline ceilings for the Financial Year 2020/21 – 2022/23 MTEF period classified by sector.

Table 7: Total Projected Expenditure Ceilings for the MTEF period 2020/21 to 2022/23

SECTOR/SUB SECTOR	APPROVED ESTIMATES FOR FY 2020/21			2020 CBROP PROJECTED ESTIMATES FOR FY 2020/21			CHANGES FY 2020/21		PROJECTION FOR FY 2021/2022			PROJECTION FOR FY 2022/2023		
	RE	DE	TOTAL	RE	DE	TOTAL	RE	DE	RE	DE	TOTAL	RE	DE	TOTAL
COUNTY ASSEMBLY	421,355,158	80,000,000	501,355,158	421,355,158	80,000,000	501,355,158			438,209,364	83,200,000	521,409,364	455,737,739	86,528,000	542,265,739
OFFICE OF GOVERNOR	348,212,151	0	348,212,151	348,212,151	0	348,212,151			362,140,637	0	362,140,637	376,626,263	0	376,626,263
CPSB	61,013,600	0	61,013,600	61,013,600	0	61,013,600			63,454,144	0	63,454,144	65,992,310	0	65,992,310
COUNTY SECRETARY	21,939,807	0	21,939,807	21,939,807	0	21,939,807			22,817,399	0	22,817,399	23,730,095	0	23,730,095
DELIVERY UNIT	27,988,848	0	27,988,848	27,988,848	0	27,988,848			29,108,402	0	29,108,402	30,272,738	0	30,272,738
DEPUTY GOVERNOR	0	0	0	0	0	0			0	0	0	0	0	0
COHESION	50,361,199	0	50,361,199	50,361,199	0	50,361,199			52,375,647	0	52,375,647	54,470,673	0	54,470,673
FINANCE	202,057,801	317,130,972	519,188,773	202,057,801	317,130,972	519,188,773			210,140,113	329,816,211	539,956,324	218,545,718	343,008,859	561,554,577
SPECIAL PROGRAMME	45,821,972	103,918,164	149,740,136	45,821,972	103,918,164	149,740,136			47,654,851	108,074,891	155,729,741	49,561,045	112,397,886	161,958,931
ECONOMIC PLANNING	53,881,766	0	53,881,766	53,881,766	0	53,881,766			56,037,037	0	56,037,037	58,278,518	0	58,278,518
LANDS	27,545,199	29,500,000	57,045,199	27,545,199	29,500,000	57,045,199			28,647,007	30,680,000	59,327,007	29,792,887	31,907,200	61,700,087
ROADS	15,400,000	159,913,038	175,313,038	15,400,000	159,913,038	175,313,038			16,016,000	166,309,560	182,325,560	16,656,640	172,961,942	189,618,582
PUBLIC WORKS& URBAN DEVELOPMENT	21,876,220	3,500,000	25,376,220	21,876,220	3,500,000	25,376,220			22,751,269	3,640,000	26,391,269	23,661,320	3,785,600	27,446,920
MUNICIPAL ADMINISTRATION	51,124,196	228,983,610	280,107,806	51,124,196	228,983,610	343,407,806		63,300,000	53,169,164	238,142,954	291,312,118	55,295,930	247,668,673	302,964,603
AGRICULTURE	53,641,138	493,337,295	546,978,433	53,641,138	493,337,295	546,978,433			55,786,784	513,070,787	568,857,570	58,018,255	533,593,618	591,611,873
LIVESTOCK	116,243,466	35,241,770	151,485,236	116,243,466	35,241,770	151,485,236			120,893,205	36,651,441	157,544,645	125,728,933	38,117,498	163,846,431
EDUCATION & VOCATIONAL TRAINING	203,424,167	33,344,894	236,769,061	203,424,167	33,344,894	236,769,061			211,561,134	34,678,690	246,239,823	220,023,579	36,065,837	256,089,416
YOUTH & SPORTS	29,462,905	160,000,000	189,462,905	29,462,905	160,000,000	189,462,905			30,641,421	166,400,000	197,041,421	31,867,078	173,056,000	204,923,078
CULTURE AND SOCIAL SERVICE	24,605,377	21,002,537	45,607,914	24,605,377	21,002,537	45,607,914			25,589,592	21,842,638	47,432,231	26,613,176	22,716,344	49,329,520
TOURISM	134,181,330	19,400,000	153,581,330	134,181,330	19,400,000	153,581,330			139,548,583	20,176,000	159,724,583	145,130,527	20,983,040	166,113,567
TRADE	19,764,553	18,000,000	37,764,553	19,764,553	18,000,000	37,764,553			20,555,135	18,720,000	39,275,135	21,377,341	19,468,800	40,846,141
PSM	147,638,188	4,000,000	151,638,188	147,638,188	4,000,000	151,638,188			153,543,716	4,160,000	157,703,716	159,685,464	4,326,400	164,011,864
WATER	59,435,400	87,900,000	147,335,400	59,435,400	87,900,000	147,335,400			61,812,816	91,416,000	153,228,816	64,285,329	95,072,640	159,357,969
ENVIRONMENT	21,049,028	36,000,000	57,049,028	21,049,028	36,000,000	57,049,028			21,890,989	37,440,000	59,330,989	22,766,629	38,937,600	61,704,229
HEALTH SERVICES	1,097,932,444	108,780,000	1,206,712,444	1,097,932,444	108,780,000	1,206,712,444			1,141,849,742	113,131,200	1,254,980,942	1,187,523,731	117,656,448	1,305,180,179
TOTAL	3,255,955,913	1,939,952,280	5,195,908,193	3,255,955,913	1,939,952,280	5,259,208,193		63,300,000	3,386,194,150	2,017,550,371	5,403,744,521	3,521,641,916	2,098,252,386	5,619,894,302

C. Fiscal Risks

75. 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.
76. The risks to the 2020/21 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.
77. Adjustments to the 2020/21 budget will also take into account the pending bills from FY 2019/20, 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

78. The fiscal outlook for the 2020/21-2022/23 MTEF period presented in this CBROP is developed by taking into account the key policy challenges facing the County economy. It is therefore marked by moderate growth in overall expenditure, taking into account the economic outlook and the need to maintain fiscal discipline in all levels of the county government for maximum return from public resources. The policies, therefore, are broadly in line with the fiscal responsibility principles outlined in the PFM law.
79. Going forward, the set of policies outlined in this CBROP reflect the changing circumstances and are broadly in line with the County Integrated Development Plan. They ensure continuity in resource allocation based on prioritized programs that have been earmarked by the County to accelerate growth, Food security, employment creation and poverty reduction.
80. The policies and sector ceilings will guide all County spending units in preparation of the Financial Year 2021/22 budget. As budgetary resources are scarce, it is critical that County Sector Working Groups (CSWGs) prioritize their programmes within the available ceilings to ensure that use of public funds is in line with county government priorities. There is also need to ensure that current resources are being utilized efficiently and effectively before more funding is considered for programmes. CSWGs needs to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans
81. The 2021 County Fiscal Strategy paper (CFSP) will be finalized by the February 28, 2021 deadline as per the budget calendar.

ANNEX 1: BUDGET CALENDAR FOR THE FINANCIAL YEAR 2020/2021 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	30-Aug-20
2. Launch of sector working groups	County Treasury	30-Aug-20
3. Performance Review and Strategic Planning		
3.1 Review and update of strategic plans , previous Budget programme outputs and outcomes	Line sectors Working Groups	24-Aug-20
3.2 Review of programme expenditure performance and approval of projects for financial year 2020/21	Line sectors Working Groups	24-Aug-20
3.3 Preparation of Annual Development Plan by sectors and submission to County Treasury	Line Sectors Working Groups	27-Aug-20
3.4 Preparation and approval of Annual Development Plan to County Assembly for approval	County Treasury	1-Sep-20
4. Determination of Fiscal Framework		
4.1 Draft County Budget Review and Outlook Paper CBROP	County Treasury	15-Sep-20
4.2 Submission of CBROP to the Executive Committee for Approval	County Treasury	30-Sep-20
4.3 Submission of CBROP to the County Assembly for Approval	CEC member Finance	19-Oct-20
4.4 Issue of guidelines for review of the 2020/2021 County budget (supplementary budget)	County Treasury	22-Oct-20
5. Preparation of MTEF Budget Proposal		
5.1 Retreat to Draft Sector Reports	Line Sector Working Groups	22 October to 10 November 2020
5.2 Briefing of sector Chairperson and accounting officers on draft sector reports	Line Sector Working Groups	12 th November 2020
5.3 Public Sector Hearing	Line Sector Working Groups	19 th -23 rd November 2020
5.4 Review and incorporation of stakeholders inputs in the sector proposals	Line Sector Working Groups	30 th – November 2020
5.6 Submission of Draft sector reports to County treasury	Sector chair persons (Cos)	10 th December 2020
5.7 Consultative meeting of accounting officers, CEC Members chairperson of sector working groups on sector budget proposals	County Treasury	14 th December 2020
6. Draft County Fiscal Strategy Paper (CFSP)		
6.1 Finalize the draft County Fiscal Strategy Paper	Macro Working Group	30 th December 2021
6.2 Cabinet Retreat on finalization of the budget	Governor office	15-Jan-21
6.3 Submission of County Fiscal Strategy paper (CFSP) to CEC for Approval	County Treasury	20 th February 2021
6.4 Submission of County Fiscal Strategy paper (CFSP) to County Assembly	County Treasury	28 th February 2021
6.5 Preparation and Submission of Debt Management Strategy of the County Government over the Medium Term to the County Assembly	County Treasury	28 th February 2021
7. Preparation and Approval of the Final Budget		
7.1 Develop and issue final guidelines on the preparation of final budget estimates to line sectors	County Treasury	15 th March 2021
7.2 Departmental Submission of budget proposals to County Treasury	Line Sectors Working Groups	30 th March 2021
7.3 Consolidation of the Final Budget Estimates	County Treasury	10-Apr-21

ACTIVITY	RESPONSIBILITY	DEADLINE
7.4 Submission of budget Estimates to cabinet for approval	County Treasury	20 th April 2021
7.5 Submission of draft budget Estimates to Assembly for approval together with other documents	County Treasury	30 th April 2021
7.6 Review of budget estimates by the county assembly	County Assembly Committee	15 th April 2021
7.7 Report on draft budget by the county assembly	County Assembly Committee	20 th April 2021
7.8 Consolidation of the final budget estimates	County Treasury	30 th May 2021
7.9 Submission of appropriation bill to County Assembly	County Treasury	10-Jun-21
8. Budget statement	CEC-Finance and Economic Planning	15-Jun-21
8.1 Appropriation Bill passed	County Assembly	30-Jun-21
8.2 Finance Bill passed	County Assembly	30 th June 2021
9. Budget implementation		
9.1 Preparation of the Annual Work plans for FY 2021/2022	Sectors	7 th May 2021
9.2 Preparation of procurement plans	Sectors	7 th June 2021
9.3 Preparation of cash flow projections	Sector	15 th June 2021