

**THE REPUBLIC OF KENYA**



**COUNTY GOVERNMENT OF MARSABIT**

**COUNTY TREASURY**

**DEPARTMENT OF FINANCE AND ECONOMIC PLANNING**

---

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

---

**SEPTEMBER 2022**



**© County Budget Review and Outlook Paper (CBROP) 2022**

**To obtain copies of the document, please contact:**

**The County Executive Committee Member**

**Department of Finance and Economic Planning**

**P. O. Box 384 – 60500 Marsabit, Kenya**

**[Email: info@marsabit.go.ke](mailto:info@marsabit.go.ke)**

**CBROP 2022 will be published on the website at: [www.marsabit.go.ke](http://www.marsabit.go.ke) within 7 days of adoption  
by the County Executive Committee**

## Contents

Foreword.....	i
Acknowledgement .....	i
ABBREVIATIONS AND ACRONYMS .....	ii
LIST OF TABLES AND FIGURES .....	iii
Preamble .....	iv
1. INTRODUCTION.....	6
1.1. Objective of CBROP .....	6
1.2. Significance of CBROP .....	6
1.3. Structure .....	7
2. REVIEW OF COUNTY FISCAL PERFORMANCE IN 2017/18 FY .....	8
2.1. Overview .....	8
2.2. Fiscal Performance .....	9
2.2.1. Revenue Performance.....	9
2.2.2. Expenditure Performance .....	10
2.2.2.1. Budget absorption and comparison between CFSP 2017 Ceilings and FY 2017/18 budget.....	11
2.2.2.2. Recurrent and development expenditure .....	13
2.2.2.3. Expenditure per economic classification .....	14
2.2.3. Implications for the FY 2017/18 performance.....	14
3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK.....	17
4. RESOURCE ALLOCATION FRAMEWORK .....	21
5. CONCLUSION .....	24
ANNEXES .....	25

## **Foreword**

The County Budget Review and Outlook Paper (CBROP) 2022 has been prepared in line with section 118 of the Public Finance Management (PFM) Act 2012. This section requires the county government to prepare a budget review and outlook paper in respect for each financial year and submit it to the County Executive Committee by 30<sup>th</sup> September of every year and subsequently table this at the County Assembly and then publish and publicize the paper.

The paper reviews fiscal performance of the County for the 2021/22 financial year with the approved Program Based Budget and the projected fiscal performance indicated in the CBROP 2021. The paper also provides information on changes in the projections made in the County Fiscal Strategy Paper (CFSP) 2022. These changes are also analyzed against the actual financial performance for the FY 2021/22 to determine the trend and understand factors that may have hindered compliance with fiscal responsibility requirements and the expected financial management outputs on revenue enhancement, expenditure management and budgetary control. These deviations are explained and used as a basis to refine the projected fiscal performance for the MTEF for FY 2023/2024.

The updated economic and financial outlook presented in this paper will set out the general fiscal guidance for the preparation of the budgets for the next financial year and for the medium term. The provisional ceilings are intended to guide the Sector Working Groups (SWGs) in the preparation of the budgets.

The County Treasury and the relevant departments are and continue to be available to support all Sectors in adopting this paper which guides our budget development process, enhances fiscal discipline and assigns fiscal responsibilities which enables the County comply with section 107 of the PFM Act 2012.

**Mr. Malicha Wario**

County Executive Committee Member

Department of Finance and Economic Planning

## **Acknowledgement**

This County Budget Review and Outlook Paper (CBROP) has been prepared in accordance with the Public Finance Management (PFM) Act, 2012. The CBROP It provides a review of the recent economic developments and actual fiscal performance for FY 2021/2022 compared to the approved Programme Based Budgets. The paper reviews the revenue and expenditure performance for FY 2021/22 and assesses deviations from the County Fiscal Strategy Paper (CFSP) 2021 and uses this to form provisional ceilings for the next MTEF period beginning FY 2023/24. Finally, the paper ensures that going forward the County complies with the principles of fiscal responsibility and the financial objectives as provided for in the PFM Act 2012 section (118).

It is with great pleasure that the Department of Finance and Economic Planning has to appreciate all those persons who put their efforts in the preparation of this CBROP 2022 which was a consultative and inclusive process. Much of the information in this policy document was obtained through the CFSP 2022, CBROP 2021 and Annual Reports. We are grateful to the Marsabit County Government Executive represented by all the Departments with public officers from the leadership and technical teams that took time to analyze all information and prepare this document. The insights and engagements has resulted in a policy document that will guide our Sector Working Groups and the entire budget preparation process.

Much appreciation to the Chief Officer Finance Mr Wario J. Harsama and the teams at the County government that participated in the entire CBROP 2022 preparation process. We also appreciate the Directorate of Economic Planning, the Directorate of Accounting and Directorate of Audit for providing leadership on the preparation of this key document. I also extend special appreciation to the team of technical officers in the Department of Finance and Economic Planning for their dedication and commitment to this process.

To all that were involved, receive my heartfelt appreciation.

**Eng Mohammed Tache**  
Chief Officer, Economic planning  
Marsabit County Government

## **ABBREVIATIONS AND ACRONYMS**

CBK	Central Bank of Kenya
CRA	Commission of Revenue Allocation
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
GDP	Gross Domestic Product
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PE	Personnel Emoluments
PFM	Public Finance Management
PWD	People with Disabilities
SRC	Salaries and Remuneration Commission
SWG	Sector Working Group

## **LIST OF TABLES AND FIGURES**

### **List of Tables**

- Table 2.1: County Fiscal Performance
- Table 2.2: Showing Absorption rates per sector and comparison with CFSP 2021
- Table 2.3: County Government Fiscal projection in the medium term
- Table 2.4: Summary of indicative Expenditure Ceiling for the MTEF period FY 2023/24
- Table 2.5: Summary of Expenditure projections for the MTEF period FY 2023/24
- Table 2.6: Recurrent Ceilings for the MTEF period FY 2023/24
- Table 2.7: Budget Calendar for the FY 2023/24 Budget

### **List of Figures**

- Figure 1: Revenue Performance per stream
- Figure 2: Recurrent Versus Development expenditure
- Figure 3: Expenditure per economic classification

## Preamble

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

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

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



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

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. Section 107 of the PFM Act, 2012 states that: The County Government's recurrent expenditure shall not exceed the County Government's total revenue;

- 1) Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;
- 2) The county Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly;
- 3) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;
- 4) The County debt shall be maintained at a sustainable level as approved by County Assembly;
- 5) The fiscal risks shall be managed prudently; and
- 6) 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**

---

The County Budget Review and Outlook Paper (CBROP) is prepared in line section 118 of the Public Finance Management (PFM) Act, 2012. The paper reviews the fiscal performance of the county for the financial year 2021/22; the updated macro-economic and financial forecasts; and deviations from the approved County Fiscal Strategy Paper (CFSP) 2021 and provides the background and reasons for such deviations.

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

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

Specifically, the CBROP provides:

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

### **1.2. Significance of CBROP**

The paper is a policy document and links planning with budgeting. It is significant in the budget making process within the Medium Term Expenditure Framework (MTEF) as it reviews previous fiscal performance for the year and identifies any deviations from the

budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal responsibility principles were adhered as provided in section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative sector ceilings for the FY 2023/2024 budget and in the medium term to guide Sector Workings groups (SWGs) before being confirmed in the CFSP 2023.

### **1.3. Structure**

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

## **2. REVIEW OF COUNTY FISCAL PERFORMANCE IN 2021/22 FY**

---

This section details the county's fiscal performance for the financial year 2021/22 in relation to the approved programme based estimates and details the implications arising from the fiscal performance for the same period.

### **2.1. Overview**

During the period under review, the county government set out in the CFSP 2021 to attain positive growth prospects through increased activities in the County sub-sectors. The County sought to strengthen revenue management to increase the efficiency and efficacy in revenue collection. The County also focused on the following areas which still are areas that the county expects to focus on in the FY 2023/24 MTEF period and which are expected to achieve the County Government's development goal to ensure a secure, resilient and globally competitive first class county in service delivery for all which will also support the transition to the 3rd generation integrated planning process. Hence the MTEF for the FY 2023/24 will be updated to take into account the areas of focus in line with section 126 of the PFM Act that provides that every county shall prepare a development plan in accordance with Article 220(2) of the Constitution of Kenya for approval by the county assembly. However, the key areas of focus for the County in the FY 2023/24 MTEF period will be aligned to the key strategic objectives and focus on the following key objectives.

- Increase food and nutritional security and household income of pastoral, agro-pastoral and fisher-folk of Marsabit County
- Ensure access to quality and affordable health services
- Improve early childhood and vocational education, youth empowerment and sports development
- Improve road, transport and housing development to spur economic growth
- Improve access to adequate portable water and ensure clean and safe environment
- To facilitate and enable sustainable land use and growth of the urban centers through efficient land administration, equitable access, secure tenure, sustainable management of land-based resource and well-planned urban centers
- Promoting green, affordable, sustainable, and reliable energy services while protecting and conserving the environment
- Improve ease of doing business for wealth creation
- To provide quality service delivery at all decentralized units
- To improve ICT infrastructure for efficient delivery of services to the citizens
- To improve cohesion among communities living in the County and strengthen disaster mitigation mechanism
- To improve sensitization, awareness creation and advocacy among the citizens
- Ensure professional, ethical and responsive human resource that will provide effective and efficient public service delivery to the devolved units.

- The County has also moved to the utilization of e- procurement to enhance budget absorption and the County expenditure was guided by sector objectives and priorities as will be espoused in the soon to be concluded CIDP (2022-2027).

## 2.2. Fiscal Performance

Overall revenues reduced by 12% between FY 2021/22 and FY 2020/21 as per table 1 below on summary of County Fiscal Performance. However, and against the budget, there was a negative variation of 24% between the budgeted and the actual revenue. This was attributed mainly to a significant reduction in grants by 812%, significant reduction in local revenue by 71% and a reduction between the equitable share approved in the County allocation of Revenue Act and included in the budget and the actual amounts received by 9%.

**Table 2.1: Summary of County Fiscal Performance**

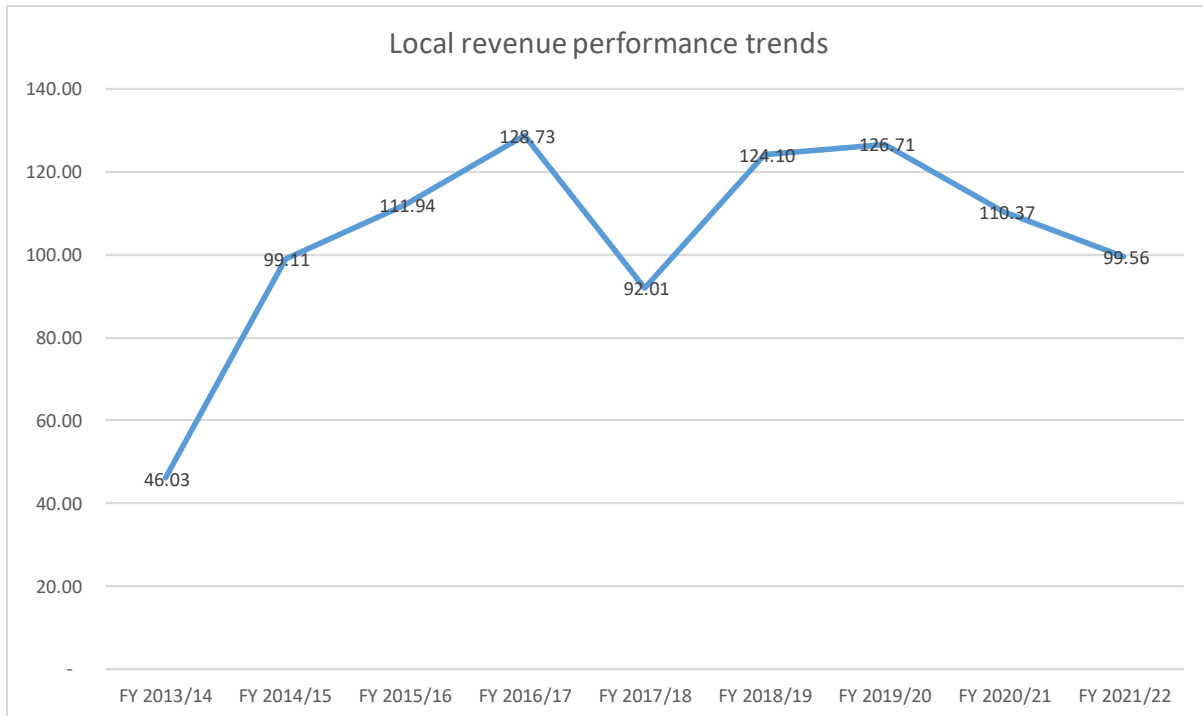
	FY 2020/21	FY 2021/22		% Deviation	Growth %
	Actual	Approved	Actual		
TOTAL REVENUE & GANTS	7,801,289,144.00	8,755,164,534.00	6,937,803,363.00	-26.20%	-12.45%
Unspent Bal from Previous FY	578,814,049.00	576,376,950.00	576,376,950.00	0.00%	-0.42%
<b>Revenue (Total)</b>	<b>8,380,103,193.00</b>	<b>9,331,541,484.00</b>	<b>7,514,180,313.00</b>	<b>-24.19%</b>	<b>-11.52%</b>
Equitable Share Allocation	6,779,873,100.00	7,277,004,032.00	6,694,843,713.00	-8.70%	-1.27%
Local Revenue	110,368,253.00	170,000,000.00	99,563,452.00	-70.75%	-10.85%
Grants (Total)	911,047,791.00	1,308,160,502.00	143,396,198.00	-812.27%	-535.34%
<b>TOTAL REVENUE &amp; GANTS</b>	<b>7,801,289,144.00</b>	<b>8,755,164,534.00</b>	<b>6,937,803,363.00</b>	<b>-26.20%</b>	<b>-12.45%</b>
<b>Total Expenditure</b>	<b>7,203,307,455.00</b>	<b>9,331,541,484.00</b>	<b>7,760,021,558.00</b>	<b>-20.25%</b>	<b>7.17%</b>
Recurrent	3,764,875,624.00	4,745,539,032.00	4,514,823,509.00	-5.11%	16.61%
Development	3,438,431,831.00	4,586,002,452.00	3,245,198,049.00	-41.32%	-5.95%
Pending bills	600,418,788.00	-	755,763,127.44	100.00%	20.55%
Unspent Bal Current FY	576,376,950.00	-	-	0.00%	0.00%

### 2.2.1. Revenue Performance

In 2021/22 FY, the county received an equitable share of county revenue of Kshs. 6,694,843,713 against an expected allocation of Kshs 7,277,004,032 which represented a negative 8.70% deviation from the expected allocation. The County also received grants of Kshs 143,396,198 against an expected allocation of Kshs 1,308,160,502 which represented a negative deviation of 812% and a reduction of 535% from what was received in FY 2020/21. Local revenue was Kshs 143,396,198 against a target of Kshs 170,000,000 representing a negative deviation of 71% and a contraction by 11% of the revenue collected in FY 2020/21. The details are shown in table 2.1 and attributed to the harsh economic environment at both the national and county levels. At the County level the high incidences of violence and the negative effects of the drought experienced in FY 2021/22 had a significant impact on the revenue targets and resulted in an overall negative deviation of 12% and a slight increase of 7% between FY 2020/21 and FY 2021/22.

Figure 1 shows the quarterly trend in revenue collection per quarter for local revenue performance from FY 2013/14 to FY 2021/22.

**Figure 1: Revenue Performance trends**



The County local revenue has had mixed results over the years with low revenues being noted in FY 2013/14 and FY 2017/18. It is noteworthy that revenue was highest in FY 2016/17 and had been rising between FY 2017/18 and FY 2019/20. However, in the last three years, there has been a negative trend and the County plans to fully implement the automated own source revenue system called Sense Networks Revenue Automation System which is expected to enhance the local revenues by sealing leakages and encouraging simple, easy and efficient processes for revenue collection.

### 2.2.2. Expenditure Performance

Total expenditure in the FY 2021/22, amounted to Kshs 7.760 billion against a budget of Kshs 9.331 billion representing an under expenditure of Kshs 1.571 billion or 20.25% less than the budget. The actual expenditure in FY 2020/21 was Kshs 7.203 billion and this FY 2021/22 expenditure did note an increase by 7.17%. In FY 2021/22, the recurrent expenditure amounted to Kshs 4.515 billion representing 58.18% of the total expenditure, while Kshs 3,245 billion was spent on development accounting for 41.82% of the total expenditure. The expenditure excludes pending bills which stand at 755.76 million. This is against a budget for recurrent of Kshs 4.746 billion (47.65%) and a development budget of Kshs 4.586 billion (52.81%). However, the proportionate allocation to recurrent and development moved negatively as in FY 2020/21 the County achieved 52.27% and 47.73% of expenditure allocation to recurrent and development, respectively. The County achieved the thresholds on the proportions to be allocated to recurrent and development contained in the minimum requirements as prescribed in section 107 of the PFM Act 2012.

Budget expenditure recorded an absorption rate of 83.16% in FY 2021/22, an increase from the 82.65% achieved in a similar period of FY 2020/21. These represent significantly lower absorptions than were recorded previously and this is attributed to the delays in disbursement of the equitable share to the County governments from the national government. This is considerably so in FY 2021/22 where an amount of Kshs 1.572 billion was not received in the year.

#### **2.2.2.1. Budget absorption and comparison between CFSP 2021 Ceilings and FY 2021/22 budget**

Table 2.3 below indicates the respective department's absorption rates and indicate as follows:

- High absorption was noted in the County executive (Over-expenditure was noted in the roads department by 4% as a result of the passing of the supplementary budget that reduced the available budget Kshs 95,703,603 while the activities had already committed for Kshs 428,789,766.
- High absorption by the County Public Service Board (96%), Administration and ICT (94%), Agriculture, fisheries and livestock and Finance and Economic Planning (93%) and 91% for the County Assembly.
- Low absorption was noted in Trade, Tourism, Industry and Enterprise development (62%), Water, Environment and Natural resources (76%) and Culture and social services (78%). The low utilization was attributed to the long electioneering period that affected the performance of specific activities due to the tension that existed prior to, during and immediately after the elections. Some of the areas with planned activities were considered volatile and therefore specific activities were delayed to allow the situation to normalize which has since happened.

**Table 2.3 Showing Absorption rates by sectors and Comparison with CFSP 2021**

DEPARTMENTS	C-FSP 2021			BUDGET ALLOCATION 2021/22			Actual Expenditure FY 2021/22			Absorption	Deviation (%)
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL	(%)	CFSP - BUDGET
County Executive	550.00	477.00	<b>1,027.00</b>	535.00	850.00	<b>1,385.00</b>	521.58	842.05	<b>1,363.63</b>	<b>98%</b>	<b>-35%</b>
County Public Service Board	93.00	7.00	<b>100.00</b>	95.87	7.00	<b>102.87</b>	90.06	-	<b>90.06</b>	<b>88%</b>	<b>-3%</b>
Trade, Tourism, Industry & Enterprise development	85.00	110.00	<b>195.00</b>	81.85	10.00	<b>91.85</b>	60.57	8.66	<b>69.23</b>	<b>75%</b>	<b>53%</b>
Culture & Social Services	105.00	57.00	<b>162.00</b>	62.77	22.00	<b>84.77</b>	53.47	21.20	<b>74.67</b>	<b>88%</b>	<b>48%</b>
Finance Economic Planning	365.62	145.00	<b>510.62</b>	622.32	1,675.99	<b>2,298.31</b>	598.85	1,438.42	<b>2,037.27</b>	<b>89%</b>	<b>-350%</b>
County Assembly	700.00	58.00	<b>758.00</b>	799.16	273.77	<b>1,072.93</b>	759.16	19.37	<b>778.53</b>	<b>73%</b>	<b>-42%</b>
Education, Skills Devt, Youths & Sports	339.00	300.00	<b>639.00</b>	373.71	133.65	<b>507.36</b>	351.13	77.10	<b>428.23</b>	<b>84%</b>	<b>21%</b>
Energy, Lands & Urban Development	148.00	98.00	<b>246.00</b>	122.64	148.41	<b>271.05</b>	119.98	101.02	<b>221.00</b>	<b>82%</b>	<b>-10%</b>
Administration Coordination & ICT	340.00	20.00	<b>360.00</b>	263.90	44.00	<b>307.90</b>	221.25	36.20	<b>257.45</b>	<b>84%</b>	<b>14%</b>
Roads, Transport and Infrastructure	103.00	423.00	<b>526.00</b>	89.39	480.79	<b>570.18</b>	71.11	161.65	<b>232.76</b>	<b>41%</b>	<b>-8%</b>
Water, Environment and Natural Resources	143.00	577.00	<b>720.00</b>	134.32	308.10	<b>442.42</b>	119.92	145.75	<b>265.67</b>	<b>60%</b>	<b>39%</b>
Agric, livestock and fisheries devt	211.00	574.00	<b>785.00</b>	209.14	135.96	<b>345.10</b>	199.25	85.63	<b>284.88</b>	<b>83%</b>	<b>56%</b>
Health Services	1,318.00	987.00	<b>2,305.00</b>	1,335.47	496.33	<b>1,831.80</b>	1,348.47	308.15	<b>1,656.62</b>	<b>90%</b>	<b>21%</b>
<b>TOTAL</b>	<b>4,500.62</b>	<b>3,833.00</b>	<b>8,333.62</b>	<b>4,725.54</b>	<b>4,586.00</b>	<b>9,311.54</b>	<b>4,514.80</b>	<b>3,245.20</b>	<b>7,760.00</b>	<b>83%</b>	<b>-12%</b>

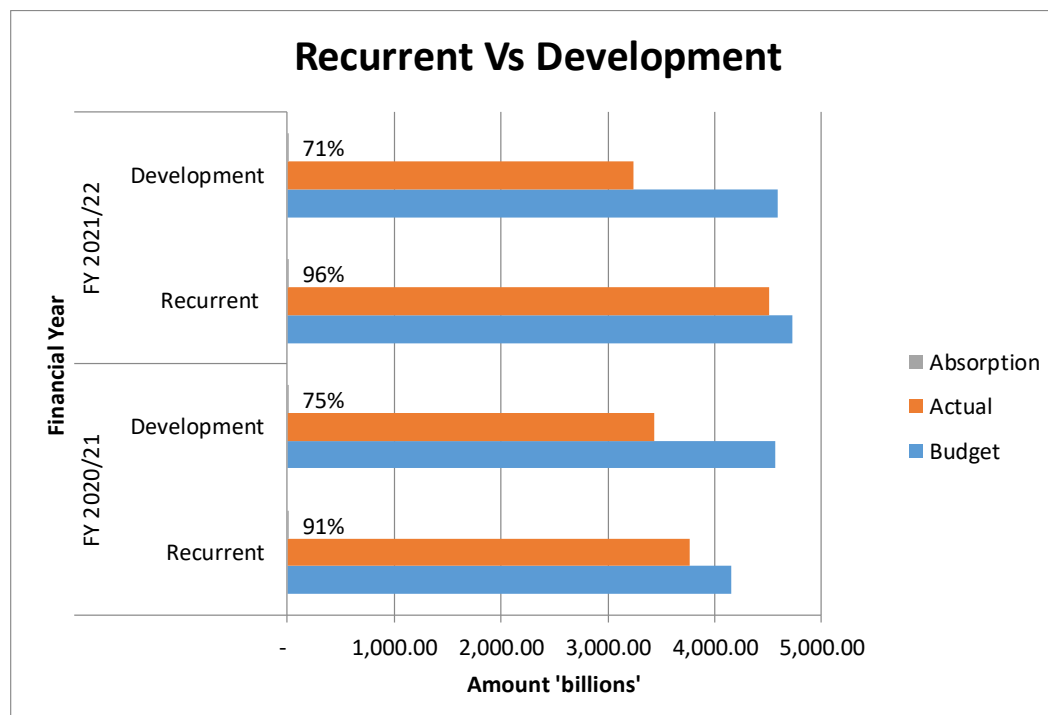


Comparison between CFSP 2021 ceilings and FY 2021/2022 FY budget allocation showed a general growth in budget allocations occasioned by increase in equitable share of county revenue and an increase in the grants that resulted in an overall increase of 12% between the CFSP 2021 forecast and the actual approved budget for FY 2021/22. As the increase was programme driven, the various sectors and departments had percentage increments in response to the available resources and with Finance and Economic planning registering the highest increase and Agriculture, livestock and fisheries registering the largest decline. It was also noted that the reorganization of county departments and staff to enhance service delivery also resulted in shifts in the spending departments. The spending units that registered increment in budgetary allocation include the County Public Service board (2%), County executive (34%), County Assembly (42%), Energy, lands and urban development (10%), and the Roads, transport and infrastructure (8.4%). The overall impact was an increase in the budget projected by CFSP 2021 by 12% which was overall a favorable deviation.

### 2.2.2.2. Recurrent and development expenditure

As shown in figure 2 below, absorption rates for recurrent and development votes for the FY 2020/21 was 91% and 75% respectively. In FY 2021/22 the absorption rates were 96% and 71% respectively. The increase of 5% in recurrent and reduction of 4% in development expenditure between the two financial years was attributed to the instability caused by the drought situation, effects of COVID and the impact of the long electioneering period. The delays in receiving the equitable share contributed to the rise in pending bills and contributed to unspent balance increase.

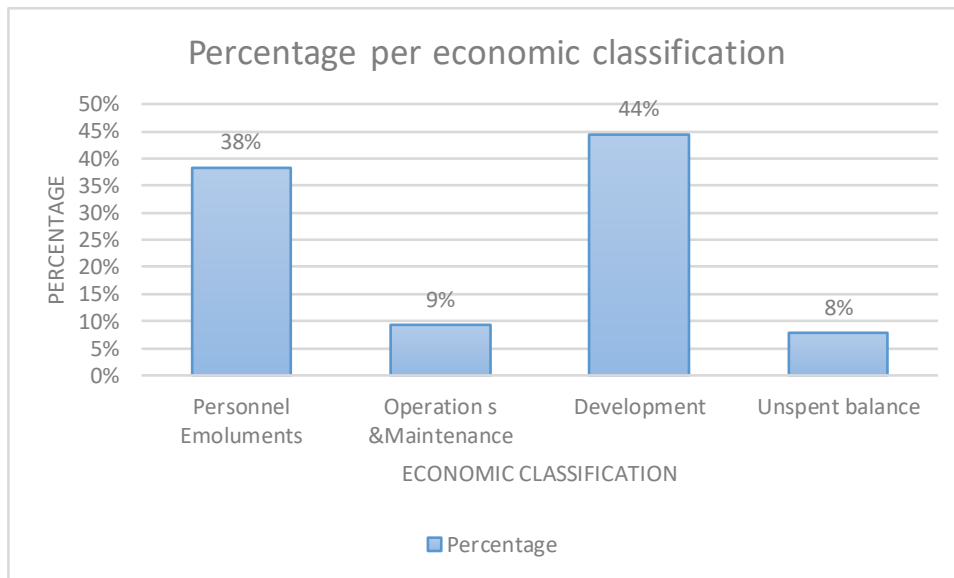
**Figure 2 – Recurrent Versus development**



### 2.2.2.3. Expenditure per economic classification

The figure 2 below shows actual expenditure by economic classification; personnel emoluments utilized 38% of the total expenditure while operations accounted for 9% of the total revenue. Development expenditure accounted for 44% of the total revenue and the unutilized balance was 8% of the total revenue.

**Figure 3 – Expenditure per economic classification**



### 2.2.3. Implications for the FY 2021/22 performance

The fiscal performance in the FY 2021/22 has affected financial objectives set out in the 2022 County Fiscal Strategy Paper and the Budget 2022/23 in the following ways;

The high wage bill, which accounted for 38 per cent of the annual realized revenue of Kshs.7.8 billion in FY 2021/22, thus constraining funding to other programmes. This also contravenes regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets a limit of the County Government’s expenditure on wages and benefits at 35 per cent of the County’s total revenue. The County Public Service Board is expected to establish an optimal staffing structure to ensure expenditure on personnel emoluments complies with the regulation.

The underperformance of own-source revenue at Kshs.99.56 million against an annual projection of Kshs.170 million, representing 58.6 per cent of the annual target. This under collection in revenue has warranted adjustment to projected revenues for the budget and in the medium term.

The high level of pending bills, which amounted to Kshs.755.76 million as of 30th June 2022 and this continues to challenge the availability of funds and goodwill from the business

community. This will be a key area of focus to spur economic development and ensure a vibrant business sector supported by the county programmes.

The under spending in the 2021/22 FY budget has implications on the total county government revenue used to base expenditures for the FY 2022/23 MTEF. Appropriate revisions will be undertaken taking into account the fiscal performance of FY 2021/22.

Medium term projections have taken into account performance of 2021/22 FY and macroeconomic factors expected at the national level. Table 2.4 below shows the county government fiscal projections in the medium term. Revenue collection will be maintained at Kshs 170 million taking into account strategies employed towards raising revenue in the medium term. This include; passing of revenue legislations on revenue administration and collection, full automation of revenue collection and integration, strengthening and enforcing surveillance and sensitization of the public. In addition, recurrent and development expenditure will be maintained at 51 percent and 49 per cent respectively surpassing the minimum 30 per cent requirement for development expenditure.

**Table 2.4 County Government Fiscal Projections in the Medium Term**

	FY 2020/21	FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25		FY 2025/26
	Actual	Budget	Actual	Budget	CFSP 2022	CBROP 2022	CFSP 2022	CBROP 2022	CFSP 2022	CBROP 2022
TOTAL REVENUE & GRANTS	7,801,289,144	8,755,164,534	6,937,803,363	8,471,566,018	8,401,314,489	8,973,014,359	8,914,288,837	9,504,309,320	9,185,287,502	10,067,237,843
Unspent Bal b/f \Previous FY	578,814,049	576,376,950	576,376,950	582,160,319	-	-	-	-	-	-
<b>Revenue (Total)</b>	<b>8,380,103,193</b>	<b>9,331,541,484</b>	<b>7,514,180,313</b>	<b>9,053,726,337</b>	<b>8,401,314,489</b>	<b>8,973,014,359</b>	<b>8,914,288,837</b>	<b>9,504,309,320</b>	<b>9,185,287,502</b>	<b>10,067,237,843</b>
Equitable Share Allocation	6,779,873,100	7,277,004,032	6,694,843,713	7,277,004,032	7,495,314,462	7,713,624,274	7,720,173,896	8,176,441,730	7,951,779,113	8,667,028,234
Local Revenue	110,368,253	170,000,000	99,563,452	170,000,000	170,000,000	183,600,000	178,500,000	198,288,000	187,425,000	214,151,040
Grant income	911,047,791	1,308,160,502	143,396,198	1,024,561,986	147,698,084	1,075,790,085	1,015,614,941	1,129,579,590	1,046,083,390	1,186,058,569
<b>Grant (Total)</b>	<b>7,801,289,144</b>	<b>8,755,164,534</b>	<b>6,937,803,363</b>	<b>8,471,566,018</b>	<b>7,813,012,546</b>	<b>8,973,014,359</b>	<b>8,914,288,837</b>	<b>9,504,309,320</b>	<b>9,185,287,502</b>	<b>10,067,237,843</b>
Total Expenditure	7,203,307,455	7,178,973,617	7,760,021,558	8,471,566,018	8,651,348,386	8,973,014,359	8,914,288,837	9,504,309,320	9,185,287,502	10,067,237,843
Recurrent	3,764,875,624	4,295,633,497	4,514,823,509	3,981,636,028	4,671,728,128	4,576,237,323	4,635,430,195	4,894,719,300	4,776,349,501	5,134,291,300
<i>Recurrent as % of CG Total Revenue</i>	52%	46%	58%	47%	54%	51%	52%	52%	52%	51%
Personnel Emolument	2,567,866,537	2,801,766,781	2,801,611,546	2,941,855,120	2,856,446,926	2,961,094,739	1,576,046,266	3,041,378,982	2,755,586,251	3,221,516,110
Operations & Maintenance	1,197,009,087	1,493,866,716	1,713,211,963	1,039,780,908	1,815,281,202	1,615,142,585	3,059,383,929	1,853,340,317	2,020,763,251	1,912,775,190
<i>Personnel Emoluments as % of CG Revenue</i>	31%	30%	37%	32%	34%	33%	34%	32%	30%	32%
Development	3,438,431,831	4,586,002,452	3,245,198,049	4,489,929,990	3,979,620,257	4,396,777,036	4,278,858,642	4,609,590,020	4,408,938,001	4,932,946,543
<i>Development as % of CG Total Revenue</i>	41%	49%	43%	50%	47%	49%	48%	49%	48%	49%
Pending bills	600,418,788		755,763,127	173,602,808						
Unspent Bal Current FY	576,376,950		582,160,319							

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

---

This section presents Recent Economic Developments; Medium Term Fiscal Framework; and Risks to the Outlook. Its purpose is to turn the attention from the past to the present time and the immediate future. In this section, the county government discusses its assessment of the prospects for growth after analyzing the recent economic events and circumstances.

#### **3.1 Recent Economic Developments**

The Kenyan economy contracted by 0.3 percent in 2020 compared to a growth of 5.0 percent in 2019. This performance reflects the adverse effects of the COVID19 pandemic, which disrupted activities in Wholesale and Retail Trade, Education, Accommodation and Restaurant and, Transport and Storage sectors. The economy is expected to rebound to 6.0 percent in 2021, due to a stronger global demand and recovery in Service and Manufacturing sectors.

The economy continues to register macroeconomic stability with low and stable inflation and interest rates, and a competitive exchange rate that support exports. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since the end of 2017. The year-on-year inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven by increased food and fuel prices. The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to uncertainty due to the COVID-19 pandemic. The Kenya Shilling to the US Dollar exchanged at Ksh 110.9 in October 2021 compared to Ksh 108.6 in October 2020.

Kenya's economy is projected to rebound to 6.0 percent in 2021. The recovery in 2021 is on account of the reopening of the economy which is expected to increase economic activities and also partly reflects lower base of 2020 when most service sectors were adversely affected by the closure of the economy thereby recording negative growths.

Kenya's economy rebounded strongly in the second quarter of 2021, with real GDP growing 10.1 percent supported by easing of COVID-19 containment measures. Economic growth is projected at 6.0 percent in 2021 from the contraction of 0.3 percent in 2020. This translates to a growth of 5.9 percent in FY 2021/22 from 2.9 percent in FY 2020/21. The economic recovery reflects improved business environment after easing of COVID-19 restrictions and is supported by the prevailing stable macroeconomic environment, ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and the implementation of the third Economic Stimulus Programme.

In Marsabit County, the business environment is slowly recovering from the electioneering and post-election aftermath. There was significant delay in disbursement of funds in

financial year 2017/18 as well as current financial year (FY 2018/19), which has affected the operations in the county. The development budget has not been funded as expected and has greatly affected development interventions. This has had negative multiplier effect in the county development. The County Government has developed strategies and better policy framework to accelerate economic growth in different sectors to increase the capacity of the county for better service delivery. In the FY 2017/18, the county came up with ward-based projects (317 community based projects), which are at various stages of implementation of which most of it have been completed. This is expected to peak later in FY 2018/19 and be the basis for planning in FY 2019/20 MTEF. Further, the county is also working to expeditiously expand local revenue generation streams by targeting the potential in land rates, parking fees, extractive resources, cess, livestock yards fees and water tariffs and automation of revenue collection systems to increase own source revenue and capacity to provide more impactful interventions due to increased resource availability.

### **3.2 County Economic Outlook and Policies**

The growing national economy is expected to lead to enhanced revenue performance. This will mean increased allocations to the county by Commission of Revenue Allocation thus having implication on the implementation of strategic interventions.

In FY 2020/21 the County government collected revenue of Kshs 110 million and the Kshs 99.56 million achieved in FY 2017/18 represented a decrease of 71 percent from the levels achieved in FY 2020/21. The decrease can be attributed to the drought, electioneering period that adversely affected economic activity and heightened tensions in specific locations of the County which are considered volatile and prone to violence.

Delay in release of funds by the National Government and under-collection of revenue affected implementation of 2021/22 budget. Absorption rate was about 83.16 percent during the period. Total expenditure in the period was Kshs 7,760,021,558 against target of Kshs 9,331,541,484 leading to a deviation of about 20.25 percent amounting to Kshs 1,571,519,926 attributed to the lower equitable share received by Kshs 582,160,319; lower grants and loans receipt of Kshs 1,164,764,304; and lower local revenues of Kshs 70,436,548.

The resource envelop of the County Government has also faced challenges of inadequacy given the size and historical underdevelopment characteristics of the County. The situation has been compounded by the consistent underperformance in the generation of the Own Source revenue which results in the County Government relying on the national government for most of its revenue. This was exacerbated by the lower than expected equitable share disbursements and significantly lower grants and loans than was envisaged in the approved budget for FY 2021/22. The County Government has developed several strategies place to improve revenue collection and also raise additional funds by strengthening collaboration, networking and partnerships. The government will continue to work with the National

Government, development partners and other counties in the region and beyond in addressing development challenges facing residents of the county, especially in water, agriculture, infrastructure and health.

### **3.3 Medium Term Expenditure Framework**

The county government will operate within a framework of balanced budget in the medium term with occasional short term borrowing as may be necessary for cash flow management purposes. The government's fiscal policy objective in the medium term will be to focus resources to priority and growth potential areas including water, infrastructure, agriculture and livestock production, and health.

Revenue mobilization initiatives will be strengthened to enhance revenue performance. The County's own revenue performance has been fluctuating over the years culminating to a shrink of 71 percent in 2021/22 compared to 2020/21. To realign local revenue performance to positive growth trajectory, the government will ensure adequate legislations to guide revenue collection and management, improve enforcement for compliance, enhance residents' ICT literacy levels for more compliance and broaden tax base. The government will engage the National Government and development partners for additional resources to support implementation of targeted development interventions.

In the medium term the county government will strengthen expenditure management focusing on expenditure productivity. This will be done by full implementation of the Integrated Financial Management Information System (IFMIS) across departments. The government will continue to monitor expenditures closely to avoid channeling resources to unproductive expenditure areas. Major expenditure areas will be expected to include personnel emoluments (P.E), development and operations. The government will also increase focus and implementation of programmes targeting the vulnerable including the youth, women and people living with disabilities (PWDs) to enhance their participation in the socio-economic development of the county.

The fiscal responsibility principles will remain the guiding framework for its public finance management discourse.

### **3.4 Risks to the Outlook**

The county operates within the framework of global economy and the world scenario will affect the economy of the county through exports, tourism, among others. In the event of a downturn in the Global economy of the economy of Kenya against the World Economy, then the revenues from the equitable share may not grow as projected. Further, the Counties are already facing revenue cuts due to the ongoing Austerity measures. The impact and effect of such measures have been significant in the Kenyan economy and affected performance though this is expected to improve from FY 2022/23. The impact of the elections, drought being faced and the violence which affected FY 2021/22 also impacted negatively on the

County revenues. The efforts to deal with the negative impacts have been put in place. However, the potential for adverse impact on the projections and resultant budget ceilings is considered moderate to high.

The outlook is based on assumed normal rainfall. However, rainfall pattern proved erratic in some seasons in the past. Erratic rainfall pattern, if experienced, is likely to affect livestock production.

Local revenue performance. This has been fluctuating and underperforming. But with the expected improved revenue performance at the national level due to the growth momentum of the Kenya, the total revenue of the county is expected to increase over the medium term. Expenditure pressures due to increasing wage bill thus leaving inadequate resources for development.

Delays in the receipt of the equitable share in the county affects the absorption and ability of the County to make timely interventions. For the FY 2023/24 and beyond the County will seek to make accurate cash-flow projections to be shared with the Controller of Budget and National Treasury which will ensure better planning for resources.

The final risk is the conflicting priorities between the County Assembly and the County Executive thus affecting budget making process and budget execution. This will be streamlined by ensuring a participatory framework for priority building that will be set out in the third generation CIDP (2022-2027) and the ADP for FY 2023/24 MTEF period.



## **4. RESOURCE ALLOCATION FRAMEWORK**

---

This section establishes the resource envelope the county expects and how it will be allocated across all the sectors for 2023/24 FY and MTEF

### **4.1 Adjustment to the FY 2022/23 Budget**

The 2022/23 Budget sought to set the agenda for the new government and consolidate the gains made by the previous government even as the County continues to pursue the transformative agenda it started for inclusive economic growth.

However, even as the implementation of the budget continues, there will be need to make adjustments to the budget. Specifically;

- The County will enter into a new integrated planning period as they set to complete the CIDP 2022-2027 and the priorities and programmes that will be set will necessitate an update to the budget for FY 2022/23 to better align the expenditures to the identified priority areas which will also be aligned to the manifesto for the new term of the current administration.
- The Country has also transitioned to a new administration that has prioritized the “bottom up” model which will require specific alignment of the budget to complement the national strategies to be adopted to achieve the new mandate. As the national government roles out the new economic interventions, the county will be alive to the requirements to complement and support such initiatives and this will require specific budget alignments to accommodate an integration of strategies and programmes.
- The new and varied austerity measures may impact the equitable allocation. Consequently, this will impact on the equitable share allocation to the County Government of Marsabit and will require further alignments to the budget to refocus spending priorities.

### **4.2 Medium Term Expenditure Framework**

Allocation and utilization of resources in the medium term will be guided by the priorities outlined in county integrated development plan and other county plans; and in accordance with section 107 of the PFM Act 2012. For effective utilization of public finances for enhanced expenditure productivity, the county government will prioritize expenditures within the overall sector ceilings and strategic sector priorities.

Table 2.5 below therefore provides indicative sector ceilings for the FY 2023/24 MTEF. The projections are inclusive of conditional allocations and grants/loans.

**Table 2.5 Summary of Indicative Sector Ceilings for FY 2023/24 MTEF**

MDAs	Total Expenditure Kshs.					% Share of Total Expenditure				
	Actual expenditure	Estimates	Projections			Estimates	Ceilings	Projections		
	FY 2020/21	FY 2021/22	FY 2023/24	FY 2024/25	FY 2025/26	FY 2020/21	FY 2021/22	FY 2023/24	FY 2024/25	FY 2025/26
County executive	1,364	1,385	1,256,222,010	1,235,560,212	1,208,068,541	18%	15%	14%	13%	12%
Finance Economic Planning	2,037	2,298	2,243,253,590	2,376,077,330	2,516,809,461	26%	25%	25%	25%	25%
Education, Skills & Sport	428	507	538,380,862	570,258,559	604,034,271	6%	5%	6%	6%	6%
County Public Service Board	90	103	89,730,144	95,043,093	100,672,378	1%	1%	1%	1%	1%
County Assembly	779	1,073	897,301,436	950,430,932	1,006,723,784	10%	12%	10%	10%	10%
Agric, Livestock & Fisheries devt	285	345	448,650,718	570,258,559	704,706,649	4%	4%	5%	6%	7%
Trade, Enterprise n Cop devt	69	92	89,730,144	95,043,093	100,672,378	1%	1%	1%	1%	1%
Road transport and public works	233	570	538,380,862	570,258,559	604,034,271	3%	6%	6%	6%	6%
Lands, Energy & Urban Dev	221	271	269,190,431	285,129,280	302,017,135	3%	3%	3%	3%	3%
Tourism culture	75	85	89,730,144	95,043,093	100,672,378	1%	1%	1%	1%	1%
Water, Environ & Natural	266	442	448,650,718	475,215,466	503,361,892	3%	5%	5%	5%	5%
Admin, Coordination n ICT	257	308	269,190,431	285,129,280	302,017,135	3%	3%	3%	3%	3%
Health Services	1,657	1,832	1,794,602,872	1,900,861,864	2,013,447,569	21%	20%	20%	20%	20%
<b>Total</b>	<b>7,760</b>	<b>9,312</b>	<b>8,973,014,359</b>	<b>9,504,309,320</b>	<b>10,067,237,843</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### 4.3 The Proposed 2023/24 Budget Framework

#### 4.3.1 Revenue Projections

The FY 2023/24 budget targets revenue (equitable share and local) collection of Kshs 8,973,014,359 Million up from Kshs 8,471,566,018 Million in the FY 2022/23. This revenue performance will be dependent on improved control over revenue collection and revenue administration.

#### 4.3.2 Expenditure Forecasts

In the proposed FY 2023/24 budget, overall expenditures are projected to increase by 6 percent to Kshs. 8,973,014,359 up from the budgeted expenditure of Kshs 8,471,566,018 in FY 2022/23. Recurrent expenditure is projected to increase by 14 percent from Kshs 3,981,636,028 in FY 2022/23 to Kshs 4,576,237,323 to account to 51% of the total allocation and to cater for the pending bills and the planning cycles processes required in the first year of the CIDP 2022-2027. This is also due to the mitigation effects already put in place to deal with insecurity and which had resulted in higher than planned recurrent expenditure. Development expenditure is projected to decrease by 2 percent to Kshs 4,396,777,036 in FY 2023/24 from Kshs 4,489,929,990 budgeted for in FY 2022/23 accounting for 49 percent of the total budget and within the recommended level of 30 percent.

In addition, personnel emolument is projected to increase by 5.7% of the actual amounts paid in FY 2021/22 to Kshs 2,2,961,094,739 from Kshs 2,801,611,546 due to the recruitments and salary adjustments expected to be undertaken by the County. Overall, the County expects to maintain the personnel costs at below 35% of the total revenue in the medium term. In this regard, the county government will over the medium ensure compliance with the fiscal responsibility principles as outlined in the sections 107 of the PFM Act 2012. The county government is expected to enhance expenditure productivity in the proposed year and manage the rising wage bill to be within the required limit. Table 2.6 below indicates the projections for expenditure in the medium term period

**Table 2.6 Summary of Expenditure Projections 2023/24 FY and MTEF**

Expenditure classification	Actual	Approved Budget Estimates	Projected Estimates		
	FY 2020/21	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Personnel Emoluments	2,801,611,546	2,941,855,120	2,961,094,739	3,041,378,982	3,221,516,110
Operation s & Maintenance	676,550,837	1,039,780,908	1,615,142,585	1,853,340,317	1,912,775,190
Development	3,245,198,049	4,489,929,990	4,396,777,036	4,609,590,020	4,932,946,543
Un spent Bal FY	582,160,319	-	-	-	-
<b>Total</b>	<b>7,305,520,751</b>	<b>8,471,566,018</b>	<b>8,973,014,359</b>	<b>9,504,309,320</b>	<b>10,067,237,843</b>

#### 4.4 Projected Fiscal Balance

The proposed 2023/24 county budget is balanced, but however, any shortfall in revenue that may occur within the year will be addressed through supplementary or borrowing within the borrowing framework by sub-nationals as approved by the Intergovernmental Budget and Economic Forum (IBEC).

## 5. CONCLUSION

---

The FY 2023/24 budget is being prepared within the context of a moderate global economic recovery. As the National Government scales up the implementation of “The Bottom up” Plan, the County Government has also aligned the County Integrated Development Plan and the Annual Development Plans to ensure that the County Specific targeted interventions are funded and implemented. The aim of the MTEF is therefore to strike an appropriate balance between support for growth and continued fiscal discipline while providing room for the implementation of the County governments CIDP.

To create fiscal space and guarantee appropriate phasing of expenditure programmes, Sectors and the Sector Working Groups will be required to conduct a thorough scrutiny of all proposed activities and Budgets for FY 2023/24 to ensure that they are not only directed towards improving productivity but also aligned to the achievement of the CIDP objectives. As such, the fiscal strategy in this CBROP will focus on enhancing overall revenue collection and reallocating resources to the targeted sectors of the County as envisaged in the CIDP.

The Government will continue with a strategy to ensure that the budget is strictly followed and service delivery is given focal attention to achieve the set objectives. The resource ceilings projected in this document should guide the Sector Working Groups to prioritize the key productive activities contained in the Annual Development Plan to ensure consistency in the development interventions of the County. Taking this into account, the overall expenditure is expected to increase by 5% between the budget for FY 2022/23 and the projected ceiling of Kshs 8,973,014,359 for FY 2023/24 as provisionally projected in the CBROP. SWGs are required to prepare medium-term budgets that are consistent with the Medium-Term Fiscal Framework. The resource envelope for each Sector has been provided under table 2.5. These ceilings will form inputs into the next County Fiscal Strategy Paper (CFSP) which will be finalized by the 28 February 2023.

## **ANNEXES**

---

### **Annex 1: Budget Calendar for the FY 2023/24 Budget**