

**ISIOLO COUNTY GOVERNMENT**



**COUNTY FINANCE & ECONOMIC PLANNING**

**2019 COUNTY FISCAL STRATEGY PAPER**

“HARNESSING THE BIG FOUR AGENDA FOR SUSTAINABLE SOCIAL  
ECONOMIC GROWTH AND DEVELOPMENT”

**FEB 2019**

## **FOREWORD**

The 2019 County Fiscal Strategy Paper (CFSP) sets out the County's priority programs to be implemented under the Medium Term Expenditure Framework (MTEF). This CFSP comes at the implementation of the second County Integrated Development Plan 2018-2022 and Third Medium Term Plan (MTP III) (2018-2022).

The 2018 CFSP was prepared based on Promotion of Sustainable Social Economic Growth and Development. Its implementation is currently ongoing and it is expected to increase speed, protract broad-based economic growth and to change our county's economy in the big four agenda and the vision 2030.

Significant progress has been made in the implementation of 2018/2019 budget so far; however some challenges have been encountered especially on the release of funds from national government and delayed movement to e-Procurement platform.

However, the local revenue collected increased from Ksh. 53,969,271 collected in the first half of FY 2017/18 to Ksh.87, 259, 692 in the first half of FY 2018/19.

CFSP, 2019 will emphasize on harnessing the big four agenda for sustainable social economic growth and development. We will also continue building on the achievements so far made in most sectors and with the policies set out in the CFSP, 2018.

In pursuit of the 2019/20 budget theme, the County Government has identified key development priority areas from the County Integrated Development Plan(CIDP) and Annual Development Plan(ADP) that include: Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock; investment in Infrastructure development and expansion; investing in quality, affordable and accessible Health Services; Enhancing governance, transparency and accountability in service delivery through public participation; investing in Education, focusing on construction of more ECD structures, equipping of youth polytechnics and technical institutions as well as social development of the communities through social programs; Promotion of trade and industrial development for a rapidly industrializing economy and Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society.

We will continue scaling down expenditures on non-priority areas and revise our local revenue projections to reflect the reality on the ground while enhancing our revenue collections.

The paper covers the following broad areas in review of the fiscal performance of financial year 2018/2019; highlights of the recent economic developments and the economic outlook; broad strategic priorities and policies for the Medium Term and the Medium Term Fiscal Framework. The fiscal framework presented in the paper ensures a sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives calls for greater transparency, effectiveness and efficiency in public financial management in order to ensure fiscal discipline



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## **ACKNOWLEDGEMENT**

The County Fiscal Strategy Paper (CFSP) is envisaged to play a critical role in influencing the pace at which the County's economy will grow. It provides a framework under which the County will deal with the key strategic priority issues and challenges in the next three years and beyond. It also outlines a summary of government spending plans as a basis for the 2019/20 budget.

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

This core team undertook the preparation task with the support and guidance of H.E The Governor, Deputy Governor, CECs and Chief Officers. The draft 2019 CFSP document was presented to the various institutions and members of the public for their inputs and direction. Equally, my special thanks go to all who are not individually mentioned but took part in this exercise; you remain an asset to this county.

**Mr. Patrick Lenawasae**

**Chief Officer - Economic Planning**

## **ABBREVIATIONS AND ACRONYMS**

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

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## **LEGAL BASIS FOR COUNTY FISCAL STRATEGY PAPER**

The County Fiscal Strategy Paper is prepared in accordance with section 117 of the Public Finance Management Act, 2012 which states that:

- a) The County Treasury shall prepare and submit to County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly, by 28<sup>th</sup> February of each year;
- b) The County Treasury shall align its County Fiscal Strategy Paper with the National objectives in the Budget Policy Statement;
- c) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the Medium Term;
- d) The County Treasury shall include in its Fiscal Strategy Paper, the Financial Borrowing for the financial year and over the Medium Term;
- e) In preparing the Fiscal Strategy Paper, the County Treasury shall seek and take into account views of :
  - i. The Commission on Revenue Allocation (CRA);
  - ii. The Public;
  - iii. Any interested persons or groups; and
  - iv. Any other forum that is established by legislation.
- f) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County assembly, the County assembly shall consider and may adopt it with or without amendments;
- g) The County Treasury shall consider any recommendations made by the County Assembly in finalizing the budget proposal for the financial year concerned; and
- h) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.



# **COUNTY GOVERNMENT FISCAL RESPONSIBILITY PRINCIPLES**

The Public Finance Management (PFM) Act, 2012 sets out the following fiscal responsibility principles to ensure prudence and transparency in the management of public resources:

- a) The County Government's recurrent expenditure shall not exceed the County government's Total Revenue;
- b) Over the Medium Term, a minimum of 30 percent of the County government's budget shall be allocated to the Development expenditure;
- c) The County Governments' expenditure on wages and benefits for its public officers shall not exceed a percentage of the County government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly and in line with the PFM act;
- d) Over the Medium Term, the government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- e) The County debt shall be maintained at sustainable level as approved by County Assembly;
- f) The fiscal risks shall be maintained prudently; and
- g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future.

# **1: INTRODUCTION**

## **1.1 OVERVIEW**

The 2019, County Fiscal Strategy Paper (CFSP) is the second under the new administration led by H.E Gov. Dr Mohamed Kuti. It is in accordance with the requirements of Public Finance Management Act, 2012, section 117. The theme of the County Budget for the Financial Year 2019/20 is to harness the big four agenda and promote sustainable social economic growth and development.

Section 117(2) of the PFM Act requires the County Treasury to align its County Fiscal Strategy Paper with the National objectives in the Budget Policy Statement. The CFSP serves as a guide to the budgeting process and provides projections of the County's revenue, recurrent and development expenditures. It also examines the anticipated risks in the medium term, structural measures and strategic interventions required.

In pursuit of the theme of the budget for financial year 2019/20, the County Government has identified key development priority areas that cover;

- (i) Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock
- (ii) Investment in Infrastructure development and expansion i.e. Roads, Water Supply, Market development, Livestock and agriculture transformation for sustainable economic growth and development.
- (iii) Investing in quality, affordable and accessible Health Services (i.e. preventative, curative and rehabilitative health care services).
- (iv) 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.
- (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;
- (ix) Investing in Energy, Environmental conservation, natural resource management, modern urban infrastructure and sustainable land management for socio economic development

The above County Government key development priority areas are aligned to the National Government Policy on economic transformative agenda that includes;

- i. Sustained Investment in Social Services for the Welfare for all in health care, education and social safety nets; and
- ii. Creating a Conducive Business Environment for Investment Opportunities

- iii. Investing in sectorial transformation to ensure broad-based and sustainable economic growth with a major focus on livestock and agricultural transformation to ensure food security;
- iv. Investing in infrastructure in areas such as transport, logistics, energy and water;
- v. Further consolidating gains made in devolution in order to provide better service delivery and enhance economic development.

## **1.2 Outline of the County Fiscal Strategy Paper.**

### **The CFSP is organized as follows;**

- a. Chapter 1: Gives an introduction on the various laws governing the preparation of the CFSP, plus the fiscal responsibility principles governing the budgeting process.
- b. Chapter 2: Outlines the economic context in which the 2019/20 MTEF budget is prepared. It provides an overview of the recent economic development and the macroeconomic outlook covering the national scene.
- c. Chapter 3: Outlines the forward economic and fiscal policies and the budget framework for the county.
- d. Chapter 4: Gives an analysis of strategic priorities and interventions. It also gives an analysis of the key priority sectors and interventions to be implemented.
- e. Chapter 5: Provides fiscal policy and budget framework and it outlines the fiscal framework that is supportive of growth over the medium term while continuing to provide adequate resources to facilitate execution of policy priorities of the County government of Isiolo.
- f. Chapter 6: Gives a detailed analysis of the MTEF. It presents the resource envelope and spending priorities of the proposed MTEF budget for the financial year 2019/20 and the medium term. It further provides the proposed sector ceilings and the baseline ceilings.

## **2: RECENT ECONOMIC AND FISCAL DEVELOPMENT**

### **2.1 Economic and Fiscal Overview**

#### **2.1.1 Global and regional Overview**

Global growth is projected to remain steady and grow by 3.7 percent in 2018 and 2019. The leveling-off is driven by the recently announced trade measures, including the tariffs imposed on \$200 billion of US imports from China, closure of output gaps in advanced economies, moderation in trade and investment, and a gradual tightening of financing conditions due to ongoing withdrawal of accommodative monetary policy in advanced economies. Global growth optimism is constrained by rising trade tensions likely to have a negative impact on confidence, asset prices, global trade and investments.

In advanced economies, growth is expected to pick up to 2.4 percent in 2018 up from 2.3 percent in 2017 mainly supported by strong fiscal stimulus in the USA. This growth is however constrained by a slowdown in economic growth in the Euro area and the United Kingdom due to declining global trade and industrial production. Growth is projected to ease to 2.1 percent in 2019 reflecting consequence of the trade war.

Among emerging markets and developing economies, growth is expected to stabilize at 4.7 percent in 2018 and 2019 reflecting offsetting developments as growth moderates to a sustainable pace in China, while it improves in India reflecting increased domestic demand. Higher oil prices have also lifted growth among fuel-exporting economies in sub-Saharan Africa and the Middle East.

Growth prospects for sub-Saharan Africa continue to strengthen. Growth is expected to improve from 2.7 percent in 2017 to 3.1 percent in 2018 and further to 3.8 percent in 2019, supported by a stronger global growth, higher commodity prices, improved capital market access and contained fiscal imbalances in many countries. However, downside risks may arise from uncertainties in the run up to the 2019 general elections in South Africa.

Growth in the East African Community (EAC) region is estimated to rise to 5.9 percent in 2018 from 5.3 percent in 2017. This growth is driven by a rebound in agricultural activity on the backdrop of favorable weather conditions and a pickup in private sector credit growth. In 2019, economic growth is projected to increase to 6.3 percent supported by a stable macroeconomic environment, ongoing infrastructure investments, and strong private consumption.

### **2.1.2 National Economic Overview**

Economic activities picked up in 2018, after the slowdown in 2017, reflecting improved rains, better business sentiment and easing of political uncertainty. The economy grew by 5.8 percent, 6.2 percent and 6.0 percent in the first, second and third quarters of 2018 respectively, up from 4.7 percent in similar quarters in 2017. Growth for the first three quarters of 2018 averaged 6.0 percent and is projected to grow by 6.0 percent in 2018 up from 4.9 percent in 2017. This growth is supported by a strong rebound in agricultural output, steadily recovering industrial activity, and robust performance in the services sector.

The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate to support exports. Month-on-month overall inflation remained stable and within target at 5.7 percent in December 2018 from 5.6 percent in November 2018, largely on account of low food prices following favourable weather conditions and a decline in energy prices due to lower prices of electricity and diesel. However, overall inflation increased from 4.5 percent in December 2017 to 5.7 percent in December 2018 on account of an increase in international oil prices.

The foreign exchange market remains stable supported by a continued narrowing in the current account deficit. The current account deficit is expected to narrow to 5.2 percent of GDP in 2018 from 6.3 percent in 2017, with strong performance of agricultural exports particularly tea and horticulture, increased diaspora remittances, strong receipts from tourism, and lower imports of food and Standard Gauge Railway (SGR) related equipment relative to 2017.

Over the medium term, economic growth is expected to rise gradually to 7.0 percent per annum due to investments in strategic areas under the “Big Four” Plan that aim to increase job creation through the manufacturing sector, ensure food security and improved nutrition, achieve universal health coverage and provide affordable houses to Kenyans. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth.

Kenya continues to be ranked favorably in the ease of doing business and as a top investment destination. In the 2018 World Bank’s Doing Business Report, Kenya was ranked position 61 in 2018 moving 19 places from position 80 in 2017.

### **2.1.3 National Fiscal Overview**

Budget execution started on a slow note in the first quarter of the FY 2018/19 due to budget rationalization to align expenditure priorities to revenues after amendments to the Finance Bill 2018 that significantly affected the expected revenue yields. In addition, expenditure rationalization was effected to reflect lower revenues after the revenue outcome for the FY 2017/18 turned out weaker than anticipated, thereby shrinking the forecasting base for FY 2018/19 as well as the medium term.

The exercise to clean-up the development project portfolio triggered by the Presidential directive on inclusion of new projects in the budget also slowed down the uptake of development expenditures in the first quarter. This picked up strongly in the second quarter of FY 2018/19.

The expenditure rationalization was to ensure sustainable fiscal position in the FY 2018/19 and the medium term, and reaffirm the Government's commitment to its fiscal consolidation plan and to prudent fiscal management in general.

Revenue collection for the first five months grew by 13.5 percent compared to the same period in the FY 2017/18. This strong growth is driven in part by a rebound effect, after the poor performance in the previous financial year as well as two months effect of the tax policy measures introduced in the Finance Act 2018. Despite the strong growth, cumulative ordinary revenue still fell short of the November target by Ksh 27.7 billion. This shortfall however is expected to close in the second half of the financial year as the yields from the full impact of the revenue policy measures take effect and as the roll out of the Revenue Enhancement Initiatives (REI) being put in place by the Kenya Revenue Authority (KRA) is finalized.

As the financial year progresses, the national government aims to closely monitor the performance of Excise taxes and Taxes from International Trade and Transactions (Import duty) which performed below the cumulative November 2018 targets. Income tax from corporations which recorded negative growth as at November 2018 is expected to bounce back to target levels by third quarter due to the strong performance recorded in the economy in the first half of the financial year. Income Tax from individuals, (P.A.Y.E) and Value Added Tax (VAT) remained largely on target and are expected remain on course into the second half of the year.

In nominal terms, total revenue collection including Appropriation in Aid (A.i.A) by November 2018 amounted to Ksh 633.7 billion (equivalent to 6.3 percent of GDP) against a target of Ksh 677.0 (equivalent to 6.5 percent of GDP). The recorded shortfall of Ksh 43.3 billion was due to underperformance in ordinary revenue Ksh 27.7 billion and A.i.A amounting to Ksh 15.6 billion.

Total expenditure and net lending for the period July-November 2018 amounted to Ksh 829.1 billion which was below the projected amount by Ksh 105.7 billion. Recurrent spending amounted to Ksh 553.6 billion while development expenditures and transfer to County Governments (Equitable share only) were Ksh 203.1 billion and Ksh 72.2 billion respectively and net lending expenditures for five months amounted to Ksh 963 million.

Whereas recurrent spending was below the projected target by Ksh 80.0 billion mainly on account of lower than targeted domestic interest payments and pension payments, capital spending was marginally above the target by Ksh 3.2 billion.

Fiscal operations of the Government during the five months of July-November 2018 resulted in an overall deficit of Ksh 216.5 billion against the projected deficit of Ksh 242.8 billion. This deficit was financed through net domestic financing of Ksh 139.4 billion and net foreign borrowing of Ksh 77.1 billion.

## **2.2 County Economic and Fiscal Overview**

### **2.2.1 County Economic Overview**

Livestock keeping is the main economic activity in Isiolo County. About 80 percent of the inhabitants derive their livelihood from livestock enterprise. The livestock production employs about 70 percent of the rural labour force. The County is endowed with enormous livestock resources. The estimated livestock population is 198,424 heads of cattle, 398,903 goats, 361,836 sheep and 39,084 camels (2009 census). The main drawbacks to the improvement of the livestock production include: poor governance of the rangelands largely due to the absence of an appropriate legal framework of land tenure, livestock diseases, frequent droughts and sometimes flooding, lack of an organized market for livestock and livestock products, and inappropriate and inadequate systems of social and financial service provision.

The Completion of Isiolo International Airport, LAPSSSET Project and Isiolo resort city is expected to stimulate rapid economic growth. These projects will turn Isiolo town into a major tourist destination and a regional economic hub. It will open up the northern frontier, thereby attracting both domestic and foreign investments. The completion of Isiolo abattoir will improve the livelihoods of Isiolo people through improvement of livestock market.

### **2.2.2 County Fiscal Overview**

The revised Approved Budget for the Financial Year 2018/19 amounts to Kshs. 5,200,512,534, with Kshs. 3,146,601,792 (61 percent) allocated for recurrent expenditure and Kshs. 2,053,910,742 (39 percent) for development expenditure.

#### **2.2.2.1 County Revenue Analysis**

In order to finance the budget for the Financial Year 2018/19, the County Government is expected to receive the following total revenue as shown in the table below.

**Table 1:2018/19 Supplementary 1 Expected Revenue**

<b>TITLE</b>	<b>2018/19 REVISED ESTIMATES</b>	<b>Percentage (%)</b>
<b>EQUITABLE SHARE</b>	<b>3,925,000,000</b>	<b>75%</b>
General Provisions (Equitable Share)	3,925,000,000	75%
<b>CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT</b>	<b>272,214,052</b>	<b>5.2%</b>
Funds Received from Road Maintenance Levy Fund	103,341,833	2%
Road levy fund bal 2017/18	23,164,758	0.4%
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	0.1%
Medical Equipment	-	0.0%
Free Maternity Fund	-	0.0%
Supplement for Construction of County Headquarters	121,000,000	2.3%
Conditional Allocation for Development of Youth Polytechnic	21,235,000	0.4%
<b>CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS</b>	<b>433,775,696</b>	<b>8.3%</b>
Current Grants from Foreign Governments Danida	12,656,250	0.2%
Kenya Devolution Support Programme (KDSP) World bank	38,668,826	0.7%
World Bank Loan to Supplement Financing of County Health Facilities		0.0%
World Bank Loan to Supplement Financing of County Health Facilities B/f from 2016/17		0.0%
World Bank Loan for Transforming Health Systems for Universal Care Project	66,229,830	1.3%
Climate Smart Agricultural Project	150,000,000	2.9%
Urban Support Project Development	93,968,100	1.8%
Urban Support Project- Recurrent (2017/18+2018/19)	41,200,000	0.8%
Food and Agriculture Organization of the United Nations-Livestock grant	9,023,720	0.2%
Sweden Agricultural Sector Development Support Programme (ASDSP)	22,028,970	0.4%
<b>GROSS COUNTY EXTERNAL REVENUE ESTIMATES</b>	<b>4,630,989,748</b>	<b>89.0%</b>
<b>INTERNAL COUNTY OWN REVENUE ESTIMATES</b>	<b>150,861,337.00</b>	<b>2.9%</b>
<b>Balances from FY 2017/18</b>	<b>418,661,448.75</b>	<b>8.1%</b>
Balance B/f from CRF	281,855,002	5.4%
Balance B/f from Recurrent Ac	5,018,698	0.1%
Balance B/f from Development Ac	64,572,014	1.2%
Balance BF- Danida- County health	1,547,840	0.0%
Balance BF- Fuel Levy Fund Account	192,921	0.0%
Balance BF from OSR AC (Local Revenue)	5,126,236	0.1%
Balance BF from Bursary Fund	34,182,040	0.7%
Conditional Allocation for Development of Youth Polytechnic bal for FY 2017/18	26,166,698	0.5%
<b>GROSS COUNTY REVENUE ESTIMATES</b>	<b>5,200,512,534</b>	<b>100.0%</b>



## Revenue Received from exchequer as at 31<sup>st</sup> December 2018

In the first half of financial year 2018/19, the County received Ksh. 1,961,490,694 comprising of Ksh 1,874,231,002 from the National Government as a direct transfer to the County Revenue Fund Account and Ksh.87,259, 692 rose from local sources. The table 2 below provides a summary of the revenues received from the National Government during the first half of the financial year 2017/18.

**Table 2 Direct Transfers from National Government**

S/No	Revenue Source	Revised Budget Allocation (in Kshs)	Actual receipts in Half Year of FY 2018/19 (in Kshs.)
	<b>Equitable share</b>	<b>3,925,000,000</b>	<b>1,216,750,000</b>
	General Provisions	3,925,000,000	1,216,750,000
<b>A</b>	<b>Grants Contained in the CARA, 2018</b>		
1	Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	32,966,823
2	Supplement for Construction of County Headquarters	121,000,000	
3	Road Maintenance Fuel Levy	103,341,833	
4	Kenya Urban Support Project (KUSP)	93,968,100	93,968,100
	Transforming Health Systems for Universal Care Project (WB)	66,229,830	6,188,976
5	Kenya Devolution Support Project (KDSP) "Level 1 grant"	38,668,826	4,853,724
6	Rehabilitation of Village Polytechnics	21,235,000	
7	DANIDA Grant	12,656,250	6,328,125
8	Compensation for User Fee Foregone	3,472,461	
9	Urban Support Project- Recurrent (2017/18+2018/19)	41,200,000	
10	Road levy fund bal 2017/18	23,164,758	23,164,758
11	Sweden Agricultural Sector Development Support Programme (ASDSP)	22,028,970	
12	National Agricultural and Rural Inclusive Growth Project (NARIGP)		
13	EU Grant		
14	Water and Sanitation Development Project (WSDP)		
15	Kenya Devolution Support Project (KDSP) "Level 2 grant"		
<b>Sub Total</b>		<b>696,966,028</b>	<b>167,470,506</b>
<b>B</b>	<b>Other Grants</b>		
14	Food and Agriculture Organization of the United Nations- Livestock grant	9,023,720	
15	Universal Health Care Project	-	71,349,047
<b>Sub Total</b>		<b>9,023,720</b>	<b>71,349,047</b>
<b>Balance from FY 2017/18</b>		<b>418,661,449</b>	<b>418,661,449</b>
<b>Grand Total</b>		<b>5,049,651,197</b>	<b>1,874,231,002</b>

The total supplementary 1 revenue estimate for fiscal year 2018/19 is Kshs. 5,200,512,534 these includes Kshs. 150,861,337 from local revenue sources, Kshs3,925,000,000 equitable share of revenue from National Government, Kshs. 272,214,051 additional conditional allocations from National Government, Kshs 433,775,696 conditional allocation from development partners from loans and grants to County Government and balance brought forward from FY 2017/18 of Ksh.418,661,449 .

The table 3 below provides a summary of the local revenue collected against the target during the half of financial year 2018/19.

**Table 3: Local Revenue Collection Performance in the First half year of Financial Year 2018/19**

REVENUE STREAM	TARGET	ACTUAL RECEIPTS	PERCENTAGE
<b>RECEIPTS FROM ADMIN FEES</b>		-	
OTHER LAND REVENUE(PLOT)	1,240,000	-	0%
<b>LAND RATES</b>		-	
LAND RATES AND RATES CURRENT YEAR	6,197,075	3,272,805	53%
PENALTIES RENT AND RATES	1,000,000	351,709	35%
OTHER PROPERTY CHARGES		431,396	
LAND RATES AND RENT ARREARS	1,400,000	2,985,259	213%
<b>LIVESTOCK AUCTION</b>	4,808,175	1,403,025	29%
<b>SAND CESS</b>	10,900,000	6,023,389	55%
<b>MURRUM</b>		-	
<b>OTHER CESS OR PRODUCE</b>	2,312,537	193,880	8%
<b>OTHER MISCELLENEOUS RECEIPTS</b>		-	
MIRAA EXPORT	3,918,156	981,650	25%
Miscellaneous charges	1,500,000	229,323	15%
SPB FEES/PROMOTION	5,998,001	1,279,034	21%
LIQUOR LICENSE/APPLICATION	800,000	2,341,243	293%
PUBLIC WORKS/OTHER CHARGES/PLAN APPROVALS	400,000	287,500	72%
STAND PREMIUMS	1,257,024	65,000	5%
CLEARANCE AND CONCEPTS	279,946	4,000	1%
PLOT TRANSFER APPROVAL	2,590,717	247,000	10%
LEASE EXTENSION	200,000	-	0%
PLANNING AND SURVEY	1,636,000	-	0%
LIVESTOCK/VETENARY INSPECTION/HIDES/P HEALTH	1,864,000	573,405	31%
WEIGHT AND MEASURES	500,000	24,100	5%
TRACTOR HIRE	999,905	48,980	5%
AGRICULTURE TRAINING CENTREE	800,000	5,000	1%
GAME ENTRANCE AND ROYALTIES	70,130,130	56,821,083	81%
MARKET STALL RENT-KIOSKS AND STALLS	1,521,746	215,150	14%
STREET PARKING FEES	6,480,000	2,026,837	31%
HOSPITAL COST SHARING	16,049,190	6,747,624	42%
SLAUGHTER FEES	1,993,353	609,800	31%
WATER SUPPLY ADMINISTRATION-METERED		-	
4% WATER LEVIES	2,376,000	-	0%
BUILDING PLAN APPROVAL/ APPLICATION FEE	1,709,382	91,500	5%
<b>GROSS INTERNAL ESTIMATES</b>	<b>150,861,337</b>	<b>87,259,692</b>	<b>58%</b>

The local revenue raised during the first half of the financial year 2018/19 was Ksh 87,259,692 compared to Ksh 53,969,271 collected in the first half of the financial year 2017/18. This shows an overall increase of 63 percent in the total local revenue realised. Overall all revenue sources reflected below the target performances except public works charges, land rates, liquor license and the game entrance and royalties.

**Table 4: Comparison between Revenue Collection Performance in the First half of Financial Year 2017/18 and 2018/19**

Revenue Source	Actual Receipts in the first half of 2017/18 (Ksh.)	Actual Receipts in the first half of 2018/19 (Ksh.)	Deviation
SBP & Promotions Fee	1,520,145	1,279,034	-241,111
Agri. Produce Cess/Barter/Market Entrance/Tractor			0
Livestock Cess	1,645,140	1,483,025	-162,115
Sand Cess	3,416,740	6,177,389	2,760,649
Miraa Cess	531,710	981,650	449,940
Miscellaneous charges		149,323	149,323
Clearance & Consent	60,000	4,000	-56,000
Tender Doc Sales	0		0
Water Connection Fee	0		0
Water Levies	0		0
Murram Cess		0	0
Other cess or produce		193,880	193,880
Parking Fee	2,018,100	2,026,837	8,737
Slaughter Fee	640,780	609,800	-30,980
Hides & Skin	0		0
Land Rates & Rents	1,602,175	6,941,169	5,338,994
Plot transfer/ Subdivision/ Registration/ Approval/Application/public works	347,000	534,500	187,500
Lease Extension	0	0	0
Physical Planner	0	0	0
Planning & Survey Fee	0	0	0
Building Approval	17,500	91,500	74,000
Stand Premium	0	65,000	65,000
Market stalls/Kiosks	0	215,150	215,150
<b>Other Sectors</b>			0
Hospital	1,693,925	6,747,624	5,053,699
Liquor Application	0	2,341,243	2,341,243
Fisheries	0		0
Public Health	0	573,405	573,405
Livestock/Veterinary/Meat Inspection	285,740		-285,740
Rent/Hire/Tractor Hire	31,000	48,980	17,980
Movement permit	0		0
Weight and Measures	0	24,100	24,100
Agriculture Training Centre		5,000	5,000
Game collection	37,348,370	56,767,083	19,418,713
<b>Grand Total</b>	<b>53,969,271</b>	<b>87,259,692</b>	<b>33,290,421</b>

### 2.2.2.2 County Expenditure Analysis

The County spent a total of Ksh. 946,388,627 during the first half of financial year 2018/19 against a revised annual approved budget of Ksh. 5,200,512,533.75 which represents an absorption rate of 18 percent of the total budget; and an absorption rate of 48 percent of the total funds released for recurrent and development (Ksh.1, 874, 231,002). This is an absolute decline in comparison to a similar period of financial year 2017/18 which was 88 percent of the total funds released.

A total of Ksh 946,388,627 was spent on recurrent activities in the first half of financial year 2018/19. The recurrent expenditure for the period under review represented 30 percent of the approved annual recurrent budget; the rate spent was 29% in a similar period of financial year 2017/18. Development expenditure recorded an absorption rate of 0 percent, a drop from 5 percent spent in a similar period of financial year 2017/18.

#### Recurrent Expenditure Analysis

The total recurrent expenditure during the review period (first half of the financial year 2018/19) was Ksh 946,388,627 against a total recurrent budget of Ksh 3,146,601,792 representing an absorption rate of 30 percent. The table 5 below provide the analysis of recurrent expenditure and budget absorption rate by sectors.

**Table 5: Recurrent Expenditure Analysis by Sector for the first half of the financial year 2018/19**

Sector	Approved Budget FY2018/19	Revised Approved Budget(Supp1)	Actual Expenditure in First half of FY 2018/19	Absorption Rate
County Assembly	415,284,815	415,284,815	160,990,534	39%
Office Of Governor	271,237,492	277,209,055	76,679,193	28%
County Public Service Board	69,275,252	74,315,252	9,800,561	13%
County Secretary	19,994,885	25,939,885	3,138,008	12%
Delivery Unit	8,024,000	10,484,000	520,000	5%
Deputy Governor	24,000,000	24,000,000	2,021,965	8%
Public Service Management & Administration	35,920,000	125,472,396	3,316,180	3%
Cohesion	38,061,199	44,536,199	18,567,240	42%
Finance	276,068,308	220,090,761	32,037,057	15%
Special Programme	160,057,894	160,057,896	13,407,800	8%
Economic Planning		42,652,508	7,753,830	18%
Lands	22,686,415	24,021,415	6,546,043	27%
Roads	9,573,318	15,595,525	3,585,742	23%
Public Works& Urban Development	18,350,000	26,468,650	7,299,132	28%
Municipal Administration	53,067,086	63,173,470	2,903,712	5%
Agriculture	49,213,608	53,682,895	11,642,677	22%
Livestock	95,111,324	102,075,607	26,598,535	26%
Education & Vocational Training	188,426,321	225,208,690	66,840,081	30%
Youth & Sports	10,180,000	21,946,002	2,405,040	11%
Culture And Social Service	10,570,727	19,423,927	4,182,955	22%

Sector	Approved Budget FY2018/19	Revised Approved Budget(Supp1)	Actual Expenditure in First half of FY 2018/19	Absorption Rate
Tourism	115,869,914	144,303,886	27,265,039	19%
Trade	22,402,395	25,372,395	7,576,011	30%
Water	56,801,480	60,273,560	18,329,627	30%
Environment	36,764,815	34,429,288	3,195,431	9%
Health Services	847,270,700	910,583,714	429,786,235	47%
	<b>2,854,211,950</b>	<b>3,146,601,792</b>	<b>946,388,627</b>	<b>30%</b>

### Development Expenditure Analysis

The total development expenditure during the review period (first half of the financial year 2018/18) was zero against a total revised budget of Ksh 2,053,910,742 representing an absorption rate of zero percent. The table 6 below provides the analysis of development expenditure during the first half of the financial year 2018/19.

**Table 6: Development Expenditure Analysis by Sector for the first half of the financial year 2018/19**

Sector/ Sub sector	Approved Budget FY2018/19	Revised Approved Budget(Supp1)	Actual Expenditure in First half of FY 2018/19	Absorption Rate
County Assembly	75,000,000	85,000,000	0	0
Office Of Governor	60,557,386	50,000,000	0	0
County Public Service Board	-		0	0
County Secretary	-	3,942,720	0	0
Delivery Unit	-		0	0
Deputy Governor	-		0	0
Public Service Management & Administration	13,000,000	29,800,000	0	0
Cohesion	-		0	0
Finance	296,539,178	300,912,178	0	0
Special Programme	56,950,000	47,450,000	0	0
Economic Planning	-		0	0
Lands	41,000,000	34,387,500	0	0
Roads	168,177,193	205,226,928	0	0
Public Works& Urban Development	-	10,000,000	0	0
Municipal Administration	257,968,100	296,465,525	0	0
Agriculture	23,114,160	223,001,757	0	0
Livestock	236,885,840	74,909,560	0	0

<b>Sector/ Sub sector</b>	<b>Approved Budget FY2018/19</b>	<b>Revised Approved Budget(Supp1)</b>	<b>Actual Expenditure in First half of FY 2018/19</b>	<b>Absorption Rate</b>
Education & Vocational Training	45,000,000	89,967,676	0	0
Youth & Sports	188,000,000	179,500,000	0	0
Culture And Social Service	15,000,000	17,100,000	0	0
Tourism	28,000,000	20,871,000	0	0
Trade	14,000,000	6,750,536	0	0
Water	119,000,000	103,870,495	0	0
Environment	25,000,000	15,675,120	0	0
Health Services	210,229,830	259,079,747	0	0
<b>Total</b>	<b>1,873,421,687</b>	<b>2,053,910,742</b>	<b>0</b>	<b>0</b>

### **3. FORWARD ECONOMIC AND FISCAL DEVELOPMENTS**

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

Kenya's economic growth prospects for the FY 2019/20 and over the medium term take into account the global and sub-Saharan Africa growth prospects, the emerging global challenges and the domestic risks. The projections accommodate the strategic objectives of the Government as outlined in the Third Medium Term Plan (2018-2022) of Vision 2030.

Real GDP is projected to expand by 6.1 percent in FY 2018/2019, 6.2 percent in FY 2019/2020, 6.4 percent in FY 2020/21 and 7.0 percent by FY 2022/23. This growth will be supported by a pickup in agricultural and manufacturing activities underpinned by improved weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business and consumer confidence.

The outlook, therefore points to a continued coordination of monetary and fiscal policies for overall macroeconomic stability which will support robust growth, lower fiscal deficits, contain inflation within the target range and a gradual improvement in the current account balance.

In addition, measures being undertaken by the Government under "The Big Four" Plan to boost the manufacturing sector; enhance food security and nutrition; build affordable housing; and achieve Universal Health Coverage are expected to enhance growth, create jobs and promote inclusive growth.

Inflation is currently within the Government's target range largely due to lower food prices and muted demand-driven inflationary pressures. It is expected to remain within target in the medium term mainly due to expected lower food prices reflecting favorable weather conditions, the decline in international oil prices, and the recent downward revision in electricity tariffs. The recent excise tax adjustment on voice calls and internet services is expected to have a marginal impact on inflation. Interest rates are expected to remain low and stable over the medium term supported by improved liquidity conditions, and the proposed fiscal consolidation.

Kenya's external position is projected to strengthen over the medium term supported by a narrower current account deficit. The narrowing of the current account deficit is largely due to increased exports of tea and horticulture, increased diaspora remittances, strong receipts from tourism, increased foreign direct investment in infrastructure and lower imports of food and SGR-related equipment relative to 2017. It is expected to narrow further to 5.2 percent of GDP in 2018 from 6.3 percent in 2017.

The Government policies aims at supporting the fiscal consolidation agenda which will bolster debt sustainability position and give flexibility for counter cyclical fiscal policy interventions whenever appropriate. The programme targets to achieve a fiscal deficit



including grants of 3.0 percent of GDP by FY 2022/23 down from the projected 6.3 percent of GDP in FY 2018/19. This is in line with the EAC convergence ceiling of 3.0 percent of GDP.

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

### **3.2.1 County Forward Economic Development**

The County Government has embarked on a serious move to exploit the existing economic potentials to transform the County into a developed, just and cohesive where all enjoy high quality of life. Much emphasis is put on increasing livestock and crop productivity and expanding food production through irrigation and enhancing value addition. Effort is being made to achieve land titling (land tenure security) and expansion in investment on physical infrastructure as well as promotion of green energy (Solar and Wind). The County government strives to support growth in tourism and hospitality sector as well as wholesale and retail trade. All these initiatives are expected to increase the County government fiscal space.

Over the medium term, the County Government will put more effort in promoting the County as a development hub both locally and internationally. This is because the County is a gateway to Northern Kenya which is becoming a new development frontier in Kenya. It is also a cultural melting pot for different cultures in northern Kenya region. The large untapped resources which include oil and gas, minerals such as sapphire and gold, diversified and large number of livestock and game reserves is also expected to attract both foreign direct and domestic investments.

The County is also a host to key National flagship projects such as the LAPSSET corridor, the proposed resort city, the international airport, oil refinery, pipeline, railway station and an international abattoir. These projects are expected to spur rapid economic growth and transform the County to an economic hub.

Isiolo County has a huge renewable energy potential. Preliminary wind resource assessment shows that wind regime enjoys wind speeds ranging from 8 to 14 meters per second. The County therefore has a potential to produce over 150 megawatt (MW) of wind power for sale to the national grid.

In the manufacturing sector, the County is well positioned to harness the resources available in different parts of the country to establish a vibrant manufacturing hub. Investment opportunities exist in development of Industrial Parks including small and medium enterprises (SME), and Export Processing Zones (EPZs) which will offer a range of fiscal incentives that help in reducing start up and operational costs; making exporters internationally price competitive.

The tourism industry in the County is expected to be very vibrant with the proposed development of the resort city. The resort city will attract lucrative investment opportunities which include construction of international hotel chains, investment in conference facilities,

international standard performance venues and entertainment facilities such, clubs, casinos, amusement parks, art galleries, museums, jet skiing and golf courses.

Livestock production accounts for 12 percent of the national GDP and over 40 percent of these livestock is found in the County. With the completion of the world-class abattoir with a capacity to slaughter 1000 sheep and goats, 300 cows and 100 camels daily, the County is set to be the leading livestock products exporter in Kenya. This is expected to spur growth in related industries such as animal feeds, tanneries and leather processing plants which will contribute immensely to economic growth.

### 3.2.2 County Fiscal Overview

#### 3.2.2.1 County Revenue Analysis

In order to finance the budget for the Financial Year 2019/20, the County Government is expected to receive from National Equitable share Ksh 4,154,000,000 , Medical equipment worth Ksh.131,914,894, Fuel Levy worth Ksh.120,386,438, Rehabilitation of Polytechnics worth Ksh.10,833,297.87 and User Fee Foregone worth Ksh. 3,472,461 from the National Government transfers.

The County is further expected to receive grants worth Ksh.403, 048,854. The Local Revenue was however projected at Ksh. 155,861,337.The table 1 below provides a summary of the revenue projections.

**Table 7 Summary of Revenue Projections**

REVENUE SOURCE	REVENUE ESTIMATES FOR FY 2019/20	PERCENTAGE
<b>EQUITABLE SHARE</b>	<b>4,154,000,000</b>	84%
General Provisions (Equitable Share)	4,154,000,000	84%
<b>CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT</b>	<b>255,692,197</b>	<b>5%</b>
Funds Received from Road Maintenance Levy Fund	120,386,438	2%
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	0%
Supplement for Construction of County Headquarters	121,000,000	2%
Conditional Allocation for Development of Youth Polytechnic	10,833,298	0%
<b>CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS</b>	<b>403,048,854</b>	<b>0</b>
Danida Grant( Universal Health Care in Devolved System Program)	11,718,750	0%
Kenya Devolution Support Programme (KDSP) World bank	30,000,000	1%
World Bank Loan for Transforming Health Systems for Universal Care Project	64,373,437	1%
Climate Smart Agricultural Project	175,648,054	4%
Agricultural Sector Development Support Program (ASDSP)	18,540,513	0%
Urban Support Project Development	93,968,100	2%

Urban Support Project- institutional Grant	8,800,000	0%
<b>LOCAL REVENUE</b>	<b>155, 861,337</b>	<b>3%</b>
<b>TOTAL REVENUE</b>	<b>4,968,602,388</b>	<b>100%</b>
Leasing of Medical Equipment	<b>131,914,894</b>	<b>Deducted at Source</b>

## **4: STRATEGIC PRIORITIES AND INTERVENTIONS**

### **4.1 Overview**

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

### **4.2 Livestock and Crop Productivity**

Livestock production is the backbone of the County's economy. About 80 percent of the inhabitants derive their livelihoods from livestock related enterprises. The livestock sub sector employs about 70 percent of the rural labour force. The County is endowed with enormous livestock resources.

However the County has huge unexploited potential for livestock production. The major challenges facing livestock production include:

- i. Inadequate resources in terms of funding on planned activities due to low budgetary provisions.
- ii. Insufficient transport means to do the outreach services as per the annual work plans because the sector has no vehicle.
- iii. Insecurity and inter clan skirmishes hinders the smooth operation of service delivery.
- iv. Expansiveness of the county overstretches the already inadequate technical staff offering extension service
- v. Inadequacies in human resource developments and management especially in matters to training, promotion and facilitation
- vi. Lack of decentralized funds from the county level to the sub counties paralyzing service delivery at that level.
- vii. Frequent droughts and flooding
- viii. Lack of an organized market for livestock and livestock products.
- ix. Shortage of water for livestock
- x. Long distances to water points
- xi. Inadequate drugs and vaccination visits.

This year's budget will therefore focus on measures to promote the development of the livestock sub-sector by:

- i. allocating enough funds for the livestock sub-sector
- ii. purchasing vehicles to facilitate movement of technical staff
- iii. promoting cohesion among the neighboring communities
- iv. employing and deploying technical staff to the sub-counties
- v. coming up with mitigation measures to curb the effects of drought and floods

- vi. Developing an efficient livestock marketing system that capitalize the full potential of the livestock economy

On crop productivity, the budget will focus on;

- i. Provision of subsidized seeds and fertilizer to farmers;
- ii. Support of existing irrigation projects and creation of more irrigation projects
- iii. Agricultural Mechanization that will increase efficiency and reduce production costs
- iv. Up scaling of Capacity Buildings Programmes for farmers through extension services.

### **4.3 Developing both Surface and Underground Water Sources**

The County government recognizes that a huge percentage of the inhabitants lack access to clean and safe water within five kilometers reach. 73 percent of the rural areas rely on water sources that are unsafe and are about 25 kilometers of reach during the dry season. Further, the livestock walking distance without stress is estimated at 10 kilometers yet 74 percent of pastoralist walk over 25 kilometers to the nearest water sources during the dry season.

The main challenges experienced in the sector include;

- i. Delay in procurement due to challenges of the e-procurement system.
- ii. Inadequate technical personnel for design and supervision of projects
- iii. Inadequate financing
- iv. Frequent breakdowns of existing and dilapidated water supplies.
- v. Inadequate community capacity to run and manage the completed water projects
- vi. Frequent droughts that constrain the allocated resources due to emergencies that require emergency interventions such as water trucking and borehole breakdown repairs
- vii. Unpredictable rainfall and shortage of water during rainy seasons
- viii. Upstream abstractions of water from the rivers
- ix. Poor quality of water, not suitable for human consumption
- x. Inadequate sewerage systems that lead to pollution of water

In quest of the theme of this year's budget, the County will focus on continued investment in both surface and ground water sources with an aim of making water safe, adequate, reliable, and affordable. The County government will focus on:

- i. Increasing funding for drilling and equipping of boreholes in rural areas;
- ii. Increasing funding towards rehabilitation of the rural and urban water supply;
- iii. Increasing funding for water conservation structures such as dams, water pans and sand dams;
- iv. Increasing funding towards the protection of water catchment areas;
- v. Increasing funding towards appropriate water treatment technologies in rural areas; and
- vi. Increasing funding towards strengthening institutional capacity in the water sector.
- vii. Employment of more technical staff
- viii. Investing in wind and solar energy to improve water supply

#### **4.4 Access to Quality and Affordable Health Services**

The County has a poorly distributed health facility network with a number of rural areas people walking for over 15 kilometers to access health services. Most of the health facilities are in poor conditions and require rehabilitation. The service delivery is equally affected by shortage of technical staff, inadequate supply of medical equipment and medical supplies/commodities.

County Health indicators remain alarming with the leading cause of mortality being HIV/AIDS at 4.2 percent and Gunshots at 13.4 percent. Maternal Mortality rate currently stands at 48 deaths per 1,000. Less than 5 Mortality rate is at 56 deaths per 1000 live births. Infant Mortality rate is 43 per 1000 live births. Neonatal Mortality rate is 31 per 1000 births. The budget for financial year 2019/20 will focus on reversing the rising burden of communicable and non-communicable conditions by minimizing the health risks through:

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

#### **4.5 lands, physical planning Road, Infrastructure, Public Works Housing and Urban Development**

Under land sub sector the county will concentrate on development of county spatial and titling of land in Isiolo central.

The County has an estimated road network of 975.5 kilometres of which only 34 kilometres is bituminized. Gravel surfaced roads account for 22 percent while earth surfaced roads account for 75 percent of the total road surface. Most gravel surface roads are impassable during wet season while all the earth surface roads are impassable during the wet season.

The County government will continue to upgrade all the non-paved standards roads into all-weather roads. Specifically, the budget for the financial year 2018/19 will focus on:

- i. Rural roads improvement. This will involve routine maintenance of existing roads and opening of new ones to ease accessibility to urban centres and markets, construction of new and rehabilitation of old bridges, drifts, and culverts.
- ii. Urban Roads and storm water control Improvement. The government will continue to upgrade Isiolo Town roads to paved standards. More investments will also be targeted at improving and develop Isiolo town drainage systems

#### **4.6 Early Child Development, Youth and Women Empowerment, and Vocational and Technical Training**

According to the 2009 population census, 79 percent of County's population is under 35 years of age. Youth (using the term to include those between 15 and 35 years of age) number

49,063 or about 34 percent of the population. Due to high levels of unemployment, most of them are idle and not engaged in any productive and gainful activities.

The challenges specific to Early Childhood Development include:

- i. Inadequate and poor Early Childhood Development infrastructure
- ii. Inadequate funding to support School feeding program for ECD
- iii. Nomadic life and failure of mobile schools programme.
- iv. High illiteracy rates in the community

The County government recognises that youth related issues are important to be left out. A healthy and vibrant youth population is a valuable asset to our County. This budget will seek to invest in youth programmes for them to make positive contribution to society.

The County government will therefore facilitate the youth through addressing youth related challenges and more specifically unemployment and empowerment, efforts will be made by the County government to initiate youth development programmes which will include:

**i. Youth Training**

Most of our youth either drop out of school or graduate without necessary skills for self-employment. Many girls drop out of school due to early marriages and pregnancy. Vocational and technical training institutions in the County are inadequate and lack the essential facilities and technology to prepare trainers for the challenging market demands.

The County government will therefore ensure that adequate resources are given to these institutions to enable the young people acquire skills that are required in the job market.

**ii. Youth Talent Search**

The County government will develop Talent Search Academies which will provide youth with the opportunity to discover their talents.

**iii. Youth and Environment**

Degradation of the environment through pollution and poor waste management is a major challenge in the county. The County government will continue to engage youth and youth organizations in activities aimed at protecting the environment.

**iv. Youth Crime and Drugs**

The County has seen a rapid growth in insecurity cases due to rise in drug and substance abuse, like Miraa and bhang. Drug abuse is highly associated with crimes and risks of contracting HIV/Aids and other sexually transmitted diseases among the youth. In this budget, the County government will allocate resources to rehabilitate the youth already in alcohol and drug abuse.

#### **4.7 Tourism Promotion**

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

The sector will focus on increasing the number of tourists visiting the County; reduce incidences of human-wildlife conflict by working hand in hand with the Kenya Wildlife Service, the community and conservancies within the county. To achieve its objectives, the sector will focus on;

- i. Infrastructure improvement in the parks including park roads and staff houses;
- ii. Diversification of tourism products e.g. culture, sport, film shooting, and bird shooting;
- iii. Promotion of community wildlife conservancies;
- iv. Promotion of Bisanadi Game Reserve; and
- v. Marketing of the tourism products both locally and internationally.

#### **4.8 Finance and Economic Planning**

The County government recognises provision of better working conditions for its personnel and revenue enhancements are very critical and are very important to be left out. This budget will seek to continue investing the in the construction of county headquarters and Isiolo market for it to make savings from office rent and revenue enhancement for positive contribution to society. The Isiolo Modern Market project is currently domiciled at the municipal administration department.

#### **4.9 Administration and Public Service Management**

Under this sector the county will concentrate on development of deputy governor's residence and construction of the few remaining wards offices.

#### **4.10 County Assembly**

Under this sector the County will concentrate on development of Speakers' residence

## **5: FISCAL POLICY AND BUDGET FRAMEWORK**

### **5.1 Overview**

The Medium-Term Fiscal Framework aims at stimulating economic growth and at the same time achieving a balanced fiscal policy. The main objective is to support speedy investment and effective delivery of public goods and services in a sustainable manner. Much emphasis is placed on prudent fiscal policy to reinforce County Government's commitment to responsible financial management practices as outlined in the Public Finance Management Act 2012.

The policy aims at shifting more public resources from recurrent to development expenditure so as to promote sustainable and inclusive growth in the long run. Specifically, over the medium term, at least 30 percent of the budget shall be allocated to development expenditure. Much emphasis will be put on efficiency and improving the productivity of expenditure while at the same time ensuring that adequate resources are available for operations, maintenance, and development. Expenditure will promote equitable development as well as making provisions for any marginalized groups in the County.

### **5.2 Fiscal Policy Framework**

Medium-Term Fiscal Framework is targeted at supporting sustainable social economic growth and development. The growth trajectory will be biased towards Livestock ; development of surface and underground water resources; provision quality and affordable health services; development of road infrastructure network; promotion of early childhood education, youth and women empowerment, vocational and technical training ; and tourism promotion.

The overall budget deficit is expected to remain at zero in the short term. In the long term, however, efforts will be made to maintain the budget deficit at less than a figure approved by the County assembly of total expenditure to secure fiscal sustainability.

The fiscal policy will be achieved through the County government's commitment in ensuring a strong revenue base. The measures to achieve this is already contained in the County Finance Act, 2015 and this it is in line with best practices that will help improve compliance in payment, minimize delays, and strive towards the revenue potential of the County. Further, the County treasury will develop and implement initiatives that will rationalize existing tax incentives, expand the tax base and eliminate the possibility of revenue leakages.

#### **5.2.1 Observing Fiscal Responsibility Principles**

The County Government knows that the fiscal position it takes today will have implications into the future. Therefore, in line with the Constitution and the Public Finance Management (PFM) Act of 2012, the principle of sharing the burdens and benefits of the use of resources between the present and future generation implies that we have to make prudent policy decisions.

The ratio of development to recurrent expenditure will be at least 30:70 over the medium term, as set out in the law. In order to address the risks associated with wage bill and other



operational and expense crowding out development, the proportion will be managed in a manner that it should decrease or remain constant as the total expenditure increases. To ensure that the County Government get competitive rates for goods and services from its suppliers, payments shall be made on timely basis to forestall confidence and creditworthiness.

The County Government is also guided by Article 201 of the Constitution of Kenya that provides the public finance principles to be followed that include openness, accountability and public participation in financial matters. In this regard the County will involve the Public in developing priority programmes/projects for implementation. The County government shall also involve the various stakeholders in determining fees and levies for services offered which are expected to be fair with the overall goal being to promote equitable development of the County.

The County plans to raise its revenue through efficient collection methods, widening of revenue base, and applying reasonable revenue rates. It is therefore imperative to reform and modernize the revenue regimes to ensure stability of revenue effort, while at the same time continuing to restructure expenditure systems to ensure efficiency and create fiscal space required to fund priority programmes on sustainable basis.

### **5.2.2 Fiscal and Public Financial Management Reforms**

The County Government shall strengthen enforcement and restructure the organizational structure of finance department to enhance collection of revenues. Revenue automation will be applied to all key revenue collection points.

Reforms in policy, planning and budgeting will focus on strengthening data collection/analysis and reviewing budget procedures to ensure budget formulation process is appropriately integrated with planning.

The County Government will undertake a number of measures in improving revenue and expenditure performance. These include modernizing revenue administration infrastructure to ensure efficient and effective service delivery. The County will continue with expenditure management reforms to improve efficiency and reduce wastage in line with the PFM Act (2012) and embracing the Integrated Financial Management Information System (IFMIS)

To ensure full stakeholder participation, transparency and accountability, and adherence to the PFM Act on budget process, public consultation shall be ensured on all matters of planning and budgeting.

### **5.3 Budget Framework for 2019/20**

The budget framework for financial year 2019/20 targets strategic priorities outlined in the Annual Development Plan for financial year 2019/20 and County Integrated Development Plan 2018-2022. The County Government will continue to re-direct most of its expenditure from non-core recurrent items to finance development activities. During the medium term, the County government will continue to diversify its revenue sources with great emphasis on

developing new revenue streams. Public Private Partnerships (PPPs) will be encouraged in order to create fiscal space, which is important for development.

Total projected County revenue is expected to be Kshs 4,968,602,388 in the financial year 2019/20, a 5% increase from the projection from financial year 2018/19 since we are expecting a reduction of the equitable share allocation to the County. The table 8 below shows the County Fiscal Projections over the medium term.

**Table 8: County Fiscal Projections for Financial Year 2019/20 – 2021/22**

REVENUE SOURCE	FY 2018/19 APPROVED BUDGET	REVENUE ESTIMATES FOR FY 2019/20	PROJECTION FOR FY 2020/21	PROJECTION FOR FY 2021/22
<b>EQUITABLE SHARE</b>	<b>3,925,000,000</b>	<b>4,154,000,000</b>	<b>4,569,400,000</b>	<b>5,026,340,000</b>
General Provisions (Equitable Share)	3,925,000,000	4,154,000,000	4,569,400,000	5,026,340,000
<b>CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT</b>	<b>249,049,294</b>	<b>255,692,197</b>	<b>281,261,417</b>	<b>309,387,558</b>
Funds Received from Road Maintenance Levy Fund	103,341,833	120,386,438	132,425,082	145,667,590
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	3,472,461	3,819,707	4,201,678
Supplement for Construction of County Headquarters	121,000,000	121,000,000	133,100,000	146,410,000
Conditional Allocation for Development of Youth Polytechnic	21,235,000	10,833,298	11,916,628	13,108,291
<b>CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS</b>	<b>402,723,006</b>	<b>403,048,854</b>	<b>443,353,739</b>	<b>487,689,113</b>
Current Grants from Foreign Governments Danida	12,656,250	11,718,750	12,890,625	14,179,688
Kenya Devolution Support Programme (KDSP) World bank	38,668,826	30,000,000	33,000,000	36,300,000
World Bank Loan for Transforming Health Systems for Universal Care Project	66,229,830	64,373,437	70,810,781	77,891,859
Climate Smart Agricultural Project	150,000,000	175,648,054	193,212,859	212,534,145
Agricultural Sector Development Support Program (ASDSP)		18,540,513	20,394,564	22,434,021
Urban Support Project Development	93,968,100	93,968,100	103,364,910	113,701,401
Urban Support Project- institutional Grant	41,200,000	8,800,000	9,680,000	10,648,000
<b>LOCAL REVENUE</b>	<b>150,861,337</b>	<b>155,861,337</b>	<b>171,447,471</b>	<b>188,592,218</b>
<b>TOTAL REVENUE</b>	<b>4,727,633,637</b>	<b>4,968,602,388</b>	<b>5,465,462,627</b>	<b>6,012,008,889</b>
Leasing of Medical Equipment	200,000,000	131,914,894	145,106,383	159,617,022
<b>TOTAL EXPENDITURE</b>	<b>4,727,633,637.00</b>	<b>4,968,602,388</b>	<b>5,465,462,627</b>	<b>6,012,008,889</b>
<b>County Assembly</b>	<b>490,284,815</b>	<b>502,947,617</b>	<b>553,242,379</b>	<b>608,566,617</b>
<b>Recurrent Expenditure</b>	<b>415,284,815</b>	<b>422,947,617</b>	<b>465,242,379</b>	<b>511,766,617</b>
Operation and Maintenance	154,095,311	148,265,986	163,092,585	179,401,843
Personnel Emoluments	261,189,504	274,681,631	302,149,794	332,364,774
<b>Development Expenditure</b>	<b>75,000,000</b>	<b>80,000,000</b>	<b>88,000,000</b>	<b>96,800,000</b>
<b>County Executive</b>				
<b>Recurrent Expenditure</b>	<b>2,438,927,135</b>	<b>2,746,233,084</b>	<b>3,020,856,392</b>	<b>3,322,942,031</b>
Operation and Maintenance	1,010,816,077	1,257,857,029	1,383,642,731	1,522,007,005
Personnel Emoluments	1,428,111,058	1,488,376,055	1,637,213,660	1,800,935,027

### 5.3.1 Revenue projections

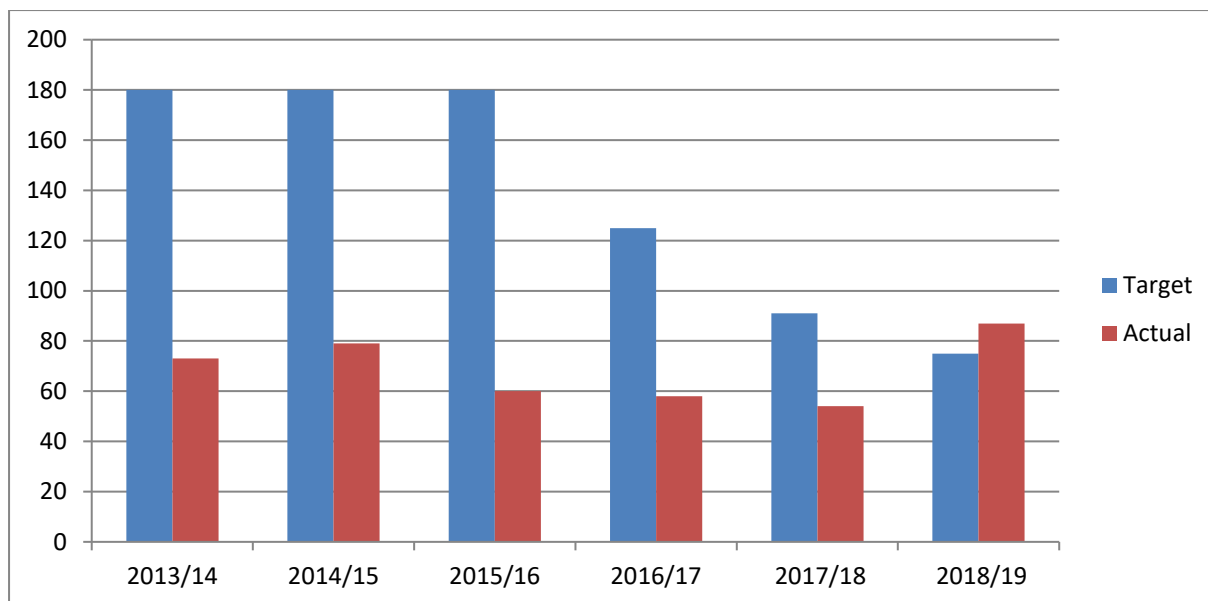
The budget estimate for the financial year 2019/20 projects a total revenue target of Kshs 4,968,602,388 which is approximately 5 percent more than the revenue projection of financial year 2018/19. The revenue allocation from the national equitable share is projected to be Ksh. 4,154,000,000. The local revenue target is expected to be Ksh 155,861,337.

The inability to collect the projected local revenue targets over last three years has resulted to shortfall of funds for financing planned projects/activities. The main cause of shortfall in local revenue is attributed to poor revenue raising measures and revenue leakages. Table 8 below shows the targets and realized revenues trends for the last three years that could be used as baseline ceilings for 2019/20.

**Table 9: Analysis of the Local Revenue Collection (in Millions) in the first half - from Financial Year 2013/14 to Financial Year 2018/19**

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

**Analysis of performance of local revenue in the first half of FY 2013/14 to first half of FY 2018/19 (in Ksh. Millions)**



**Figure 1 Bar graph showing County Local Revenue over the past six half financial years**  
The local revenue projections over the Medium Term are shown in the table 10 below.

**Table 10: Local Revenue Projection**

REVENUE STREAM	TARGET FOR FY 2018/19	ACTUAL RECEIPTS IN 1ST HALF OF FY 2018/19	% ACHIEVED	TARGET FOR FY 2019/20
		-		
<b>RECEIPTS FROM ADMIN FEES</b>		-		
OTHER LAND REVENUE(PLOT)	1,240,000	-	0%	1,240,000
<b>LAND RATES</b>		-		
LAND RATES AND RATES CURRENT YEAR	6,197,075	3,272,805	53%	6,197,075
PENALTIES RENT AND RATES	1,000,000	351,709	35%	1,000,000
OTHER PROPERTY CHARGES		431,396		
LAND RATES AND RENT ARREARS	1,400,000	2,985,259	213%	1,400,000
<b>LIVESTOCK AUCTION</b>	4,808,175	1,403,025	29%	4,808,175
<b>SAND CESS</b>	10,900,000	6,023,389	55%	10,900,000
<b>MURRUM</b>		-		
<b>OTHER CESS OR PRODUCE</b>	2,312,537	193,880	8%	2,312,537
<b>OTHER MISCELLANEOUS RECEIPTS</b>		-		
MIRAA EXPORT	3,918,156	981,650	25%	3,918,156
Miscellaneous charges	1,500,000	229,323	15%	1,500,000

REVENUE STREAM	TARGET FOR FY 2018/19	ACTUAL RECEIPTS IN 1ST HALF OF FY 2018/19	% ACHIEVED	TARGET FOR FY 2019/20
SPB FEES/PROMOTION	5,998,001	1,279,034	21%	5,998,001
LIQUOR LICENSE/APPLICATION	800,000	2,341,243	293%	800,000
PUBLIC WORKS/OTHER CHARGES/PLAN APPROVALS	400,000	287,500	72%	400,000
STAND PREMIUMS	1,257,024	65,000	5%	1,257,024
CLEARANCE AND CONCEPTS	279,946	4,000	1%	279,946
PLOT TRANSFER APPROVAL	2,590,717	247,000	10%	2,590,717
LEASE EXTENSION	200,000	-	0%	200,000
PLANNING AND SURVEY	1,636,000	-	0%	1,636,000
LIVESTOCK/VETENARY INSPECTION/HIDES/P HEALTH	1,864,000	573,405	31%	1,864,000
WEIGHT AND MEASURES	500,000	24,100	5%	500,000
TRACTOR HIRE	999,905	48,980	5%	999,905
AGRICULTURE TRAINING CENTREE	800,000	5,000	1%	800,000
GAME ENTRANCE AND ROYALTIES	70,130,130	56,821,083	81%	75,130,130
MARKET STALL RENT-KIOSKS AND STALLS	1,521,746	215,150	14%	1,521,746
STREET PARKING FEES	6,480,000	2,026,837	31%	6,480,000
HOSPITAL COST SHARING	16,049,190	6,747,624	42%	16,049,190
SLAUGHTER FEES	1,993,353	609,800	31%	1,993,353
WATER SUPPLY ADMINISTRATION-METERED		-		
4% WATER LEVIES	2,376,000	-	0%	2,376,000
BUILDING PLAN APPROVAL/ APPLICATION FEE	1,709,382	91,500	5%	1,709,382
<b>GROSS INTERNAL ESTIMATES</b>	<b>150,861,337</b>	<b>87,259,692</b>	<b>58%</b>	<b>155,861,337</b>

### 5.3.2 Expenditure Forecasts

To fully implement the Annual Development Plan, 2019 the expenditure forecast for priority programmes in the financial year 2019/20 stands at Ksh. 4,968,602,388 comprising of a recurrent expenditure forecast of Ksh 3,169,180,701 and development expenditure forecast of Ksh 1,799,421,687. Both recurrent and development expenditure forecasts over the medium term are presented in table 11 and 12 respectively.

The resources that the County will require to implement priority programmes in the Annual Development Plan, 2019 will be partly met through the Medium Term Expenditure Framework (MTEF) budget. The projected revenue target for the Financial Year 2019/20 is Ksh. 4,968,602,388 against the total expenditure projections of Ksh 4,968,602,388 resulting into a projected balanced budget.

Given that the County will be operating within a tight budgetary framework, full realization of the strategic objectives as outlined in the County Annual Development Plan, 2019 will largely depend on the goodwill of other development partners.

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

Table 11 below provides the recurrent expenditure forecast by sectors over the medium term (Financial Year 2019/20 to Financial Year 2021/22)

**Table 11: Recurrent Expenditure Forecast by sectors for Financial Year 2019/20 to 2021/22**

<b>SECTOR/SUBSECTOR</b>	<b>Recurrent Ceilings For FY 2019/20</b>	<b>RECURRENT PROJECTION FOR 2020/21</b>	<b>RECURRENT PROJECTION FOR 2021/22</b>
COUNTY ASSEMBLY	422,947,617	465,242,378	511,766,616
OFFICE OF GOVERNOR	301,737,492	331,911,241	365,102,365
CPSB	59,375,252	65,312,777	71,844,055
COUNTY SECRETARY	19,994,885	21,994,374	24,193,811
DELIVERY UNIT	8,024,000	8,826,400	9,709,040
DEPUTY GOVERNOR	25,000,000	27,500,000	30,250,000
FINANCE	160,899,901	176,989,891	194,688,880
ECONOMIC PLANNING	62,535,239	68,788,763	75,667,639
COHESION	65,061,199	71,567,319	78,724,051
SPECIAL PROGRAMME	160,057,894	176,063,683	193,670,052
LANDS	32,043,086	35,247,395	38,772,134
ROADS	12,001,117	13,201,229	14,521,352
PUBLIC WORKS& URBAN DEVELOPMENT	21,373,517	23,510,868	25,861,955
MUNICIPAL ADMINISTRATION	23,237,086	25,560,795	28,116,874
AGRICULTURE	50,191,138	55,210,252	60,731,277
LIVESTOCK	95,165,664	104,682,230	115,150,453
EDUCATION & VOCATIONAL TRAINING	216,321,378	237,953,516	261,748,867
YOUTH & SPORTS	16,359,826	17,995,809	19,795,390
CULTURE AND SOCIAL SERVICE	19,717,577	21,689,335	23,858,268
TOURISM	116,105,033	127,715,536	140,487,090
TRADE	20,256,862	22,282,548	24,510,803
PSM	139,307,540	153,238,294	168,562,124
WATER	62,353,668	68,589,035	75,447,938
ENVIRONMENT	29,560,668	32,516,735	35,768,409
HEALTH SERVICES	1,029,553,060	1,132,508,366	1,245,759,203
<b>TOTALS</b>	<b>3,169,180,701</b>	<b>3,486,098,771</b>	<b>3,834,708,648</b>

### 5.3.2.2 Development Expenditure Forecast

The table below provides the development Expenditure forecast over medium term (Financial Year 2019/20 to Financial Year 2021/22)

**Table 12: Development Expenditure Forecast by departments for Financial Year 2019/20 to 2021/22**

<b>SECTOR/SUBSECTOR</b>	<b>Development Ceilings For FY 2019/20</b>	<b>PROJECTION FOR FY 2020/21</b>	<b>PROJECTION FOR FY 2021/22</b>
COUNTY ASSEMBLY	80,000,000	88,000,000	96,800,000
OFFICE OF GOVERNOR		-	-
CPSB		-	-
COUNTY SECRETARY		-	-
DELIVERY UNIT	-	-	-
DEPUTY GOVERNOR		-	-
FINANCE	250,467,051	275,513,756	303,065,132
ECONOMIC PLANNING	-	-	-
COHESION	-	-	-
SPECIAL PROGRAMME	45,288,640	49,817,504	54,799,255
LANDS	50,580,337	55,638,370	61,202,207
ROADS	180,866,549	198,953,204	218,848,524
PUBLIC WORKS& URBAN DEVELOPMENT	-	-	-
MUNICIPAL ADMINISTRATION	229,504,530	252,454,983	277,700,482
AGRICULTURE	242,608,427	266,869,270	293,556,197
LIVESTOCK	103,741,770	114,115,947	125,527,541
EDUCATION & VOCATIONAL TRAINING	54,562,377	60,018,615	66,020,477
YOUTH & SPORTS	128,000,000	140,800,000	154,880,000
CULTURE AND SOCIAL SERVICE	18,802,537	20,682,790	22,751,069
TOURISM	28,299,009	31,128,910	34,241,801
TRADE	15,581,925	17,140,117	18,854,129
PSM	13,700,420	15,070,462	16,577,508
WATER	125,924,560	138,517,016	152,368,717
ENVIRONMENT	28,896,047	31,785,652	34,964,217
HEALTH SERVICES	202,597,509	222,857,260	245,142,986
<b>TOTALS</b>	<b>1,799,421,687</b>	<b>1,979,363,856</b>	<b>2,177,300,241</b>



## **5.4 Risk Management**

To ensure fiscal discipline, the County government will have a balanced budget in the Financial Year 2019/20. The County Government will ensure that the allocated resources for spending are commensurate to the revenues expected. The budget will be financed through transfer from the National Government and revenue collected from local sources such as fees and charges, rates, among others as allowed by the County government Acts.

The risks to the budget for the Financial Year 2019/20 include challenges in local revenue performance as the County continues to put structures in place, seal revenue leakages and expand the revenue base. The gross County wage bill continues to be a significant concern in the implementation of the budget and indeed in the realization of the County fiscal goals.

Delays in the release of funds from the national government have equally affected the performance of the County Government. This has seriously disrupted the implementation of planned activities and programmes leading to a compromised service delivery. An inherited liability from the defunct County Council has further led to a build-up of pending bills which continue to be a big challenge on the financial performance of the County.

## **6.0 MEDIUM TERM EXPENDITURE FRAMEWORK**

### **6.1 Overview**

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

The economic sectors including livestock and roads ; will receive increasing share of resources to boost livestock productivity and initiate value addition ventures as the County deals with threats of food insecurity and poor market returns for livestock products.

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

### **6.2 Resource Envelope**

The resource envelope projections for the financial year 2019/20 and over the medium term as shown in table 7 will largely target the transfers from the National Government as provided for by the County Revenue Allocation of Revenue Bill 2019 and the local revenue collection as per the County Finance Act.

All the conditional transfers from the National Government are included in the resource envelope for financial year 2019/20. The County will also continue to benefit from grants intended to support health sector service delivery from World Bank and the Republic of Denmark. These funds will be allocated to County Governments on the basis of the criteria specified in the financing agreement between the Government of Kenya and the development partners.

**Table 13: Resource Envelope for Financial Year 2019/20**

	<b>FY 2018/19 APPROVED BUDGET</b>	<b>ESTIMATES FOR FY 2019/20</b>
<b>EQUITABLE SHARE</b>	<b>3,925,000,000</b>	<b>4,154,000,000</b>
General Provisions (Equitable Share)	3,925,000,000	4,154,000,000
<b>CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT</b>	<b>249,049,294</b>	<b>255,692,197</b>
Funds Received from Road Maintenance Levy Fund	103,341,833	120,386,438
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	3,472,461
Supplement for Construction of County Headquarters	121,000,000	121,000,000
Conditional Allocation for Development of Youth Polytechnic	21,235,000	10,833,298
<b>CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS</b>	<b>402,723,006</b>	<b>403,048,854</b>
Current Grants from Foreign Governments Danida	12,656,250	11,718,750
Kenya Devolution Support Programme (KDSP) World bank	38,668,826	30,000,000
World Bank Loan for Transforming Health Systems for Universal Care Project	66,229,830	64,373,437
Climate Smart Agricultural Project	150,000,000	175,648,054
Agricultural Sector Development Support Program (ASDSP)		18,540,513
Urban Support Project Development	93,968,100	93,968,100
Urban Support Project- institutional Grant	41,200,000	8,800,000
<b>LOCAL REVENUE</b>	<b>150,861,337</b>	<b>155,861,337</b>
<b>TOTAL REVENUE</b>	<b>4,727,633,637</b>	<b>4,968,602,388</b>

### 6.3 Proposed Resource Allocation Prioritization Criteria

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

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

The following guideline will be used on the development expenditure:

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

### 6.4 Overall Spending Priorities

In the Financial Year 2018/19, the County priority economic sectors are shown below.

**Table 14: Development Expenditure Estimates by Sectors**

Sector/ Sub sector	Supplementary 1 Development Estimates for first half of FY 2018/19	% Of Development Vote
COUNTY ASSEMBLY	85,000,000	4%
OFFICE OF GOVERNOR	50,000,000	2%
CPSB		0%
COUNTY SECRETARY	3,942,720	0%
DELIVERY UNIT		0%
DEPUTY GOVERNOR		0%
PUBLIC SERVICE MANAGEMENT	29,800,000	1%
COHESION		0%
FINANCE	300,912,178	15%
SPECIAL PROGRAMME	47,450,000	2%
ECONOMIC PLANNING		0%
LANDS	34,387,500	2%
ROADS	205,226,928	10%
PUBLIC WORKS& URBAN DEVELOPMENT	10,000,000	0%
MUNICIPAL ADMINISTRATION	296,465,525	14%
AGRICULTURE	223,001,757	11%

Sector/ Sub sector	Supplementary 1 Development Estimates for first half of FY 2018/19	% Of Development Vote
LIVESTOCK	74,909,560	4%
EDUCATION & VOCATIONAL TRAINING	89,967,676	4%
YOUTH & SPORTS	179,500,000	9%
CULTURE AND SOCIAL SERVICE	17,100,000	1%
TOURISM	20,871,000	1%
TRADE	6,750,536	0%
WATER	103,870,495	5%
ENVIRONMENT	15,675,120	1%
HEALTH SERVICES	259,079,747	13%
<b>TOTAL</b>	<b>2,053,910,742</b>	<b>100%</b>

Effective use of resources will be sought across spending departments and any identified saving will be redirected to deserving priority expenditures. In finalizing the preparation of the budget for the financial year 2019/2020, the County Government will continue to pursue the policy of limiting less productive expenditures and redirecting resultant savings to capital investment.

## 6.5 Baseline Ceilings

The 2019/20 baseline estimates depicts the departments current spending levels. In the recurrent expenditure category, expenditures on compensation of employee's accounts for about 35.5 percent of the resource envelope and it take the first charge. Expenditure on operations and maintenance accounts for 29 percent of the total County Resource Envelope. Overall, the recurrent expenditure on compensation to employees and operations and maintenance account for about 63.8 percent of the projected resource envelope. The balance of 36.2 percent from total resource envelope is the resources available to fund planned development programmes. The table below presents the summary of baseline ceilings.

**Table 15: Baseline Ceilings**

Sector	Description	Approved Budget Financial year 2018/19	% of Total Budget
<b>County Assembly</b>	<b>Recurrent</b>	<b>415,284,815</b>	<b>8.8%</b>
	Compensation to employees	261,189,504	5.5%
	Operations and maintenance	154,095,311	3.3%
	<b>Development</b>	<b>75,000,000</b>	<b>1.6%</b>
	<b>Total</b>	<b>490,284,815</b>	<b>10.4%</b>
<b>County Executive</b>	<b>Recurrent</b>	<b>392,531,630</b>	<b>8.3%</b>
	Compensation to employees	154,605,004	3.3%
	Operations and maintenance	237,926,626	5.0%
	<b>Development</b>	<b>60,557,386</b>	<b>1.3%</b>

Sector	Description	Approved Budget Financial year 2018/19	% of Total Budget
	<b>Total</b>	<b>453,089,016</b>	<b>9.6%</b>
<b>Finance and Economic Planning</b>	<b>Recurrent</b>	<b>276,068,308</b>	<b>5.8%</b>
	Compensation to employees	93,914,900	2.0%
	Operations and maintenance	182,153,408	3.9%
	Development	<b>296,539,178</b>	<b>6.3%</b>
	<b>Total</b>	<b>572,607,486</b>	<b>12.1%</b>
<b>Special Programmes and ICT</b>	<b>Recurrent</b>	<b>160,057,894</b>	<b>3.4%</b>
	Compensation to employees	5,096,112	0.1%
	Operations and maintenance	154,961,782	3.3%
	Development	<b>56,950,000</b>	<b>1.2%</b>
	<b>Total</b>	<b>217,007,894</b>	<b>4.6%</b>
<b>Lands, Physical Planning , Roads and public works</b>	<b>Sector Total</b>	<b>259,786,926</b>	<b>5.5%</b>
<b>Lands and Physical Planning</b>	<b>Recurrent</b>	<b>22,686,415</b>	<b>0.5%</b>
	Compensation to employees	11,976,249	0.3%
	Operations and maintenance	10,710,167	0.2%
	<b>Development</b>	<b>41,000,000</b>	<b>0.9%</b>
	<b>Total</b>	<b>63,686,415</b>	<b>1.3%</b>
<b>Roads and Infrastructure</b>	<b>Recurrent</b>	<b>9,573,318</b>	<b>0.2%</b>
	Compensation to employees	2,550,000	0.1%
	Operations and maintenance	7,023,318	0.1%
	<b>Development</b>	<b>168,177,193</b>	<b>3.6%</b>
	<b>Total</b>	<b>177,750,511</b>	<b>3.8%</b>
<b>Public Works and Housing</b>	<b>Recurrent</b>	<b>18,350,000</b>	<b>0.4%</b>
	Compensation to employees	11,300,000	0.2%
	Operations and maintenance	7,050,000	0.1%
	<b>Development</b>	<b>0</b>	<b>0.0%</b>
	<b>Total</b>	<b>18,350,000</b>	<b>0.4%</b>
<b>Agriculture, livestock and Fishery</b>	<b>Sector Total</b>	<b>404,324,932</b>	<b>8.6%</b>
<b>Agriculture</b>	<b>Recurrent</b>	<b>49,213,608</b>	<b>1.0%</b>
	Compensation to employees	37,023,608	0.8%
	Operations and maintenance	12,190,000	0.3%
	<b>Development</b>	<b>23,114,160</b>	<b>0.5%</b>
	<b>Total</b>	<b>72,327,768</b>	<b>1.5%</b>
<b>Livestock &amp; Fisheries</b>	<b>Recurrent</b>	<b>95,111,324</b>	<b>2.0%</b>
	Compensation to employees	77,287,996	1.6%
	Operations and maintenance	17,823,328	0.4%
	<b>Development</b>	<b>236,885,840</b>	<b>5.0%</b>
	<b>Total</b>	<b>331,997,164</b>	<b>7.0%</b>

Sector	Description	Approved Budget Financial year 2018/19	% of Total Budget
<b>Cohesion</b>	<b>Recurrent</b>	<b>38,061,199</b>	<b>0.8%</b>
	Compensation to employees	6,234,034	0.1%
	Operations and maintenance	31,827,166	0.7%
	<b>Development</b>	<b>0</b>	<b>0.0%</b>
	<b>Total</b>	<b>38,061,199</b>	<b>0.8%</b>
<b>Education, Vocational Training , Youth Sports and Gender</b>	<b>Sector Total</b>	<b>457,177,048</b>	<b>9.7%</b>
<b>Education and Vocational Training</b>	<b>Recurrent</b>	<b>188,426,321</b>	<b>4.0%</b>
	Compensation to employees	142,165,701	3.0%
	Operations and maintenance	46,260,620	1.0%
	<b>Development</b>	<b>45,000,000</b>	<b>1.0%</b>
	<b>Total</b>	<b>233,426,321</b>	<b>4.9%</b>
<b>Youth and Sports</b>	<b>Recurrent</b>	<b>10,180,000</b>	<b>0.2%</b>
	Compensation to employees	5,457,726	0.1%
	Operations and maintenance	4,722,274	0.1%
	<b>Development</b>	<b>188,000,000</b>	<b>4.0%</b>
	<b>Total</b>	<b>198,180,000</b>	<b>4.2%</b>
<b>Culture and Social Service</b>	<b>Recurrent</b>	<b>10,570,727</b>	<b>0.2%</b>
	Compensation to employees	6,057,727	0.1%
	Operations and maintenance	4,513,000	0.1%
	<b>Development</b>	<b>15,000,000</b>	<b>0.3%</b>
	<b>Total</b>	<b>25,570,727</b>	<b>0.5%</b>
<b>Tourism and Trade</b>	<b>Sector Total</b>	<b>180,272,309</b>	<b>3.8%</b>
<b>Tourism and Wildlife</b>	<b>Recurrent</b>	<b>115,869,914</b>	<b>2.5%</b>
	Compensation to employees	88,147,028	1.9%
	Operations and maintenance	27,722,886	0.6%
	<b>Development</b>	<b>28,000,000</b>	<b>0.6%</b>
	<b>Total</b>	<b>143,869,914</b>	<b>3.0%</b>
<b>Trade</b>	<b>Recurrent</b>	<b>22,402,395</b>	<b>0.5%</b>
	Compensation to employees	10,114,395	0.2%
	Operations and maintenance	12,288,000	0.3%
	<b>Development</b>	<b>14,000,000</b>	<b>0.3%</b>
	<b>Total</b>	<b>36,402,395</b>	<b>0.8%</b>
<b>PSM</b>	<b>Recurrent</b>	<b>35,920,000</b>	<b>0.8%</b>
	Compensation to employees	24,770,000	0.5%
	Operations and maintenance	11,150,000	0.2%
	<b>Development</b>	<b>13,000,000</b>	<b>0.3%</b>
	<b>Total</b>	<b>48,920,000</b>	<b>1.0%</b>
<b>Water, Sanitation, Energy , Environment and Natural</b>	<b>Sector Total</b>	<b>237,566,296</b>	<b>5.0%</b>

Sector	Description	Approved Budget Financial year 2018/19	% of Total Budget
<b>Resource</b>			
<b>Water and Sanitation</b>	<b>Recurrent</b>	<b>56,801,481</b>	<b>1.2%</b>
	Compensation to employees	36,499,702	0.8%
	Operations and maintenance	20,301,779	0.4%
	Development	<b>119,000,000</b>	<b>2.5%</b>
	<b>Total</b>	<b>175,801,481</b>	<b>3.7%</b>
<b>Energy, Environment and Natural Resource</b>	<b>Recurrent</b>	<b>36,764,815</b>	<b>0.8%</b>
	Compensation to employees	21,796,715	0.5%
	Operations and maintenance	14,968,100	0.3%
	<b>Development</b>	<b>25,000,000</b>	<b>0.5%</b>
	<b>Total</b>	<b>61,764,815</b>	<b>1.3%</b>
<b>Health Services</b>	Recurrent	<b>847,270,700</b>	<b>17.9%</b>
	Compensation to employees	685,110,586	14.5%
	Operations and maintenance	162,160,114	3.4%
	Development	<b>210,229,830</b>	<b>4.4%</b>
	<b>Total</b>	<b>1,057,500,530</b>	<b>22.4%</b>
<b>Municipal Administration</b>	Recurrent	<b>53,067,086</b>	<b>1.1%</b>
	Compensation to employees	8,003,575	0.2%
	Operations and maintenance	45,063,511	1.0%
	Development	<b>257,968,100</b>	<b>5.5%</b>
	<b>Total</b>	<b>311,035,186</b>	<b>6.6%</b>
<b>Grand Total</b>		<b>4,727,633,637</b>	<b>100.0%</b>



## **6.6 Medium Term Expenditure Ceilings**

The departmental budget ceilings for financial year 2019/20 are as provided in table 14 below. Development expenditure allocations are shared out amongst departments on the basis of the County Integrated Development Plan (CIDP), 2018-22 and Annual Development Plan (ADP) 2019 as well as other strategic objectives and policy goals identified in CFSP.

**Table 16: Medium Term Expenditure Ceilings.**

<b>SECTOR/SUBSECTOR</b>	<b>Recurrent Ceilings For FY 2019/20</b>	<b>Development Ceilings For FY 2019/20</b>	<b>Total FY 2019/20</b>	<b>Recurrent Projections for FY 2020/21</b>	<b>Development Projections for FY 2020/21</b>	<b>Total FY 2020/21</b>	<b>Recurrent Projections for FY 2021/22</b>	<b>Development Projections for FY 2021/22</b>	<b>Total FY 2021/22</b>
COUNTY ASSEMBLY	422,947,617	80,000,000	502,947,617	465,242,378	88,000,000	553,242,378	511,766,616	96,800,000	608,566,616
OFFICE OF GOVERNOR	301,737,492		301,737,492	331,911,241	-	331,911,241	365,102,365	-	365,102,365
CPSB	59,375,252		59,375,252	65,312,777	-	65,312,777	71,844,055	-	71,844,055
COUNTY SECRETARY	19,994,885		19,994,885	21,994,374	-	21,994,374	24,193,811	-	24,193,811
DELIVERY UNIT	8,024,000	-	8,024,000	8,826,400	-	8,826,400	9,709,040	-	9,709,040
DEPUTY GOVERNOR	25,000,000		25,000,000	27,500,000	-	27,500,000	30,250,000	-	30,250,000
FINANCE	160,899,901	250,467,051	411,366,952	176,989,891	275,513,756	452,503,647	194,688,880	303,065,132	497,754,012
ECONOMIC PLANNING	62,535,239	-	62,535,239	68,788,763	-	68,788,763	75,667,639	-	75,667,639
COHESION	65,061,199	-	65,061,199	71,567,319	-	71,567,319	78,724,051	-	78,724,051
<b>SPECIAL PROGRAMME</b>	160,057,894	45,288,640	205,346,534	176,063,683	49,817,504	225,881,188	193,670,052	54,799,255	248,469,306
LANDS	32,043,086	50,580,337	82,623,423	35,247,395	55,638,370	90,885,765	38,772,134	61,202,207	99,974,342
ROADS	12,001,117	180,866,549	192,867,666	13,201,229	198,953,204	212,154,433	14,521,352	218,848,524	233,369,876
PUBLIC WORKS& URBAN DEVELOPMENT	21,373,517	-	21,373,517	23,510,868	-	23,510,868	25,861,955	-	25,861,955
MUNICIPAL ADMINISTRATION	23,237,086	229,504,530	252,741,616	25,560,795	252,454,983	278,015,778	28,116,874	277,700,482	305,817,356
AGRICULTURE	50,191,138	242,608,427	292,799,565	55,210,252	266,869,270	322,079,522	60,731,277	293,556,197	354,287,474
LIVESTOCK	95,165,664	103,741,770	198,907,433	104,682,230	114,115,947	218,798,177	115,150,453	125,527,541	240,677,995
EDUCATION & VOCATIONAL TRAINING	216,321,378	54,562,377	270,883,755	237,953,516	60,018,615	297,972,131	261,748,867	66,020,477	327,769,344
YOUTH & SPORTS	16,359,826	128,000,000	144,359,826	17,995,809	140,800,000	158,795,809	19,795,390	154,880,000	174,675,390
CULTURE AND SOCIAL SERVICE	19,717,577	18,802,537	38,520,113	21,689,335	20,682,790	42,372,125	23,858,268	22,751,069	46,609,337
TOURISM	116,105,033	28,299,009	144,404,042	127,715,536	31,128,910	158,844,446	140,487,090	34,241,801	174,728,891
TRADE	20,256,862	15,581,925	35,838,787	22,282,548	17,140,117	39,422,666	24,510,803	18,854,129	43,364,932
PSM	139,307,540	13,700,420	153,007,960	153,238,294	15,070,462	168,308,756	168,562,124	16,577,508	185,139,632
WATER	62,353,668	125,924,560	188,278,228	68,589,035	138,517,016	207,106,051	75,447,938	152,368,717	227,816,656
ENVIRONMENT	29,560,668	28,896,047	58,456,715	32,516,735	31,785,652	64,302,387	35,768,409	34,964,217	70,732,626
HEALTH SERVICES	1,029,553,060	202,597,509	1,232,150,569	1,132,508,366	222,857,260	1,355,365,626	1,245,759,203	245,142,986	1,490,902,189
<b>TOTALS</b>	<b>3,169,180,701</b>	<b>1,799,421,687</b>	<b>4,968,602,388</b>	<b>3,486,098,771</b>	<b>1,979,363,856</b>	<b>5,465,462,626</b>	<b>3,834,708,648</b>	<b>2,177,300,241</b>	<b>6,012,008,889</b>

## 7.0 CONCLUSION

The CFSP, 2019 is prepared as a guiding tool for budget preparation of financial year 2019/20. It is meant to broadly define the expected revenues and expenditure over the medium term as well as propose strategies of financing any anticipated deficit. Isiolo County Government is expected to prepare a balanced budget in financial year 2019/20.

The set of policies outlined in the CFSP reflects circumstances that are in line with the fiscal responsibilities as outlined in the PFM Act, 2012. They are also consistent with the County Government strategic objectives pursued as a basis for allocation of public resources. These strategic objectives are provided in the County Government priorities spelled out in the national policies and Isiolo CIDP, 2018-2022.

The adoption of Program Based Budgeting (PBB) will ensure that all County resources are linked to specific projects outputs and outcomes. The use of the Integrated Financial Management Information System (IFMIS) and the introduction of e-Procurement System will also make it possible for the County to track the resources to results achieved in a more efficient manner.

In the budget for the financial year 2019/20, key priority areas are livestock, investment in surface and underground water resources, road infrastructure network, Health services, tourism promotion and Education will receive considerate allocation while maintaining reasonable growth on other County sectors. Allocation of funds to these County key priority areas will generally reflect the critical needs of the County residents. It is envisaged that the enhancement of these key areas will drive the County economy up by creating greater supply hence improving the per capita income of households.

**Disclaimer: The figures will be amended once CARA 2019 is out.**