



COUNTY GOVERNMENT OF ISIOLO

ECONOMIC PLANNING, BUDGETING & STATISTICS

**2023 ISIOLO COUNTY BUDGET REVIEW AND OUTLOOK PAPER
(CBROP)**

SEPTEMBER 2023

©2023 County Budget Review and Outlook Paper (CBROP)

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The document is also available on the county website at: www.isiolo.go.ke

VISION

A secure, just, integrated and prosperous county where all enjoy full potential and high quality of life

MISSION

Facilitation of an inclusive participatory engagement in development; creation of vibrant and welcoming environment that allows optimal utilization of available resources

OUR CORE VALUES

1. Inclusive Engagement

We practice equity and equality and engage all stakeholders in establishing the development needs and priorities to inform the county programs, projects and initiatives.

2. Social Responsibility

We care for the citizens and the natural environment.

3. Integrity

We act in an honest, accountable and transparent manner in all our undertakings

4. Ownership

We seek to have the citizens embrace a shared county development agenda and take Centre-stage in the formulation, implementation, monitoring & evaluation of county policies and plans.

5. Leadership

We are committed as county public officers to act with a sense of urgency to address citizens' needs and make qualified decisions in a timely manner.

6. Openness and Innovativeness

We promote an open and innovative mind-set that strive to apply ingenuity thinking and creativity to everything we do. Our county is open to new ideas and methods and we encourage individuals to explore new opportunities to improve our service delivery

FOREWORD

The 2023 Isiolo County Budget Review and Outlook Paper (CBROP) is the first to be prepared by Isiolo County Third Regime Administration. 2023 CBROP is done at a time when the County Government is implementing priority programmes, policies and activities of the Third Regime Governor's Manifesto (2023-2027) and the CIDP (2023-2027) in alignment with the Bottom-Up Economic Transformation Agenda (BETA) of the National Government for inclusive growth. The Isiolo County Third Regime Administration took office when the Country Economy was facing two major shocks that included: the conflict between Russia and Ukraine that disrupted the global trade leading to increased fuel and food prices; and a severe drought witnessed in the region and most parts of the country associated with climate change which gravely impacted on food security. Drought impact subjected millions of homesteads to severe food insecurity and loss of livestock. As a result, activities in the agriculture sector contracted by 1.6 percent in 2022.

As a result of the Country interventions and improvements of the weather seasons over time, the Economy has registered a growth of 5.3 percent in quarter 1 (Q1) of 2023. This was mainly due to a strong recovery in the agricultural activities 5.8 percent from a contraction of 1.7 percent in a similar quarter in 2022. The economy expanded by 4.8 percent in 2022 and is projected to expand further by 5.5 percent in 2023 and maintain a strong momentum over the medium-term. This growth outlook will be implicated in the County Government of Isiolo and supported by, the completion of value adding flagship projects with strong performance of the services sectors. The growth outlook will be reinforced by implementation of policies and programmes under the priority sectors of the Governor's Manifesto and BETA.

The implementation of the FY 2022/23 budget marked the transition from the previous Second County Administration Regime to the current one. The first half of the FY 2022/23 was marked by slow implementation of programmes and projects due to inadequate revenue resources as the new Government was settling in office and improved in the third quarter. FY 2023/24 budget has successfully started in earnest being the first budget in implementation of 2023-2027 CIDP III.

In preparation of the FY 2024/25 budget, all the spending vote items are expected to lay emphasis on the priority programmes and projects under the Governor's Manifesto and the Annual Development Plan II by mainly increasing investments in Trade and Industrialization; Healthcare reforms; and agriculture and livestock sector.

Finally, with the limited resources, the Sector Working Groups (SWGs) and the development partners are therefore directed to critically review, evaluate and prioritize all budget allocations to strictly achieve the integrated ADP II priorities. The respective departments' ceilings provided for the FY 2024/25 budget and the Medium Term will form the basis of budget allocations.



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ACKNOWLEDGEMENT

The 2023 Isiolo County Budget Review and Outlook Paper (CBROP), is prepared in accordance with Section 118 of PFM Act 2012 the Public Finance Management (PFM) Act, 2012 and its regulations of 2015 and in line with the Article 220 of the Constitution of Kenya (CoK) 2010. The 2023 CBROP will provide the fiscal outrun for the FY 2022/23, the macro-economic projections and the set sector ceilings for the FY 2023/24. It will also display a review of the recent economic developments and actual fiscal performance of the Financial Year 2022/2023 in comparison to the budget appropriations for the same year.

In the County Government of Isiolo, the total revenue collected by the year ending June 2022 amounted to Ksh.107,832,875 while the total revenue collected by the year ending June 2023 amounted to Ksh.152,700,174 which is a positive growth of 41.6 percent. The strong outcome in revenue collection in the FY 2022/23 provides a potential base for supporting the revenue and expenditure performance in the FY 2023/24.

The County Government through the department of Economic Planning, Budgeting and Statistics is grateful of our county department of Financial Services and Revenue Services for furnishing the expenditure analysis and own source revenue analysis data as at first September, that was useful in the execution of the Financial Year 2023/24 budget and the general county revenue performance.

My sincere appreciation is directed to the county Sector Working Groups for their collaborative effort in providing data and information towards development of this 2023 CBROP. I would also like to take this opportunity to dedicate my special thanks to the Economic Planning, Budgeting and Statistics department staff for tirelessly reviewing this document to ensure it satisfies the PFM Act, 2012 and set out sector/department ceilings that guide the various departments in preparation of their FY 2024/2025 budget.

Therefore, All Sector Working Groups (SWGs) are expected to ensure that their budgets are aligned to the overall Government priorities while taking into account the resource constraints.

Finally, I really thank all organizations and institutions that we consulted, together with the public for the useful comments and inputs that led to a successful development of this document.



MR. GABRIEL LEKALKULI ELIAS

COUNTY CHIEF OFFICER – ECONOMIC PLANNING, BUDGETING & STATISTICS

TABLE OF CONTENTS

FOREWORD	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	vi
ABBREVIATIONS AND ACRONYMS	vii
EXECUTIVE SUMMARY	x
I. INTRODUCTION	1
A. Objectives of the CBROP	1
II. REVIEW OF FISCAL PERFORMANCE IN THE FINANCIAL YEAR 2022/23	2
A. Development Priorities for Financial Year 2022/23	2
B. Fiscal Performance Overview for Financial Year 2022/23	3
i. Revenue performance	3
ii. Expenditure Performance	8
III. MACROECONOMIC DEVELOPMENTS AND OUTLOOK	15
A. World Economic Outlook	15
IV. RESOURCE ALLOCATION FRAMEWORK	21
A. Implementation of the Financial Year 2023/24 Budget	21
V. MACROECONOMIC POLICIES AND OUTLOOK	23
A. Overview	23
B. Medium Term Fiscal Framework	24
Fiscal Policy Objective	24
Debt and Deficit Financing Policy	24
Medium Term Fiscal Projections	24
2023/24 Budget Framework	24
Outlook for the Financial Year 2024/25	24
VI. RESOURCE ADJUSTMENT FRAMEWORK	33
A. Adjustment to 2023/24 Budget	33
B. Medium-Term Expenditure Framework	34
VII. CONCLUSION AND WAY FORWARD	39
ANNEX 1: BUDGET CALENDAR FOR THE FINANCIAL YEAR 2023/2024 MTEF BUDGET	40

LIST OF TABLES

Table 1: Fiscal Outrun In Financial Year 2021/22	4
Table 2 County Internal Revenue performance for the past nine years	6
Table 3: Expenditure Performance	9
Table 4: Quarter 1 realized County Own Revenue for FY2022/23	21
Table 7: Allocation for Financial Year 2022/23	30

ABBREVIATIONS AND ACRONYMS

A.I. A	Appropriation in Aid
ADP	Annual Development Plan
CIDP III	County Integrated Development Plan three
BETA	Bottom-up Economic Transformation Agenda
CoK	Constitution of Kenya
BPS	Budget Policy Statement
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CG	County Government
ICT	Information, Communication and Technology
KNBS	Kenya National Bureau of Statistics
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PFM	Public Finance Management
SRC	Salaries and Remuneration Commission
SWG s	Sector Working Groups
RE	Recurrent Expenditure
DE	Development Expenditure

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

The County Budget Review and Outlook Paper, 2023 is prepared in accordance with Section 118 of the Public Financial Management Act, 2012 and in line with Article 220 of CoK 2010. The law states that:

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

Fiscal Responsibility Principles in the Public Financial Management Act

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

- a) The County Government's recurrent expenditure shall not exceed the County Government's total revenue;
- b) Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure;
- c) The County Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County Government revenue as prescribed by the regulations;
- d) Over the medium term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- e) Public debt and obligations shall be maintained at a sustainable level as approved by County Government;
- f) Fiscal risks shall be managed prudently; and
- g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

EXECUTIVE SUMMARY

This County Budget Review and Outlook Paper (CBROP), is prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its regulations. The document provides actual fiscal performance for the FY 2022/2023, macro-economic projections and the sector ceilings for the FY 2023/24-2024/25-2025/2026 Medium Term Budget. It further provides an overview of how the actual performance of the Financial Year 2022/2023 affected the county compliance with the Fiscal Responsibility Principles and the financial objectives as highlighted in the PFM Act, 2012. The 2023 Isiolo CBROP will form the basis for the development of the 2024 County Fiscal Strategy Paper (CFSP) that will detail the various programmes and initiatives to be undertaken during the second implementation CIDP III.

The fiscal performance outcome for the FY 2022/23 largely adhered to the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012 and Article 220 of the Constitution of Kenya 2010. County local revenue tremendously grew by **41.6%** from **Ksh.107,832,875.59** collected in FY 2021/22 to **Ksh.152,700,174** in FY 2022/23. This was an increase of **Ksh. 44,867,299** from the FY 2021/22. This then implies that the local revenue collection will be expected to rise further grow in the coming year, due to deliberate efforts of the county to improve County Own Source Revenue collection through exploration of more streams and putting measures to curb revenue leakages.

In FY 2022/23 the County government allocated **32.5%** of its total budget for development expenditure and **67.5%** on recurrent expenditure. The updated County Economic Outlook will be firmed up in the CFSP 2024 to reflect any changes in Economic and Financial conditions.

The PFMA, 2012 has set standards for compliance with the MTEF budgeting process. Therefore, it is expected that the financial year 2023/24 Sector budget ceilings will form the indicative baseline for Sector budget ceilings for the Financial Year 2024/25. However, the sector ceilings shall be modified to reflect the development goals and priorities of the County Government.

There are risks to the Medium-Term Framework that include among others, the negative effects of the pressures on expenditures from domestic payables from previous financial years, rising recurrent related expenditures, perennial droughts and anticipated effects of El nino rains emergencies, that might disrupt economic activities. The County Government will closely monitor these developments and undertake appropriate measures to safeguard the economic stability should these risks materialize.

I. INTRODUCTION

A. Objectives of the CBROP

1. The 2023 CBROP provides a review of the fiscal performance for the financial year 2022/23 including adherence to the objectives and principles outlined in the 2023 County Fiscal Strategy Paper and the PFM Act, 2012. It also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term plan. The 2023 CBROP will guide development of the 2024 CFSP that will summarize the various projects and initiatives undertaken during the medium term plan.
2. As required by the PFM Act, 2012, the budget process aims to promote the efficient and effective use of resources. To meet the resource requirements of the FY 2023/24 budget and the medium term, the Government will continue to implement prudent measures aimed at enhancing the local revenue and rationalizing expenditures. In this regard, this CBROP provides sector ceilings which will set in motion the budget preparation for the FY 2024/25 and the medium term. The sector ceilings are guided by the overall resource envelope that is informed by the macroeconomic and fiscal outlook as presented in section III and IV of this document. Sector ceilings in this CBROP are aligned to the priorities of the County that enhance value chain and linkage to Bottom-Up Economic Transformation Agenda and other priority programmes outlined in CIDP III.

B. Organization of the Document

3. The rest of the paper is organized as follows: Section II provides a review of the fiscal performance for the Financial Year 2022/23 and its implications on the financial objectives set out in the 2023 CFSP submitted to the County Assembly. This is followed in Section III by brief highlights of the recent economic developments. Section IV presents the macroeconomic policies and outlook. The proposed resources allocation framework is detailed in Section V while Section VI gives the conclusion.

II. REVIEW OF FISCAL PERFORMANCE IN THE FINANCIAL YEAR 2022/23

A. Development Priorities for Financial Year 2022/23

4. Prioritization of resource allocation was based on the County Integrated Development Plan 2018-2022, broad development policies of the County Government as well as the medium term priorities identified during the County-wide public consultative forums held at all the ten wards.
5. In pursuit of the theme of the budget for financial year 2022/23, the development objectives stipulated in the 2022 CFSP identified the following key development priority areas that cover;
 - a) Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock;
 - b) Investment in Infrastructure development and expansion i.e. Roads, Water Supply, Market development, Livestock and agriculture transformation for sustainable economic growth and development;
 - c) Investing in quality, affordable and accessible Health Services (i.e. preventative, curative and rehabilitative health care services);
 - d) Investing in Education, focusing on construction of more ECD structures and equipping of youth polytechnics, technical institutions as well as social development of the communities through social programs;
 - e) Promotion of trade and industrial development for a rapidly industrializing economy;
 - f) Enhancing governance, transparency and accountability in the delivery of services.
 - g) Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society where all have access to equitable share of resources;
 - h) Promotion of Public participation through involvement in decision making in order to enhance ownership and sustainability of development programs; and
 - i) Investing in Environmental conservation, natural resource management, modern urban infrastructure and sustainable land management for socio economic development.

B. Fiscal Performance Overview for Financial Year 2022/23

i. Revenue performance

6. By end of the Fiscal period 2022/23 the County Government had total revenue receipts of **KES 6,316,352,026** whose breakdowns are as follows: External revenue receipts of **KES 5,097,691,929**, internal revenue of **KES 152,700,174** and Account Balance brought forward from Previous FY 2021/22 of **KES. 1,065,959,923**.

7. The fiscal performance for Financial Year 2022/23 was still below target due to the aftermath effects of 2022 electioneering period and the severe drought experienced in the county which led to huge loss of livestock. On overall the actual realized revenue was below target by KES 144,353,101 due to: Delays in Release of last batch of equitable share; deficit on amounting to KES 102,000,000 conditional allocation from the national government for construction of the county headquarter; deficit of revenue from the conditional grants from development partners amounting to KES 116,651,507 for the financial year 2022/23 and deficit of 15.4% (**KES 27,7109,594**) of County Own revenue due to underperformance of revenue from streams such as land rates, cess street parking and uncollected revenue from liquor license.

Table 1: Fiscal Outrun In Financial Year 2022/23

Revenue Streams	Estimate 2021/22	Actuals 2021/22	Deviation	% Performance	Estimate 2022/23	Actuals 2022/23	Deviation	% Performance
External revenue								
EQUITABLE SHARE	4,710,388,265	4,333,556,996	- 376,831,269	92%	4,710,388,265	4,710,388,265	-	100.0%
General Provisions (Equitable Share)	4,710,388,265	4,333,556,996	- 376,831,269	92%	4,710,388,265	4,710,388,265	-	100.0%
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT	68,000,000	-	- 68,000,000	0%	102,000,000	-	- 102,000,000	0.0%
Supplement for Construction of County Headquarters	68,000,000	-	- 68,000,000	0%	102,000,000	-	- 102,000,000	0.0%
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	597,286,901	449,429,645	- 147,857,256	75%	401,955,171	387,303,664	- 14,651,507	96.4%
Current Grants from Foreign Governments Danida	9,396,750	7,361,625	- 2,035,125	78%	13,642,875	9,734,622	- 3,908,253	71.4%
Climate Smart Agricultural Project	330,699,130	269,733,553	- 60,965,577	82%	259,805,034	259,805,034	-	100.0%
Financing Locally led climate action world bank	-	-	-	0%	22,000,000	22,000,000	-	100.0%
Development Support Programme (ASDSP)	26,387,350	3,000,000	- 23,387,350	11%	19,697,797	11,000,000	- 8,697,797	55.8%
Urban Support Project Development			-	-	2,339,915	2,339,915	-	100.0%
World Bank Emergency Locust Response	76,030,667	28,903,581	- 47,127,086	38%	84,469,550	82,424,093	- 2,045,457	97.6%
GROSS COUNTY EXTERNAL REVENUE ESTIMATE	5,375,675,166	4,779,986,641	- 595,688,525	89%	5,214,343,436	5,097,691,929	- 116,651,507	97.8%
Balance from Previous FY	878,478,632	878,478,632	-	100%	1,065,959,923	1,065,959,923	-	100.0%
County own Revenue Streams								
RECEIPTS FROM ADMINISTRATIVE FEES AND CHARGES	1,736,000	1,472,800	- 263,200	85%	1,500,000	995,200	- 504,800	66.3%
Other Land Revenue (Plot Application/Transfer/Sub-Division)	1,736,000	1,472,800	- 263,200	85%	1,500,000	995,200	- 504,800	66.3%
LAND RATES	14,271,075	11,080,499	- 3,190,576	78%	13,271,075	10,040,370	- 3,230,705	75.7%
Land Rent & Rates - Current Year	7,195,075	3,803,524	- 3,391,551	53%	7,195,075	3,167,339	- 4,027,736	44.0%
Penalties Rent & Rates	1,500,000	118,211	- 1,381,789	8%	500,000	118,947	- 381,053	23.8%
Land Rent & Rates - Arreas	5,576,000	7,158,764	1,582,764	128%	5,576,000	6,754,084	1,178,084	121.1%
CESSES	21,626,545	7,126,795	- 14,499,750	33%	12,688,993	7,261,685	- 5,427,308	57.2%

Revenue Streams	Estimate 2021/22	Actuals 2021/22	Deviation	% Performance	Estimate 2022/23	Actuals 2022/23	Deviation	% Performance
Livestock Auction	4,188,993	3,260,535	- 928,458	78%	3,188,993	3,052,845	- 136,148	95.7%
Sand Cess	14,200,000	3,462,000	- 10,738,000	24%	8,000,000	4,131,710	- 3,868,290	51.6%
Other Cess (Produce Cess/Barter/Murram/Cheque Clearance)(included Tractor) 2016/17	3,237,552	404,260	- 2,833,292	12%	1,500,000	77,130	- 1,422,870	5.1%
OTHER MISCELLANEOUS RECEIPTS	27,696,380	15,040,029	- 12,656,351	54%	20,719,919	13,039,099	- 7,680,820	62.9%
Miraa Export	4,018,156	4,832,400	814,244	120%	3,500,000	3,602,300	102,300	102.9%
Promotion, Advertisement/branding/Miscellaneous Charges	950,000	1,681,500	731,500	0%	1,500,000	274,500	- 1,225,500	18.3%
S.B.P Fees/Promotion	6,556,802	5,961,030	- 595,772	91%	7,000,000	7,143,850	143,850	102.1%
Liquor License	3,800,000	-	- 3,800,000	0%	4,000,000	-	- 4,000,000	0.0%
Public Works /Other Charges	1,200,000	451,092	- 748,908	38%	200,000	-	- 200,000	0.0%
Stand Premiums	1,285,536	676,000	- 609,536	53%	200,000	41,000	- 159,000	20.5%
Clearance & Consents	419,919	-	- 419,919	0%	419,919	806,000	386,081	191.9%
Plot Transfer Approval	3,886,076	-	- 3,886,076	0%	-	-	-	0.0%
Lease Extension	300,000	-	- 300,000	0%	300,000	-	- 300,000	0.0%
Planning & Survey	954,000	-	- 954,000	0%	-	-	-	0.0%
Livestock/Veterinary Inspection (meat)	1,596,000	607,595	- 988,405	38%	2,000,000	746,349	- 1,253,651	37.3%
Public Inspection - Public Health	-	436,375	436,375	-	800,000	25,500	- 774,500	3.2%
Weights and Measure	750,000	157,537	- 592,463	21%	200,000	53,100	- 146,900	26.6%
Tractor Hire	1,099,891	123,500	- 976,391	11%	300,000	-	- 300,000	0.0%
Agriculture Training Centre	880,000	113,000	- 767,000	13%	300,000	346,500	46,500	115.5%
PARK REVENUE	34,130,130	57,878,803	23,748,673	170%	125,400,781	113,465,212	- 11,935,569	90.5%
Game Entrance & Royalties	34,130,130	57,878,803	23,748,673	170%	125,400,781	113,465,212	- 11,935,569	90.5%
MARKET/TRADE CENTRE FEE	1,430,446	2,176,280	745,834	152%	700,000	1,513,560	813,560	216.2%
Market Stalls Rent -Kiosks & Stalls	1,430,446	2,176,280	745,834	152%	700,000	1,513,560	813,560	216.2%
VEHICLE PARKING FEES	7,480,000	5,146,944	- 2,333,056	69%	3,500,000	4,416,973	916,973	126.2%
street Parking Fees	7,480,000	5,146,944	- 2,333,056	69%	3,500,000	4,416,973	916,973	126.2%
HEALTH FACILITIES OPERATIONS SERVICE FEES	1,573,785	6,343,385	4,769,600	403%	921,000	869,055	- 51,945	94.4%

Revenue Streams	Estimate 2021/22	Actuals 2021/22	Deviation	% Performance	Estimate 2022/23	Actuals 2022/23	Deviation	% Performance
Hospital Cost Sharing	1,573,785	6,343,385	4,769,600	403%	921,000	869,055	-51,945	94.4%
SLAUGHTER HOUSES ADMINISTRATION FEES	2,513,575	1,537,740	-975,835	61%	1,200,000	1,020,220	-179,780	85.0%
Slaughter Fees	2,513,575	1,537,740	-975,835	61%	1,200,000	1,020,220	-179,780	85.0%
TECHNICAL SERVICES FEES	1,228,401	29,600	-1,198,801	2%	500,000	78,800	-421,200	15.8%
Building Plan Approvals	1,228,401	29,600	-1,198,801	2%	500,000	78,800	-421,200	15.8%
GROSS INTERNAL REVENUE ESTIMATES	113,686,337	107,832,875	-5,853,462	95%	180,401,768	152,700,174	-27,701,594	84.6%
GRAND TOTAL	6,367,840,135	5,766,298,148	-601,541,987	91%	6,460,705,127	6,316,352,026	-144,353,101	97.8%

Source: County Economic Planning Office Isiolo

a) Internal Revenue

8. The cumulative revenue collection from local sources for the period between July 2022 and 30th June 2023 amounted to KES 152,700,174 from a revised target of KES 180,401,768. This represented a revenue shortfall of 15.4%. However, the revenue collection improved by 34% from KES 113,686,337 collected in the FY 2021/22. The positive growth in own source revenue was attributed to the recovery of tourism sector from the effect of covid-19 pandemic. The revenue stream from this sector grew by 196% during the FY 2022/23. The revenue collections from other streams remain stagnant compared to the previous year.
9. Once the global and National situation goes back to normal, the County will continue to chase its aspirations of fulfilling its high local revenue collection potential by coming up with new strategies of further enhancing local revenue sources. Against this background, the target for own source revenue has been substantially raised to KES. 271,208,180. This can be achieved by widening the internal revenue base through diversification of internal revenue streams and sealing leakages, scaling up secure revenue collection channels, automation of revenue collection systems, enhanced enforcement, supervision and regular field spot checks of revenue clerks. The revenue collection is anticipated to be further enhanced by revision of finance bill and enactment of liquor licensing bill

Table 2 County Internal Revenue performance for the past ten years

YEAR	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
TARGET	360.00	425.70	360.00	250.00	182.86	150.80	170.90	113.69	113.69	180.40
ACTUAL	125.06	133.70	116.03	89.16	114.10	161.70	122.00	46.78	107.83	152.70

Source: County Economic Planning Office Isiolo

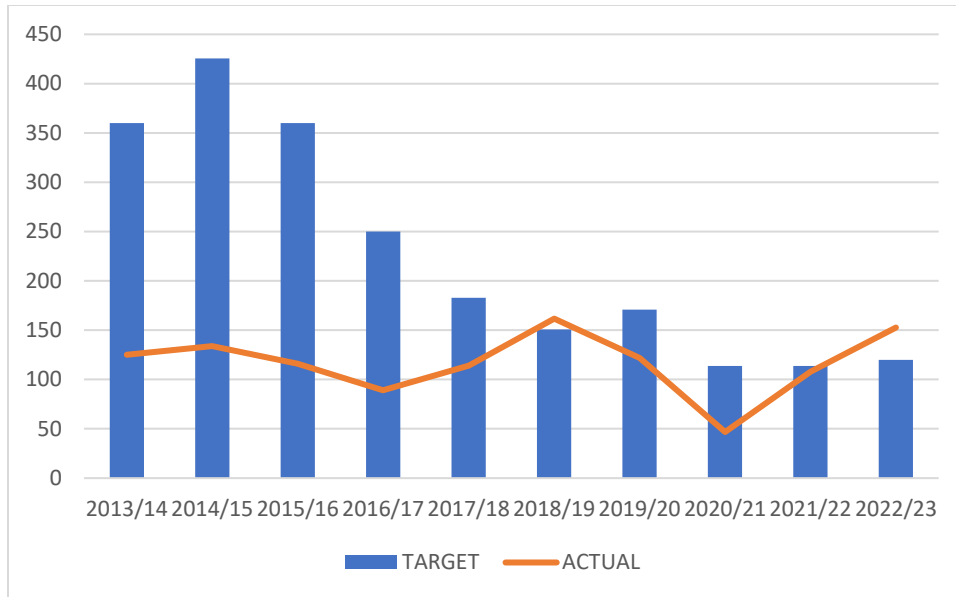


Figure 1: County Internal Revenue performance for the past ten years

10. The local revenue recorded an upward growth in Financial Years 2017/18, 2018/19, 2021/22 and 2022/23. Apart from FY 2018/19, when actual revenue collections exceeded set target by 7.2% the other nine years' collections fell below the set targets. The Financial Year 2018/19 collection reflects an upward growth of 41% from the amount realized in FY2017/18. This growth informed the upward revision of the County's revenue target for FY 2019/20 from KES.150 Million to KES.170 Million. FY 2022/23 also showed remarkable revenue growth of 42% from KES 107 Million to KES 152Million. Lowest revenue collection was recorded in FY 2020/21 i.e. KES 46.78 Million due adverse effect of Covid -19 pandemic.

b) External Revenue

- 11. The County received gross external revenue of **KES 5,097,691,929** which was made up of equitable share amounting to **4,710,388,265**, Conditional grants of **KES 387,303,664**. The deficit for conditional grants was **KES 14,651,507**.
- 12. The total deficit from external revenue was **KES 116,651,507**. This translates to 2.2% of the total external revenue the county expected for FY 2022/23.
- 13. The balance brought forward from FY 2021/22 was **KES 1,065,959,923** comprising of County Revenue Fund account of KES. 552,945,479, Isiolo County Health Services KES 22,329,360, County Urban Development KES 65,320,119, County Climate Smart Agriculture KES 270,674,583, County KDSP Account KES 120,482,795, County Emergency Locust Account KES 28,903,581, County Primary Health Care KES 4,784,242.

ii. Expenditure Performance

14. Total cumulative expenditure for the Financial Period 2022/23 amounted to **KES 5,493.46 million** against an overall revised budget of **KES 6,462.16 million**, representing an underspending of **KES 968.70 Million**. (This reflects a 14.09 % deviation from the revised budget). The overall expenditure comprised of **KES. 1,462.38 Million** and **KES 4,027.37 Million** on development and recurrent programmes, respectively.
15. These under spending was attributed to late disbursement of funds from the exchequer, Local revenue shortfall of **KES 27,701,594** due to a slug in revenue collection during the electioneering period, Conditional grant short fall of **KES 14,651,507**.
16. Table 3 below shows various County Departmental breakdown of Expenditures performance i.e. targets vis-à-vis realized actual

Table 3: Expenditure Performance

Department	Revised Budget Allocation (Kshs. Millions) 2021/22			Actual Expenditure (Kshs. Millions) 2021/22			Absorption rate (%)			Revised Budget Allocation (Kshs. Millions) 2022/23			Actual Expenditure (Kshs. Millions) 2022/23			Absorption rate (%)		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
County Assembly	448.25	102	550.25	448.09	56.43	504.52	100%	55%	92%	448.25	149	597.25	444.54	149	593.54	0.00%	0.00%	0.00%
Office of the Governor	307.65	0	307.65	288.95	0	288.95	94%	0	94%	345.04	0	345.04	350.48	0	350.48	101.58%	0.00%	101.58%
Office of the Deputy Governor	25	0	25	21.17	0	21.17	85%	0	85%	24.9	0	24.9	19.71	0	19.71	79.16%	0.00%	79.16%
County Public Service Board	59.71	0	59.71	55.2	0	55.2	92%	0	92%	59.28	0	59.28	56.98	0	56.98	96.12%	0.00%	96.12%
Office of the County Secretary	31.13	12.23	43.36	28.07	0	28.07	90%	0%	65%	46.32	0	46.32	43.37	0	43.37	93.63%	0.00%	93.63%
Delivery unit	19.7	0	19.7	18.88	0	18.88	96%		96%	16.9	0	16.9	16.5	0	16.50	97.63%	0.00%	97.63%
Special programmes	254.3	0	254.3	210.38	110	320.38	83%		126%	372.24	110	482.24	344.23	89.2	433.43	92.48%	81.09%	89.88%
Finance	259.12	459.37	718.49	219.8	167.65	387.45	85%	36%	54%	541.85	392.62	934.47	385.01	153.87	538.88	71.05%	39.19%	57.67%
Economic Planning	65.26	0	65.26	62.61	0	62.61	96%		96%	69.43	2.75	72.18	64.58	2.75	67.33	93.01%	100.00%	93.28%
Lands and physical planning	28.77	22.75	51.52	26.99	21.51	48.51	94%	95%	94%	20.24	9	29.24	19.08	8.97	28.05	94.27%	99.67%	95.93%
Roads	18.25	118.78	137.04	16.07	54.67	70.73	88%	46%	52%	13.95	111.01	124.96	11.49	101.32	112.81	82.37%	91.27%	90.28%
Public Works	24.13	0	24.13	19.93	0	19.93	83%		83%	19.81	0	19.81	17.91	0	17.91	90.41%	0.00%	90.41%
Agriculture	50.75	587.72	638.47	47.96	213.66	261.62	95%	36%	41%	54.01	869.94	923.95	52.69	590.17	642.86	97.56%	67.84%	69.58%
Livestock and Fisheries	141.18	70.13	211.31	136.55	57.07	193.62	97%	81%	92%	136.11	15.06	151.17	127.13	14.82	141.95	93.40%	98.41%	93.90%
Cohesion and Intergovernmental relations	70.14	110	180.14	64.04	0	64.04	91%	0%	36%	32.9	0	32.9	30.58	0	30.58	92.95%	0.00%	92.95%
Education and Vocational training	239.61	26.26	265.86	223.93	18.3	242.23	93%	70%	91%	242.79	17.38	260.17	224.06	6.5	230.56	92.29%	37.40%	88.62%
Sports, Youth	35.02	134.98	170	31.39	87.81	119.2	90%	65%	70%	22.26	18.63	40.89	14.64	17.44	32.08	65.77%	93.61%	78.45%
Culture Gender	21.37	31.7	53.07	15.95	3.9	19.85	75%	12%	37%	17.96	7.99	25.95	6.73	7.99	14.72	37.47%	100.00%	56.72%

Department	Revised Budget Allocation (Kshs. Millions) 2021/22			Actual Expenditure (Kshs. Millions) 2021/22			Absorption rate (%)			Revised Budget Allocation (Kshs. Millions) 2022/23			Actual Expenditure (Kshs. Millions) 2022/23			Absorption rate (%)		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
Tourism,	233.6 1	10	243.6 1	222.8 5	3	225.8 5	95 %	30 %	93%	143.08	12	155.08	141.91	12.99	154.90	99.18 %	108.25 %	99.88 %
Public Service Management and Administration	254.3 2	0	254.3 2	140.4	6.52	146.9 3	55 %		58%	191.89	3	194.89	159.80	2.99	162.79	83.28 %	99.67 %	83.53 %
Water and Irrigation	101.5 7	152.2 3	253.8	74	142.7 8	216.7 8	73 %	94 %	85%	59.72	116.49	176.21	42.96	115.37	158.33	71.94 %	99.04 %	89.85 %
Environment and Natural Resources	39.83	43.81	83.64	35.66	41.34	77.01	90 %	94 %	92%	23.46	29.81	53.27	22.14	19.97	42.11	94.37 %	66.99 %	79.05 %
Health Services	1308. 92	136.7 3	1445. 65	1271. 05	102.3 2	1373. 37	97 %	75 %	95%	1,386. 23	80.62	1466.8 5	1,359. 57	64.96	1,424. 53	98.08 %	80.58 %	97.11 %
Trade, Industrialization	60.94	2.5	63.44	52.14	0	52.14	86 %	0%	82%	24.67	0	24.67	24.05	0	24.05	97.49 %	0.00%	97.49 %
Municipal Administration	70.99	177.1 2	248.1 1	58.85	85.17	144.0 2	83 %	48 %	58%	65.68	137.89	203.57	47.23	104.07	151.30	71.91 %	75.47 %	74.32 %
Total	4169. 53	2198. 31	6367. 84	3790. 94	1172. 14	4963. 08	22.04 %	53 %	78 %	4,378. 97	2,083. 19	6,462. 16	4,027. 37	1,462. 38	5,489. 75	91.97 %	70.20 %	84.95 %

Source: County Economic Planning Office Isiolo

Cumulative Recurrent Expenditure

17. Recurrent expenditure for the FY 2022/23 amounted to **KES 3,582.83** Million against an approved revised budget estimates of **KES 4,378.97** Million representing an under spending on recurrent budget of **KES 796.14** Million. (Deficit of **18%**). The revised allocation for recurrent activities accounts for **67.76** percent of the total Revised Estimates and this conforms with PFM Act and the fiscal responsibility principle which requires that over the medium term, a maximum of seventy per cent of the County Government's budget shall be allocated to recurrent activities.
18. An analysis of the cumulative recurrent outlay of the financial Year 2022/23 shows that on average all Departments had over **87.46%** absorption rate of the revised approved budget. With low absorption rates of **65.77%** and **37.47%** exhibited by the departments of youths and sports and gender culture and social services respectively.

Cumulative Development Expenditure

19. The cumulative Development expenditure for the FY 2022/23 amounted to **KES 1,462.38 Million** compared to an approved revised budget of **KES 2,083.19** Million. This represented a development budget under absorption of **KES. 620.81 Million** (A deficit of **29.80%** of the development budget). The revised allocation for expenditure on development activities accounts for **32.24%** of the total revised estimates and this conforms to PFM Act and fiscal responsibility principle which requires that over the medium term, a minimum of thirty per cent of the County Government's budget shall be allocated to development activities.
20. An analysis of the cumulative development outlay of the financial Year 2022/23 shows that on average all Departments had an average of **57.54%** absorption rate of the revised approved budget. The low absorption was due to slow start in the first and second quarters of the FY 2022/23 in terms of Development expenditure due to long electioneering period, delays of disbursement of funds and slow procurement processes.

Challenges

- i. In terms of spending, recurrent expenditure continues to claim the lion's share of the County's budgetary resources. In the Financial Year 2022/23, the County devoted about 67.76% of its budget towards recurrent spending and this is expected to continue to rise in the Financial Year 2024/25 budget due to annual salary increments, expected new recruitments for technical staff and increased operations and maintenance resulting from increased number of departments.
- ii. The issue of pending bills still lingers, and is a major concern. The bulk of this amount are pending accounts payable, most of it related to construction of buildings and civil works, and supply of goods and services.
- iii. Weak monitoring and evaluation frameworks and internal controls

- iv. Challenges to fully shift to E-procurement
- v. Delays in disbursement of funds from National Treasury.
- vi. Revenue leakage due to lack of automation of revenue streams
- vii. Inadequate skills and capacity of revenue collection personnel
- viii. Lack of proper legislative framework on revenue collections
- ix. Negative Impact of electioneering on revenue collections and project implementations

Remedies

- i. Enhancing local revenue through enactment of the various revenue bills, Review of valuation roll and embarking on alternative sources for supporting the capital budget that include PPP and joint ventures; Tightening enforcement across all revenue sources;
- ii. Executive Committee members responsible for finance and economic planning to designate a person responsible for administering each established County Funds in line with Section 116 of the PFM Act, 2012;
- iii. To strengthen the capacity of county government employees through proper training and recruitment of qualified staff.
- iv. Adequate funding for monitoring and Evaluation unit as per the CIMES guidelines to enable it effectively carry out its function in tracking regular progress and reporting on development projects;
- v. Timely requisition of funds and processing of payments from county treasury.
- vi. Automation of revenue collection systems

C. Implication of 2022/2023 Fiscal Performance on Financial Objectives

- 21. The performance of the Own Source Revenue in FY 2022/23 was below the revised budget target of 180 Million resulting in a shortfall of Ksh 28 Million in Local revenue. Given this revenue shortfall, the projections for FY 2023/24 have an estimated revenue risk of Ksh 119 Million. The County Treasury will undertake administrative measures such as the automation of revenue streams and enactment of finance and liquor licensing Bill 2023 which are expected to strengthen revenue performance. Further, the revenue department is now a fully fledged department with a clear focus on revenue collection and administration.
- 22. In addition, adjustments will be made to fiscal aggregates to mirror revisions in the

macroeconomic projections as well as revenue performance for the first quarter of the Financial Year 2023/24;

23. The baseline ceilings for departmental spending will be adjusted in line with the revised resource envelope under the updated macroeconomic framework in the 2024 County Fiscal Strategy Paper.
24. The under-spending in both recurrent and development budget for the FY 2022/23 has implications on the base used to project expenditures in the FY 2023/24 and the medium term. Appropriate revisions would be undertaken in the context of this CBROP taking into account the budget outturn for the FY 2023/24.
25. As highlighted above, the major reasons for deviations from the financial objectives include; implications of the long drought and 2022 electioneering period adversely affecting revenue performance and project implementation.
26. To remedy these deviations, the county Government will put in place appropriate measures to increase revenue collection, improve absorption of resources from development partners and explore alternative financing strategies early in the financial year to ensure the budget is fully funded.
27. Ongoing projects will be prioritized and any new projects will be evaluated in the context of their furtherance of the government's agenda. The County Government will not deviate from the fiscal responsibility principles, but will make appropriate modification to the financial objectives to be contained in the County Fiscal Strategy Paper 2024 to reflect the changing fiscal environment in the context of the prolonged drought and high price inflation that the economy is currently facing.

Fiscal Responsibility Principles

28. In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM regulations, and in keeping with prudent and transparent management of public resources, the County Government has largely adhered to the fiscal responsibility principles as set out in the statute as follows:
 - a) The County Government's recurrent expenditure as a percent of total revised budget was **67.76** percent in Financial Year 2022/23 and development is set to continue stabilizing above the 30 percent minimum threshold set out in the PFM law over the medium term period.
 - b) The PFM County Regulation states that the County Executive Committee Member with the approval of the County Assembly shall set a limit on the county government's expenditure on wages and benefits for its public officers pursuant to section 107(2) of the Act;
 - c) The limit set under paragraph (b) above, shall not exceed thirty five (35) percent of the county government's total revenue to set a ratio of County.
 - d) The limit on the county government's expenditure on wages and benefits for its

public officers as at 2022/23 stands at **40%**.

- e) The deviations in the revision in revenues and expenditures are due to the macroeconomic assumptions contained in this CBROP, which will be firmed up in the context of the 2024 CFSP. The Government will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives contained in the latest CFSP to reflect the changed circumstances.
29. As the County remains vulnerable to risks such as weather-related shocks and potential volatility in capital flows, we shall focus policies on the following priorities so as to help strengthen resilience and support sustained growth:
- a) Scaling up infrastructure investment in areas of road maintenance value addition in the livestock sub sector, water and mitigation of weather related vulnerabilities, given our high dependence on rain-fed agriculture. Efforts to mobilize domestic revenue will be enhanced to fund these priorities
 - b) Strengthening capacity-building in public financial management to ensure that the high expectations linked to devolution are met.
 - c) Effective natural resource management of County resources e.g. game parks, conservancies. A sound fiscal framework, including transparent management rules and the full integration of these resources into the budget will be done in order to fully realize this potential.

III. MACROECONOMIC DEVELOPMENTS AND OUTLOOK

A. World Economic Outlook

30. World economic growth slowed to 3.5 percent in 2022 from a growth of 6.3 percent in 2021 as high global inflation, energy and value chain disruptions, and impact of monetary policy tightening in most world economies weighed on economic activity. The growth is projected to slow down further to 3.0 percent in 2023 and 2024 due to the impact of ongoing monetary policy tightening to address inflationary pressures. Global inflationary pressures have responded to policy tightening but inflation exceeds central bank targets in most countries. Recent actions by authorities to contain banking sector challenges in the United States and Swiss Banking have reduced the immediate risk of financial sector instability. However, intensification of the conflict in Ukraine, volatility in the global oil prices and extreme weather related shocks could weigh on the global economic outlook.
31. Growth in the emerging market and developing economies is projected to be broadly stable at 4.0 percent in 2023 and 4.1 percent in 2024, although with notable shifts across regions. The sluggish global growth, high inflation rates and the challenging global and domestic financial conditions continue to weigh on the growth for sub-Saharan Africa region. The region economic growth is projected to slow down to 3.5 percent in 2023 from 3.9 percent in 2022, before picking up to 4.1 percent in 2024.

B. Kenya's Economic Performance and outlook

32. In Kenya, the 10 years pre-COVID-19 pandemic, the economic growth averaged 5.0 percent whereas in the two years post COVID-19 pandemic the growth momentum picked up to average 6.2 percent. The Kenyan economy in 2022 demonstrated resilience in the face of severe multiple 32 shocks that included the adverse impact of climate change, lingering effects of COVID-19, global supply chain disruption and the impact of Russia-Ukraine conflict. As such, the economic growth slowed down to 4.8 percent in 2022 from 7.6 percent in 2021.
33. In 2020, the economy received adequate rainfall that resulted in increased production in the agriculture sector growing by 4.6 percent. However, the country subsequently, experienced a severe climate related shock in the form of a severe drought that was also experienced in the Horn of Africa and the East African regions. The drought not only aggravated the inflationary pressures but also subjected millions of people to severe food insecurity, loss of lives, livelihoods and led to loss of livestock. This resulted in the contraction of the agriculture sector by 0.4 percent 2021 and 1.6 percent in 2022.
34. Available economic indicators in the first three quarters of 2023 remain strong with the continued recovery in the agricultural sector and sustained performance of the services

sector. In this respect, economic growth is projected at 5.5 percent in 2023 and 5.7 percent in 2024 supported by broad-based private sector growth and sustained government investment in the nine priority value chains (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials). Additionally, public sector investments in infrastructure and implementation of prudent fiscal and monetary policies will continue to support economic activity.

35. Inflation remained above the Government target range of 5 ± 2.5 percent from June 2022 to June 2023. In order to anchor inflation expectations and bring down inflation within the target range, the Monetary Policy Committee (MPC) gradually raised the policy rate (Central Bank Rate (CBR)) from 7.50 percent in May 2022 to 10.50 percent in June 2023. The MPC retained the 10.50 percent in August 2023. Consequently, inflation declined significantly to 6.7 percent in August 2023, from a peak of 9.6 percent in October 2022. The decline largely reflects the easing of food prices and impact of monetary policy tightening
36. The Kenyan foreign exchange market remained under pressure as global economic uncertainty regarding the ongoing Russian-Ukraine conflict as well as increase in interest rates in advanced economies in response to inflationary pressures weighted on the exchange rate. Specifically, the headwind from a strengthening dollar, boosted by rising US interest rates and 39 elevated commodity prices, the exchange rate to the Kenya shilling weakened at a rate of 20.5 percent in the 12 months to August 2023 compared to 9.3 percent in the 12 months to August 2022. The Kenya shilling exchanged at Ksh 143.9 in August 2023 compared to Ksh 119.5 in August 2022. Against the Euro, the Kenya shilling weakened to exchange at Ksh 157.1 in August 2023 compared to Ksh 121.0 in August 2022 while against the Sterling Pound the Kenyan shilling weakened to exchange at Ksh 182.9 compared to Ksh 143.5, over the same period The Kenyan shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.
37. Reflecting the tight monetary policy stance, interest rates increased in the year to August 2023. The interbank rate increased to 12.5 percent in August 2023 compared to 5.4 percent in 36 August 2022 while the 91-day Treasury Bills rate increased to 13.4 percent compared to 8.6 percent over the same period . The 182-day Treasury Bills rate increased to 13.4 percent in August 2023 from 9.5 percent in August 2022 while the 364-day also increased to 13.6 percent from 9.9 percent over the same period. The introduction of the interest rate corridor, in August 2023, is expected to align the interbank rate to the Central Bank Rate and thereby improve the transmission of the monetary policy
38. Commercial banks average lending and deposit rates increased in the year to June 2023

in tandem with the tightening of the monetary policy stance. The average lending rate increased to 13.3 percent in June 2023 from 12.3 percent in June 2022 while the average deposit rate increased to 7.8 percent from 6.6 percent over the same period. Consequently, the average interest rate spread declined to 5.5 percent in June 2023 from 5.7 percent in June 2022

39. Broad money supply, M3, grew by 14.3 percent in the year to July 2023 compared to a growth of 7.6 percent in the year to July 2022. The primary source of the increase in M3 was an improvement in the Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system.

40. The County Government County Fiscal strategy paper for the fiscal year 2023/2024 highlighted the following priority areas:

- a) Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock and crop production.
- b) Investment in Infrastructure development and expansion i.e. Roads, Water Supply, Market development;
- c) Investing in quality, affordable and accessible Health Services (i.e. preventative, curative and rehabilitative health care services);
- d) Investing in modern urban infrastructure and sustainable land management for socio economic development
- e) Investing in Education, focusing on construction of more ECDE structures and equipping of youth polytechnics as well as social development of the communities through social programs.
- f) Promotion of Tourism, trade and industrial development for a rapidly industrializing economy.
- g) Enhancing governance, transparency and accountability in the delivery of services.
- h) Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society where all have access to equitable share of resources;

41. The largest expenditure drivers in the Financial Year 2023/24 are Health Services, County Administration, Trade, Industrialization and Investment, Education and vocational training, Agriculture Livestock Veterinary and Fisheries, Finance and Economic Planning and the County Assembly

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

C. Kenya's Macroeconomic Outlook

47. Kenya's economic performance is projected to remain strong and resilient over the medium term. The economy recorded a strong growth of 5.3 percent in the first quarter reflecting a strong recovery in agriculture sector and buoyant services sector including financial and insurance, information and communication, wholesale and retail trade and transport and storage. The economy is expected to remain strong and expand by 5.5 percent in 2023 (5.6 percent in FY 2023/24) and 5.7 percent in 2024 (5.9 percent in FY 2024/25).
48. This growth will be supported by the strong recovery in agriculture and resilient services sector that both drive the industrial sector. The adequate rainfall during the long rain season in most parts of the country and the anticipated short rains later in 2023 will continue to support activities in the agriculture, electricity, and water supply sectors. The improved availability of raw materials following the recovery in agriculture and a decline in global commodity prices will support food processing in the manufacturing sector. Additionally, activities in the construction sector will be boosted by the affordable

housing programme. Services sector will be supported by resilient activities in the financial and insurance, information and communication, wholesale and retail trade and transport and storage, among others. The easing of global commodity prices and supply chain constraints coupled with robust private sector investment are expected to support domestic demand.

49. On the demand side, private consumption is expected to remain on a robust growth path in the near term. The easing of inflationary pressures will result in strong household disposable income, which in turn will support household consumption. The interventions by the Government through the financial inclusion initiative popularly known as the Hustlers Fund will strengthen MSMEs thereby correcting market failures for the vast majority of Kenya's at the bottom of the pyramid. This will strengthen the private sector led growth opportunities. The multi-year fiscal consolidation program by the Government has been incorporated in the projections and is expected to lower the fiscal deficit and achieve a positive primary balance over the medium term. This will reduce debt vulnerabilities and strengthen debt sustainability and lead to improvement in investors' confidence, leading to robust private investment and economic growth over the medium term. The lower domestic financing needs of the Government will enable the expanded lending to the private sector by the banking sector.
50. Kenya's exports of goods and services is expected to continue strengthening supported by receipts from tourism and implementation of crops and livestock value chains, specifically, exports of tea, coffee, vegetables and fresh horticultural produce, among others. The expected recovery of Kenya's trading partners and the implementation of Africa Continental Free Trade Area (AfCFTA) will enhance demand for exports of Kenyan manufactured products. Current account deficit will average 5.4 percent of GDP between 2023 and 2027. The projected robust domestic demand sustained by private investment, will sustain imports of raw materials, 41 machinery and equipment for private construction, and household consumption. In addition, global oil price continues to stabilize lowering the oil import bill. In the Balance of Payments Statement, external financing needs will be met mainly by equity inflows and foreign direct investment given the conducive business climate that Government has created particularly the fiscal policy predictability. Improvement in the current account, boosted by robust export earnings and strong remittance inflows the will continue to support stability in the foreign exchange market.

Risks to the economic outlook

51. There are down side risks to this macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, risks relate to unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural

production and result to domestic inflationary pressures and food insecurity.

52. On the external front, uncertainties in the global economic outlook stemming from the current geopolitical tension could result in higher commodity prices and slowdown the global economic recovery which could impact on the domestic economy. Weaker global demand could adversely affect the Kenya's exports, foreign direct investments and remittances. Additionally, high international commodity prices pose a risk to global and domestic inflation outcomes which could lead to further tightening of financial conditions. Continued strengthening of US dollar against other global currencies arising from aggressive monetary policy tightening present significant risks to financial flows and puts pressures on the exchange rate with implication to growth and inflation.
53. Upside risks are mostly linked to early easing of global financing conditions and lower international fuel and food prices, which would strengthen Kenya's external balances. This will be reinforced by faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. Optimal coordination between monetary and fiscal policies are expected to result to a stable macroeconomic condition which is a necessary condition for investment and savings thereby promoting economic growth.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Implementation of the Financial Year 2023/24 Budget

54. The implementation of the FY 2023/24 budget has begun well, with early indicators pointing to attaining the end-of-year target in terms of better revenue collection tactics. The Medium-Term Fiscal Framework (MTFF) for Fiscal Year 2024/25 focuses on increasing the efficiency and effectiveness of government spending as well as boosting revenue collection in order to generate and sustain economic activity.

55. Regarding internal revenue, the collection for the financial year 2023/24 has started on a good pace. The tourism sector is the major revenue earner for the County Government of Isiolo. The revenue returns by end September 2023 was **KES 64,769,001**. This is higher than the collection in the first three months of July, August and September of FY 2022/23 which was **KES 55,651,320**. The revenue for the first three months of FY 2023/24 has grown by 16% from the collection in the same period in FY 2022/23. The first quarter collection of **KES 64,769,001** represents an achievement of 24% of the set target of **KES 271,208,180** in FY 2023/24. There is still need for re-evaluation of County Own Revenue collection strategies to contain recurring leakages and improve efficiency in collection, implement austerity measures in expenditures, and revision of the county own revenue budget estimates upward because clearly as seen from the performance in the first three months of FY2023/24 the county will be able to raise the revenue and may surpass the set target.

Table 4: Quarter 1 realized County Own Revenue for FY2023/24

COUNTY OWN REVENUE STREAMS 2022/2023	TARGET	JULY	AUG	SEP	TOTAL	% performanc e against annual target
Plot application/Transfer/Sub Division	8,622,076	121,000	144,200	246,359	511,559	6%
LAND RENTS	24,271,075	592,083	727,084	688,461	2,007,628	8%
Land Rent/Rates – current	17,195,075	228,260	270,666	203,698	702,624	4%
Penalties Rent/Rates	1,500,000	11,823	2,574	29,550	43,947	3%
Land Rent/Rates – Arears	5,576,000	352,000	453,844	455,213	1,261,057	23%
CESSES	29,626,545	1,458,200	1,480,800	1,534,400	4,473,400	15%
Livestock Auction	10,188,993	198,500	206,000	296,400	700,900	7%
Sand Cess	16,200,000	1,258,000	1,270,000	1,233,000	3,761,000	23%
Barter/Murram/Audit/fire charge/hide skin	3,237,552	1700	4800	5,000	11,500	0%

COUNTY OWN REVENUE STREAMS 2022/2023	TARGET	JULY	AUG	SEP	TOTAL	% performance against annual target
OTHER MISCELLANIOUS RECEIPT	26,810,304	1,268,094	1,288,264	1,774,720	4,331,078	16%
Miraa export/cess	4,018,156	489,600	644,000	1,024,000	2,157,600	54%
S.B.P fees	6,556,802	583,534	419,464	505,720	1,508,718	23%
Promotion, Advertisement/branding/Miscellaneous	1,904,000	19,000	20000	21000	60,000	3%
Liquor license	4,800,000	0	0	0	0	0%
Public works/other charges	1,200,000	2,500	0	5000	7,500	1%
Stand Premium	1,285,536	0	21000	23,000	44,000	3%
Consent and clearance	419,919	22,000	18000	21,000	61,000	15%
Lease extension	300,000	0	0	0	0	0%
Livestock Veterinary/ meat inspection	3,596,000	151,460	165,800	175,000	492,260	14%
Weight and Measures	750,000	0	0	0	0	0%
Tractor Hire/tourism bus	1,099,891	0	0	0	0	0%
Agriculture Training Centre	880,000	0	0	0	0	0%
PARK REVENUE	150,651,973	13,711,831	22,761,177	14,899,458	51,372,466	34%
Game entrance/Royalties	150,651,973	13,711,831	22,761,177	14,899,458	51,372,466	34%
MARKET/TRADE CENTRE	10,430,446	227,700	200,910	251,000	679,610	7%
Market Stalks/Fee and Produce	10,430,446	227,700	200,910	251,000	679,610	7%
VEHICLE PARKING	10,480,000	339,200	333,000	351,000	1,023,200	10%
Street parking fees	10,480,000	339,200	333,000	351,000	1,023,200	10%
HEALTH FACILITIES OPERATION ROOM	3,573,785	0	0	0	0	0%
Hospital cost sharing	3,573,785	0	0	0	0	0%
SLAUGHTER HOUSE	4,513,575	78,700	91,700	66,000	236,400	5%
Slaughter fees	4,513,575	78,700	91,700	66,000	236,400	5%
TECHNICAL SERVICE	2,228,401	52,000	39,300	42,360	133,660	0
Building plan approval/bill and sign board	2,228,401	32,000	39300	40,000	111,300	5%
KNLS	0	20000	0	2,360	22,360	0%
TOTAL	271,208,180	17,828,808.0	27,066,435	19,853,758	64,749,001	24%

Source: County Revenue Office

56. The expenditure side recorded an improved performance in both recurrent and development expenditures in the first quarter of the FY 2023/24 of 86.8% and 13.2% respectively in comparison to FY2022/23. This improvement is attributed to timely exchequer releases by the National treasury.

V. MACROECONOMIC POLICIES AND OUTLOOK

A. Overview

56 The theme of the County Budget for the Financial Year 2023/24 is harnessing the Bottom up Economic Transformation Agenda (BETA) for inclusive and sustainable social economic growth and development. In pursuit of the theme of the budget for financial year 2023/24, the County Government identified key development priority areas that will continue to affix 2023/24 budget theme. The following are the broad macroeconomic priorities that will ensure long-term social and economic growth and development:

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

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

58 Against this backdrop, the Macroeconomic Framework guiding the projections takes into account, the County Government's strategic objectives as outlined in the CIDP III, Fourth Medium Term Plan (MTP IV) of Vision 2030 and the broad development policies of the National Government.

B. Medium Term Fiscal Framework

Fiscal Policy Objective

- 59 The fiscal policy objective aims at supporting Economic Growth and ensuring a stable macroeconomic environment while at the same time supporting the county system for effective delivery of public goods and services in a sustainable manner.

Debt and Deficit Financing Policy

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

Medium Term Fiscal Projections

- 61 In the medium term, resource allocation and utilization will be directed by priorities specified in the County Integrated Development Plan (CIDP III) and other County plans, as well as section 107 of the PFM Act 2012. The County Government shall prioritize expenditures within the overall sector ceilings and strategic sector priorities to ensure effective use of public funds and increased expenditure productivity.
- 62 In order to realize the transformative development goal, the County Government would endeavor to pursue the flagship projects and other development projects as specified in the County Integrated Development Plan (2023-2027) during the Medium-term Expenditure period 2024/25-2026/27.
- 63 The overall budget deficit and current account deficit are projected to decline as the government has taken measures to contain local revenue targets and regularly revise the local revenue base in line with the presiding economic conditions and also strictly adhering to budget lines

2023/24 Budget Framework

Outlook for the Financial Year 2024/25

- 64 There is still some expenditure in the budget for 2023/24 which is necessary in ensuring that the County government is fully operational and offers a stable administrative structure.
- 65 Some expenditures are one-off and therefore may not need to be provided for in the future. As a result, the budget outlook for the Financial Year 2024/25 promotes a re-orientation of expenditure with a focus towards poverty reduction as well as secured sources of livelihood. In order to accomplish this, efforts must be taken to critically examine the respective allocations for each sector and single out expenditures that can be re-designated to key development priority areas.

- 66 In this regard, several measures shall be used to identify areas where savings can be made. However, it will be important to understand that some sectors will continue to require more resources to finance non-core type expenditures to execute their mandates effectively. Thus, expenditure reductions for items such as foreign travels, tuition fees, and domestic travel, among others must be made where extravagant spending is identified. It is therefore important that these expenditures be reduced reasonably without crippling the targeted sectors or spending units and re-designating the resultant savings to the core areas in the Financial Year 2023/24.
- 67 The MTEF 2024/25-2026/27 builds on the National Government's efforts to boost and sustain economic development. The document is set against a backdrop of global economic downturn caused by the ongoing Russia-Ukraine conflict, higher global inflation, the lingering consequences of the COVID-19 epidemic, chronic supply chain disruptions, food security, and climate change implications. This would be accomplished through the implementation of economic recovery programmes, priorities in MTP IV of the Kenya Vision 2030, and priorities in the CIDP 2023-2027.

Revenue Projections:

65. The Financial Year 2023/24 approved budget projects a total revenue of **KES 5,333,489,886**. The base for own source revenue projection might be revised upward due to the good performance in the first three months of this current financial year i.e. 2023/24. The county own revenue performance will be monitored to inform future revenue projections. The FY 2023/24 revenue sources and projections over the MTEF period is as indicated in the table 5 below.

Table 5: Revenue Projections - FY 2024/25 - 2026/27

Revenue Streams	2021-22				2022-23				PROJECTI ONS FY 2023/24	PROJECTI ONS 2024/25	PROJECTI ONS FY 2025/26	PROJECTI ONS FY 2026/27
	Estimate 2021/22	Actuals 2021/22	Deviati on	% Perfor mance	Estimate 2022/23	Actuals 2022/23	Deviati on	% Perfor mance				
External revenue												
EQUITABLE SHARE	4,710,388,265	4,333,556,996	- 376,831,269	92%	4,710,388,265	4,710,388,265	-	100.0%	4,899,041,209	5,095,002,857	5,298,802,972	5,510,755,091
General Provisions (Equitable Share)	4,710,388,265	4,333,556,996	- 376,831,269	92%	4,710,388,265	4,710,388,265	-	100.0%	4,899,041,209	5,095,002,857	5,298,802,972	5,510,755,091
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT	68,000,000	-	- 68,000,000	0%	102,000,000	-	- 102,000,000	0.0%	-	-	-	-
Supplement for Construction of County Headquarters	68,000,000	-	- 68,000,000	0%	102,000,000	-	- 102,000,000	0.0%	-	-	-	-
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	597,286,901	449,429,645	- 147,857,256	75%	401,955,171	387,303,664	- 14,651,507	96.4%	163,240,497	169,770,117	176,560,922	183,623,358
Current Grants from Foreign Governments Danida	9,396,750	7,361,625	- 2,035,125	78%	13,642,875	9,734,622	- 3,908,253	71.4%	7,738,500	8,048,040	8,369,962	8,704,760
Climate Smart Agricultural Project	330,699,130	269,733,553	- 60,965,577	82%	259,805,034	259,805,034	-	100.0%	-	-	-	-
Financing Locally led climate action world bank	-	-	-	0%	22,000,000	22,000,000	-	100.0%	136,000,000	141,440,000	147,097,600	152,981,504
Development Support Programme (ASDSP)	26,387,350	3,000,000	- 23,387,350	11%	19,697,797	11,000,000	- 8,697,797	55.8%	-	-	-	-
Urban Support Project Development	-	-	-	-	2,339,915	2,339,915	-	100.0%	-	-	-	-

Revenue Streams	2021-22				2022-23				PROJECTI ONS FY 2023/24	PROJECTI ONS 2024/25	PROJECTI ONS FY 2025/26	PROJECTI ONS FY 2026/27
	Estimate 2021/22	Actuals 2021/22	Deviati on	% Perfor mance	Estimate 2022/23	Actuals 2022/23	Deviati on	% Perfor mance				
UNFPA									12,476,986	12,976,065	13,495,108	14,034,912
Tranfer for Library Services									7,025,011	7,306,011	7,598,252	7,902,182
World Bank Emergency Locust Response	76,030,667	28,903,581	- 47,127,086	38%	84,469,550	82,424,09 3	- 2,045,4 57	97.6%	-	-	-	-
GROSS COUNTY EXTERNAL REVENUE ESTIMATE	5,375,675,166	4,779,986,641	- 595,688,525	89%	5,214,343,4 36	5,097,691 ,929	- 116,651 ,507	97.8%	5,062,281,70 6	5,264,772,97 4	5,475,363,89 3	5,694,378,44 9
Balance from Previous FY	878,478,632	878,478,632	-	100 %	1,065,959,9 23	1,065,959 ,923	-	100.0%		-	-	-
County own Revenue Streams										-	-	-
RECEIPTS FROM ADMINISTRATIVE FEES AND CHARGES	1,736,000	1,472,800	- 263,200	85%	1,500,000	995,200	- 504,800	66.3%	4,736,000	4,925,440	5,122,458	5,327,356
Other Land Revenue (Plot Application/Transfer/Su b-Division	1,736,000	1,472,800	- 263,200	85%	1,500,000	995,200	- 504,800	66.3%	4,736,000	4,925,440	5,122,458	5,327,356
LAND RATES	14,271,075	11,080,499	- 3,190,5 76	78%	13,271,075	10,040,37 0	- 3,230,7 05	75.7%	24,271,075	25,241,918	26,251,595	27,301,659
Land Rent & Rates - Current Year	7,195,075	3,803,524	- 3,391,5 51	53%	7,195,075	3,167,339	- 4,027,7 36	44.0%	17,195,075	17,882,878	18,598,193	19,342,121
Penalties Rent & Rates	1,500,000	118,211	- 1,381,7 89	8%	500,000	118,947	- 381,053	23.8%	1,500,000	1,560,000	1,622,400	1,687,296
Land Rent & Rates - Arrears	5,576,000	7,158,764	1,582,7 64	128%	5,576,000	6,754,084	1,178,0 84	121.1%	5,576,000	5,799,040	6,031,002	6,272,242
CESSES	21,626,545	7,126,795	- 14,499, 750	33%	12,688,993	7,261,685	- 5,427,3 08	57.2%	29,626,545	30,811,607	32,044,071	33,325,834
Livestock Auction	4,188,993	3,260,535	- 928,458	78%	3,188,993	3,052,845	- 136,148	95.7%	10,188,993	10,596,553	11,020,415	11,461,231
Sand Cess	14,200,000	3,462,000	- 10,738, 000	24%	8,000,000	4,131,710	- 3,868,2 90	51.6%	16,200,000	16,848,000	17,521,920	18,222,797

Revenue Streams	2021-22				2022-23				PROJECTI ONS FY 2023/24	PROJECTI ONS 2024/25	PROJECTI ONS FY 2025/26	PROJECTI ONS FY 2026/27
	Estimate 2021/22	Actuals 2021/22	Deviati on	% Perfor mance	Estimate 2022/23	Actuals 2022/23	Deviati on	% Perfor mance				
Other Cess (Produce Cess/Barter/Murram/Chaque Clearance)(included Tractor) 2016/17	3,237,552	404,260	- 2,833,292	12%	1,500,000	77,130	- 1,422,870	5.1%	3,237,552	3,367,054	3,501,736	3,641,806
OTHER MISCELLANEOUS RECEIPTS	27,696,380	15,040,029	- 12,656,351	54%	20,719,919	13,039,099	- 7,680,820	62.9%	30,696,380	31,924,235	33,201,205	34,529,253
Miraa Export	4,018,156	4,832,400	814,244	120%	3,500,000	3,602,300	102,300	102.9%	4,018,156	4,178,882	4,346,038	4,519,879
Promotion, Advertisement/branding /Miscellaneous Charges	950,000	1,681,500	731,500	0%	1,500,000	274,500	- 1,225,500	18.3%	950,000	988,000	1,027,520	1,068,621
S.B.P Fees/Promotion	6,556,802	5,961,030	- 595,772	91%	7,000,000	7,143,850	143,850	102.1%	6,556,802	6,819,074	7,091,837	7,375,511
Liquor License	3,800,000	-	- 3,800,000	0%	4,000,000	-	- 4,000,000	0.0%	4,800,000	4,992,000	5,191,680	5,399,347
Public Works /Other Charges	1,200,000	451,092	- 748,908	38%	200,000	-	- 200,000	0.0%	1,200,000	1,248,000	1,297,920	1,349,837
Stand Premiums	1,285,536	676,000	- 609,536	53%	200,000	41,000	- 159,000	20.5%	1,285,536	1,336,957	1,390,436	1,446,053
Clearance & Consents	419,919	-	- 419,919	0%	419,919	806,000	386,081	191.9%	419,919	436,716	454,184	472,352
Plot Transfer Approval	3,886,076	-	- 3,886,076	0%	-	-	-	0.0%	3,886,076	4,041,519	4,203,180	4,371,307
Lease Extension	300,000	-	- 300,000	0%	300,000	-	- 300,000	0.0%	300,000	312,000	324,480	337,459
Planning & Survey	954,000	-	- 954,000	0%	-	-	-	0.0%	954,000	992,160	1,031,846	1,073,120
Livestock/Veterinary Inspection (meat)	1,596,000	607,595	- 988,405	38%	2,000,000	746,349	- 1,253,651	37.3%	3,596,000	3,739,840	3,889,434	4,045,011
Public Inspection - Public Health	-	436,375	436,375	-	800,000	25,500	- 774,500	3.2%	-	-	-	-
Weights and Measure	750,000	157,537	- 592,463	21%	200,000	53,100	- 146,900	26.6%	750,000	780,000	811,200	843,648
Tractor Hire	1,099,891	123,500	- 976,391	11%	300,000	-	- 300,000	0.0%	1,099,891	1,143,887	1,189,642	1,237,228
Agriculture Training Centre	880,000	113,000	- 767,000	13%	300,000	346,500	46,500	115.5%	880,000	915,200	951,808	989,880
PARK REVENUE	34,130,130	57,878,803	23,748,673	170%	125,400,781	113,465,212	- 11,935,569	90.5%	150,651,973	156,678,052	162,945,174	169,462,981

Revenue Streams	2021-22				2022-23				PROJECTI ONS FY 2023/24	PROJECTI ONS 2024/25	PROJECTI ONS FY 2025/26	PROJECTI ONS FY 2026/27
	Estimate 2021/22	Actuals 2021/22	Deviati on	% Perfor mance	Estimate 2022/23	Actuals 2022/23	Deviati on	% Perfor mance				
Game Entrance & Royalties	34,130,130	57,878,803	23,748,673	170%	125,400,781	113,465,212	-11,935,569	90.5%	150,651,973	156,678,052	162,945,174	169,462,981
MARKET/TRADE CENTRE FEE	1,430,446	2,176,280	745,834	152%	700,000	1,513,560	813,560	216.2%	10,430,446	10,847,664	11,281,570	11,732,833
Market Stalls Rent - Kiosks & Stalls	1,430,446	2,176,280	745,834	152%	700,000	1,513,560	813,560	216.2%	10,430,446	10,847,664	11,281,570	11,732,833
VEHICLE PARKING FEES	7,480,000	5,146,944	-2,333,056	69%	3,500,000	4,416,973	916,973	126.2%	10,480,000	10,899,200	11,335,168	11,788,575
street Parking Fees	7,480,000	5,146,944	-2,333,056	69%	3,500,000	4,416,973	916,973	126.2%	10,480,000	10,899,200	11,335,168	11,788,575
HEALTH FACILITIES OPERATIONS SERVICE FEES	1,573,785	6,343,385	4,769,600	403%	921,000	869,055	-51,945	94.4%	3,573,785	3,716,736	3,865,406	4,020,022
Hospital Cost Sharing	1,573,785	6,343,385	4,769,600	403%	921,000	869,055	-51,945	94.4%	3,573,785	3,716,736	3,865,406	4,020,022
SLAUGHTER HOUSES ADMINISTRATION FEES	2,513,575	1,537,740	-975,835	61%	1,200,000	1,020,220	-179,780	85.0%	4,513,575	4,694,118	4,881,883	5,077,158
Slaughter Fees	2,513,575	1,537,740	-975,835	61%	1,200,000	1,020,220	-179,780	85.0%	4,513,575	4,694,118	4,881,883	5,077,158
TECHNICAL SERVICES FEES	1,228,401	29,600	-1,198,801	2%	500,000	78,800	-421,200	15.8%	2,228,401	2,317,537	2,410,239	2,506,648
Building Plan Approvals	1,228,401	29,600	-1,198,801	2%	500,000	78,800	-421,200	15.8%	2,228,401	2,317,537	2,410,239	2,506,648
GROSS INTERNAL REVENUE ESTIMATES	113,686,337	107,832,875	-5,853,462	95%	180,401,768	152,700,174	-27,701,594	84.6%	271,208,180	282,056,507	293,338,767	305,072,318
GRAND TOTAL	6,367,840,135	5,766,298,148	-601,541,987	91%	6,460,705,127	6,316,352,026	-144,353,101	97.8%	5,333,489,886	5,546,829,481	5,768,702,661	5,999,450,767

Source: County Economic Planning Office Isiolo

Expenditure Forecasts:

66. The departmental expenditure forecast for the Financial Year 2023/24 is as shown in table 4 below;

Table 6: Allocation for Financial Year 2023/24

DEPARTMENT	RECURRENT	DEVELOPMENT	TOTALS
COUNTY ASSEMBLY	539,252,680	40,000,000	579,252,680
County Assembly	539,252,680	40,000,000	579,252,680
COUNTY EXECUTIVE	383,273,743	-	383,273,743
Office Of Governor	202,030,306	-	202,030,306
County Public Service Board	57,000,996	-	57,000,996
County Secretary	35,192,234	-	35,192,234
Delivery Unit	15,050,207	-	15,050,207
Deputy Governor	25,500,000	-	25,500,000
County Attorney	42,500,000	-	42,500,000
Intergovernmental	6,000,000	-	6,000,000
FINANCE , ECONOMIC PLANNING , SPECIAL PROGRAMS, REVENUE AND COHESION	373,428,082	160,000,000	533,428,082
Finance	131,718,459	40,000,000	171,718,459
Special Programmes	125,100,000	110,000,000	235,100,000
Economic Planning	53,946,773	6,000,000	59,946,773
Cohesion	22,692,850	-	22,692,850
Revenue Services	29,170,000	1,000,000	30,170,000
ICT And Innovation	10,800,000	3,000,000	13,800,000
LANDS & PHYSICAL PLANNING, HOUSING & URBAN PLANNING AND ROADS & INFRASTRUCTURE	48,651,928	160,580,838	209,232,766
Lands And Physical Planning	20,703,060	54,080,782	74,783,842
Roads And Infrastructure	13,776,000	100,500,056	114,276,056
Public Works	11,172,868		11,172,868
Housing And Urban Development	3,000,000	6,000,000	9,000,000
AGRICULTURE & IRRIGATION, LIVESTOCK & VETERINARY SERVICES AND FISHERIES DEVELOPMENT	172,947,152	219,264,000	392,211,152
Agriculture & Irrigation	53,859,377	6,550,000	60,409,377
Livestock, Veterinary	111,543,535	208,544,000	320,087,535
Fishery Development	7,544,240	4,170,000	11,714,240
EDUCATION, VOCATIONAL YOUTH ,SPORTS GENDER& SOCIAL SERVICES	211,285,139	184,040,370	395,325,509
Education	164,963,884	105,700,000	270,663,884
Youth And Sports	18,723,991	28,000,000	46,723,991
Culture, Gender And Social Services	23,597,264	29,500,000	53,097,264
Vocational Training	4,000,000	20,840,370	24,840,370
TOURISM AND WILDLIFE, TRADE COOPERATIVE AND ENTRPRISE DEVELOPMENT	530,041,067	276,000,000	806,041,067

DEPARTMENT	RECURRENT	DEVELOPMENT	TOTALS
Tourism And Wildlife	91,781,330	15,000,000	106,781,330
Trade And Investment	10,264,387	250,000,000	260,264,387
Public Service Management	379,222,350	6,000,000	385,222,350
Devolved Units	30,020,000	5,000,000	35,020,000
Civic Education And Public Participation	10,053,000	-	10,053,000
MSME & Cooperatives	8,700,000		8,700,000
WATER, ENERGY, ENVIRONMENT, AND NATURAL RESOURCES	79,492,665	280,186,901	359,679,566
Water And Sanitation	47,110,893	107,316,619	154,427,512
Environment And CCA	24,881,772	166,870,282	191,752,054
Mining And Natural Resources	3,300,000	2,000,000	5,300,000
Renewable Energy	4,200,000	4,000,000	8,200,000
HEALTH SERVICES	1,368,688,812	140,508,769	1,509,197,581
MEDICAL SERVICES	1,150,496,314	55,476,986	1,205,973,300
PUBLIC HEALTH	218,192,498	85,031,783	303,224,281
MUNICIPAL ADMINISTRATION	47,811,310	118,036,430	165,847,740
MUNICIPAL ADMINISTRATION	47,811,310	118,036,430	165,847,740
TOTAL	3,754,872,578	1,578,617,308	5,333,489,886

Source: County Economic Planning Office Isiolo

67. In Financial year 2023/24, overall approved expenditure estimate is at **KES 5,333,489,886**. Projected recurrent expenditures will amount to **KES 3,754,872,578** (70% percent of total expenditure) compared with **KES 4,378.97 Million** (67.76 percent of total expenditure) in the Financial Year 2022/23 revised budget estimates. Expenditure ceilings on goods and services for sectors are based on funding allocation in the Financial Year 2022/23 budget as the baseline. The ceilings will be reduced to take into account one-off expenditures and then an adjustment factor will be applied to take into account the general increase in prices and acquisition of new assets for the new government. The wage bill is expected to stabilize at around 40 percent of total expenditure in the MTEF period 2024/25-2026/27. Development expenditure is projected at **KES 1,578,617,308** (30 percent of total expenditure). Compared with **KES 2083.19** (32.24 percent of total expenditure) in the Financial Year 2022/23 revised Approved Budget.

C. Risks to the Economic Outlook

68. Internally, public expenditure pressures particularly arising from wage related recurrent expenditures and huge amount of pending domestic payables and local revenue shortfalls that has been occasioned by the advent of the COVID-19 global pandemic continue to pose a fiscal risk. In addition, the revenue leakages, adverse weather conditions, and the despite the fact that the COVID-19 pandemic is primarily a health crisis and a human tragedy, it also has far reaching adverse effects on the economy. Its attendant containment has disrupted livelihoods and poor households and small businesses have been hit harder than most. To try and mitigate this, the County Government will develop framework for action aimed at saving lives, protecting households and businesses from the severe effects of the pandemic. In the event the above risks

materialize; we shall revise again the macro economic framework and the Medium Term Sector Ceilings in the 2022/23 Budget.

69. In the meantime, the county Government continues to monitor the above risks and will undertake appropriate measures to safeguard macroeconomic stability when need arises.

VI. RESOURCE ADJUSTMENT FRAMEWORK

A. Adjustment to 2023/24 Budget

- VII. Resource allocation and utilization in this Financial Year and in the medium term period is guided by the emerging priorities, County plans and the principles of PFMA, 2012 to ensure effective and efficient utilization of public resources. The sector allocations were informed by the County development goals as well as the people's aspirations as captured in the County Integrated Development Plan, 2023-27 and Public Consultation Fora reports. The County goals are aligned to the goals and the objectives of BETA approach and the Fourth Medium Term Plan of Kenya's Vision 2030.
- VIII. Considering the tight fiscal position and the assumptions underpinning the medium term fiscal framework for Financial Year 2023/24, we must contain expenditures by adhering to the fiscal responsibilities outlined in the Public Finance Management Act, 2012. The fiscal framework for Financial Year 2023/24 that aims at striking an appropriate balance between support for growth and continued fiscal discipline. The County will therefore continue to address deficits sustainability issues by putting emphasis on efficiency and effectiveness of public spending and improving its own revenue performance.
- IX. The implementation of the Financial Year 2023/24 Budget has been a bit slow as County Departments/entities have not yet commenced its implementation due to delays in getting clearance from the office of the controller of Budget and the transition to the new government.
- X. The risks to the 2023/24 budget include weak internal controls and the medium term expenditure pressures with respect to the rising wage bill that is crowding out resources for essential services and economic development. In addition, implementation pace of development programmes continues to be a source of concern. The risks will be monitored closely and measures to reduce the risks include:
- a) County Public Service Board is tasked to hire personnel who add value to the County.
 - b) County Government has put on hold approval of any policy and proposed legislation, which establishes new county sector entities with personnel and wage implications. All such establishments are delayed until a comprehensive restructuring of the County Government is done in accordance with the Constitution;

- c) On the revenue side, the County Treasury has instituted corrective measures to reverse the decline in revenue collection from local sources, enhanced compliance audit of large outstanding property tax payers, initiated automation of highly potential but leaking revenue sources, and has instituted collection of other sources of taxes such as liquor licenses, car park fees, royalties, advertisement and rental charges, this will help our revenue collection go up once the effect of the global pandemic recede and normalcy resumes fully; and
 - d) All devolved entities collecting revenue are instructed to deposit them to the County revenue fund account as soon as those revenues are realized.
- XI. Expenditure increments will be continuously informed by the core needs identified through public consultation forums. In this regard, “high impact” areas or chronically neglected areas identified will receive additional funding. Further, the most important areas of public spending will include the phased Construction of the County Head Quarters, Construction of Isiolo Stadium, construction of the Isiolo Modern Market and storm water management in Isiolo Town.
- XII. The revenue sources of the county are critically low and savings must be made and the non- core spending areas to be used to fund these urgent projects.

B. Medium-Term Expenditure Framework

- XIII. In view of the limited resources, we will continue to adjust non-priority expenditures to cater for the priority expenditures in all sectors. The County integrated development plan (2023- 2027) and its Annual Development Plan (ADP 2024/25) will continue to guide resource allocations.
- XIV. The priority sectors, including Health, Water, Roads and Infrastructure, Livestock will continue to receive adequate resources. Health sector is already receiving a significant share of resources in the budget and we require the accounting officer to utilize the allocated resources more efficiently to generate fiscal space to accommodate strategic interventions in the sector. Livestock and Water sector will receive increasing share of resources to boost productivity with a view to deal with value addition and threats in food security in the county. Other priority programmes includes empowering of youth by putting in place a transformative technical and vocational education system through construction of polytechnics. Resources earmarked for these interventions are ring fenced over the medium term.

- XV. With the County Government’s commitment in improving physical infrastructure countywide, the share of resources going to Roads, Housing and Public Works sector will continue to rise steadily over the medium term period. Other priority sectors such as Education, Sports, Youth and culture will also continue to receive adequate resources.
- XVI. In light of the medium-term expenditure framework discussed above, the table below provides the tentative projected baseline ceilings for the Financial Year 2024/25 – 2026/27 MTEF period classified by sector.

Table 7: Total Projected Expenditure Ceilings for the MTEF period 2024/25 - 2026/27

SECTOR/ SUB SECTOR	APPROVED ESTIMATES FOR FY 2023/24			PROJECTION FOR FY 2024/25			PROJECTION FOR FY 2025/26			PROJECTION FOR FY 2026/27		
	RE	DE	TOTAL	RE	DE	TOTAL	RE	DE	TOTAL	RE	DE	TOTAL
County Assembly	539,252,680	40,000,000	579,252,680	560,822,787	41,600,000	602,422,787	583,255,699	43,264,000	626,519,699	606,585,927	44,994,560	651,580,487
Governors,Office	202,030,306	0	202,030,306	210,111,518	0	210,111,518	218,515,979	0	218,515,979	227,256,618	0	227,256,618
CPSB	57,000,996	0	57,000,996	59,281,036	0	59,281,036	61,652,277	0	61,652,277	64,118,368	0	64,118,368
Deputy governor	25,500,000	0	25,500,000	26,520,000	0	26,520,000	27,580,800	0	27,580,800	28,684,032	0	28,684,032
county secretary	35,192,234	0	35,192,234	36,599,923	0	36,599,923	38,063,920	0	38,063,920	39,586,477	0	39,586,477
Delivery unit	15,050,207	0	15,050,207	15,652,215	0	15,652,215	16,278,304	0	16,278,304	16,929,436	0	16,929,436
County Attorney	42,500,000	0	42,500,000	44,200,000	0	44,200,000	45,968,000	0	45,968,000	47,806,720	0	47,806,720
Intergovernmental	6,000,000	0	6,000,000	6,240,000	0	6,240,000	6,489,600	0	6,489,600	6,749,184	0	6,749,184
Finance	131,718,459	40,000,000	171,718,459	136,987,197	41,600,000	178,587,197	142,466,685	43,264,000	185,730,685	148,165,353	44,994,560	193,159,913
Economic Planning	53,946,773	6,000,000	59,946,773	56,104,644	6,240,000	62,344,644	58,348,830	6,489,600	64,838,430	60,682,783	6,749,184	67,431,967
Special Programme and ICT	125,100,000	110,000,000	235,100,000	130,104,000	114,400,000	244,504,000	135,308,160	118,976,000	254,284,160	140,720,486	123,735,040	264,455,526
Cohesion	22,692,850	0	22,692,850	23,600,564	0	23,600,564	24,544,587	0	24,544,587	25,526,370	0	25,526,370
Revenue Services	29,170,000	1,000,000	30,170,000	30,336,800	1,040,000	31,376,800	31,550,272	1,081,600	32,631,872	32,812,283	1,124,864	33,937,147
ICT	10,800,000	3,000,000	13,800,000	11,232,000	3,120,000	14,352,000	11,681,280	3,244,800	14,926,080	12,148,531	3,374,592	15,523,123
Lands and Physical Planning	20,703,060	54,080,782	74,783,842	21,531,182	56,244,013	77,775,196	22,392,430	58,493,774	80,886,204	23,288,127	60,833,525	84,121,652
Roads and Infrastructure	13,776,000	100,500,056	114,276,056	14,327,040	104,520,058	118,847,098	14,900,122	108,700,861	123,600,982	15,496,126	113,048,895	128,545,021
Public Works	11,172,868	0	11,172,868	11,619,783	0	11,619,783	12,084,574	0	12,084,574	12,567,957	0	12,567,957
Housing & Urban dev.	3,000,000	6,000,000	9,000,000	3,120,000	6,240,000	9,360,000	3,244,800	6,489,600	9,734,400	3,374,592	6,749,184	10,123,776
Agriculture	53,859,377	6,550,000	60,409,377	56,013,752	6,812,000	62,825,752	58,254,302	7,084,480	65,338,782	60,584,474	7,367,859	67,952,333
Livestock	111,543,535	208,544,000	320,087,535	116,005,276	216,885,760	332,891,036	120,645,487	225,561,190	346,206,678	125,471,307	234,583,638	360,054,945
Fisheries	7,544,240	4,170,000	11,714,240	7,846,010	4,336,800	12,182,810	8,159,850	4,510,272	12,670,122	8,486,244	4,690,683	13,176,927
Education	164,963,884	105,700,000	270,663,884	171,562,439	109,928,000	281,490,439	178,424,937	114,325,120	292,750,057	185,561,934	118,898,125	304,460,059

SECTOR/ SUB SECTOR	APPROVED ESTIMATES FOR FY 2023/24			PROJECTION FOR FY 2024/25			PROJECTION FOR FY 2025/26			PROJECTION FOR FY 2026/27		
	RE	DE	TOTAL	RE	DE	TOTAL	RE	DE	TOTAL	RE	DE	TOTAL
Youth and Sports	18,723,991	28,000,000	46,723,991	19,472,951	29,120,000	48,592,951	20,251,869	30,284,800	50,536,669	21,061,943	31,496,192	52,558,135
Culture and Social Service	23,597,264	29,500,000	53,097,264	24,541,155	30,680,000	55,221,155	25,522,801	31,907,200	57,430,001	26,543,713	33,183,488	59,727,201
Vocational Training	4,000,000	20,840,370	24,840,370	4,160,000	21,673,985	25,833,985	4,326,400	22,540,944	26,867,344	4,499,456	23,442,582	27,942,038
Tourism and Wildlife	91,781,330	15,000,000	106,781,330	95,452,583	15,600,000	111,052,583	99,270,687	16,224,000	115,494,687	103,241,514	16,872,960	120,114,474
Trade	10,264,387	250,000,000	260,264,387	10,674,962	260,000,000	270,674,962	11,101,961	270,400,000	281,501,961	11,546,039	281,216,000	292,762,039
PSM	379,222,350	6,000,000	385,222,350	394,391,244	6,240,000	400,631,244	410,166,894	6,489,600	416,656,494	426,573,570	6,749,184	433,322,754
Devolved Units	30,020,000	5,000,000	35,020,000	31,220,800	5,200,000	36,420,800	32,469,632	5,408,000	37,877,632	33,768,417	5,624,320	39,392,737
CE & PP	10,053,000	0	10,053,000	10,455,120	0	10,455,120	10,873,325	0	10,873,325	11,308,258	0	11,308,258
MSME	8,700,000	0	8,700,000	9,048,000	0	9,048,000	9,409,920	0	9,409,920	9,786,317	0	9,786,317
Water and Sanitation	47,110,893	107,316,619	154,427,512	48,995,329	111,609,284	160,604,612	50,955,142	116,073,655	167,028,797	52,993,348	120,716,601	173,709,949
Environment and CCU	24,881,772	166,870,282	191,752,054	25,877,043	173,545,093	199,422,136	26,912,125	180,486,897	207,399,022	27,988,610	187,706,373	215,694,982
Mining and Natural resources	3,300,000	2,000,000	5,300,000	3,432,000	2,080,000	5,512,000	3,569,280	2,163,200	5,732,480	3,712,051	2,249,728	5,961,779
Renewable Energy	4,200,000	4,000,000	8,200,000	4,368,000	4,160,000	8,528,000	4,542,720	4,326,400	8,869,120	4,724,429	4,499,456	9,223,885
Medical Services	1,150,496,314	55,476,986	1,205,973,300	1,196,516,167	57,696,065	1,254,212,232	1,244,376,813	60,003,908	1,304,380,721	1,294,151,886	62,404,064	1,356,555,950
Public Health	218,192,498	85,031,783	303,224,281	226,920,198	88,433,054	315,353,252	235,997,006	91,970,376	327,967,382	245,436,886	95,649,192	341,086,078
Municipal Administration	47,811,310	118,036,430	165,847,740	49,723,762	122,757,887	172,481,650	51,712,713	127,668,203	179,380,916	53,781,221	132,774,931	186,556,152
Total	3,754,872,578	1,578,617,308	5,333,489,886	3,905,067,481	1,641,762,000	5,546,829,481	4,061,270,180	1,707,432,480	5,768,702,661	4,223,720,988	1,775,729,780	5,999,450,767

Source: County Economic Planning Office Isiolo

C. Fiscal Risks

- XVII. There are down side risks to this macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, risks relate to unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural production and result to domestic inflationary pressures and food insecurity
- XVIII. On the external front, uncertainties in the global economic outlook stemming from the current geopolitical tension could result in higher commodity prices and slowdown the global economic recovery which could impact on the domestic economy. Weaker global demand could adversely affect the Kenya's exports, foreign direct investments and remittances. Additionally, high international commodity prices pose a risk to global and domestic inflation outcomes which could lead to further tightening of financial conditions. Continued strengthening of US dollar against other global currencies arising from aggressive monetary policy tightening present significant risks to financial flows and puts pressures on the exchange rate with implication to growth and inflation.
- XIX. Upside risks are mostly linked to early easing of global financing conditions and lower international fuel and food prices, which would strengthen Kenya's external balances. This will be reinforced by faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. Optimal coordination between monetary and fiscal policies are expected to result to a stable macroeconomic conditions which is a necessary condition for investment and savings thereby promoting economic growth
- XX. The risks to the 2023/24 Financial Year's budget include challenges in revenue performance due to non-automation of revenue collection systems. The current continuing process of County restructuring, recruitment and rationalization of staff is expected to exert pressure on wage expenditures.
- XXI. Adjustments to the 2023/24 budget will also take into account the pending bills from FY 2022/23, actual performance of expenditure and absorption capacity for the remainder of the Financial Year. Because of the resource constraints faced, the County Government will rationalize expenditures by cutting those that are non-priority. These may include slowing down or reprioritizing development expenditures and also dropping non key recurrent expenditures.

VII. CONCLUSION AND WAY FORWARD

- VIII. The global economic picture remains uncertain, reflecting the impact of monetary policy tightening and the rise of geopolitical tensions, particularly the current war in Ukraine. As a result, global growth is expected to decline to 3.0 percent in 2023 and 2024, down from 3.5 percent in 2022. Kenya's economy is expected to remain strong and resilient in the medium term. The economy grew by 5.3 percent in the first quarter, indicating a solid rebound in agriculture and a thriving services sector that included finance and insurance, technology and communication, wholesale and retail trade, and transportation and storage. The economy is anticipated to grow by 5.5 percent in 2023 (5.6 percent in FY 2023/24) and 5.7 percent in 2024 (5.9 percent in FY 2023/24).
- IX. To strengthen the economic recovery, the budget for FY 2023/24 and the medium term will focus on resource mobilization and reduction on non-core expenditures in order to reduce the fiscal deficit.
- X. Given the tight resource envelope, all Sector Working Groups are required to carefully scrutinize all proposed departmental budgets for FY 2023/24 and the medium term to ensure that they strictly adhere to the hard sector ceilings and the strict deadlines provided in this document to facilitate the finalization and appropriation of the FY 2023/24 and the medium- term budget. The resource envelope and ceilings for each Sector provided in this County Budget Review and Outlook Paper will form inputs into the 2024 County Fiscal Strategy Paper.

ANNEX 1: BUDGET CALENDAR FOR THE FINANCIAL YEAR 2023/2024 MTEF BUDGET

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Preparation and Issuance of a circular setting out guidelines to be followed by all county government entities in the Budget process	County Treasury	30 August 2023
2. Launch of sector working groups	County Treasury	30 August 2023
3. Performance Review and Strategic Planning		
3.1 Review and update of strategic plans, previous Budget programme outputs and outcomes	Line sectors Working Groups	9 August 2023
3.2 Review of programme expenditure performance and approval of projects for financial year 2024/25	Line sectors Working Groups	15 August 2023
3.3 Preparation of Annual Development Plan by sectors and submission to County Treasury	Line Sectors Working Groups	18 August 2023
3.4 Preparation of progress report on implementation of 2022/23 budget	Line Sectors Working Groups	1 September 2023
3.5 Public participation for Annual Development Plan 2024/25	County Treasury	26 August 2023
3.6 Compilation and submission of Annual Development Plan to County Assembly for approval	CEC Member Finance	1 September 2023
4. Determination of Fiscal Framework		
4.1 Draft County Budget Review and Outlook Paper (CBROP)	County Treasury	15 September 2023
4.2 Submission of CBROP to the Cabinet for Approval	County Treasury	30 September 2023
4.3 Submission of CBROP to the County Assembly for Approval	CEC Member Finance	21 October 2023
4.4 Issue of guidelines for review of the 2023/24 County budget (supplementary budget)	County Treasury	22 October 2023
5. Preparation of Medium-Term Budget Proposal		
5.1 Preparation of Draft Sector Reports	Line Sector Working Groups	22 October -10 November 2023
5.2 Briefing of sector Chairperson and accounting officers on draft sector reports	Line Sector Working Groups	12 th November 2023
5.3 Public Sector Hearing	Line Sector Working Groups	19 th -23 rd November 2023
5.4 Review and incorporation of stakeholders' inputs in the sector proposals	Line Sector Working Groups	30 th - November 2023
5.6 Submission of Draft sector reports to County treasury	Sector chair persons (Cos)	10 th December 2023
5.7 Consultative meeting of accounting officers, CEC Members chairperson of sector working groups on sector budget proposals	County Treasury	14 th December 2023
6. Draft County Fiscal Strategy Paper (CFSP)		
6.1 Finalise the draft County Fiscal Strategy Paper	Macro Working Group	15 th – 19 th January 2024
6.2 Cabinet sensitization on Draft CFSP	County Treasury	26 th January 2024
6.3 Public Participation on CFSP	County Treasury	29 th – 02 nd February 2024
6.4 Submission of County Fiscal Strategy paper (CFSP) to Cabinet for Approval	County Treasury	15 th February 2024
6.5 Submission of County Fiscal Strategy paper (CFSP) to County Assembly	County Treasury	28 th February 2024
6.6 Preparation and Submission of Debt Management Strategy of the County Government over the Medium Term to the County Assembly	County Treasury	28 th February 2024

ACTIVITY	RESPONSIBILITY	DEADLINE
7. Preparation and Approval of the Final Budget		
7.1 Develop and issue final guidelines on the preparation of final budget estimates to line sectors	County Treasury	5 th March 2024
7.2 Departmental Submission of budget proposals to County Treasury	Line Sectors Working Groups	15 th March 2024
7.3 Public Participation on Budget Estimates	County Treasury	25 th -29 th March 2024
7.3 Consolidation of the Final Budget Estimates	County Treasury	10 th April 2024
7.4 Submission of budget budget Estimates to cabinet for approval	County Treasury	19 th April 2024
7.5 Submission of draft budget Estimates to Assembly for approval together with other documents	County Treasury	30 th April 2024
7.6 Review of budget estimates by the county assembly	County Assembly Committee	15 th May 2024
7.7 Report on draft budget by the county assembly	County Assembly Committee	20 th May 2024
7.8 Consolidation of the final budget estimates	County Treasury	30 th May 2024
7.9 Submission of appropriation bill to County Assembly	County Treasury	10 th June 2024
8. Budget statement		
	CECM-Finance and Economic Planning	14 th June 2024
8.1 Appropriation Bill passed	County Assembly	30 th June 2024
8.2 Finance Bill passed	County Assembly	30 th June 2024
9. Budget implementation		
9.1 Preparation of the Annual Work plans for FY 2024/2025	Sectors	7 th July 2024
9.2 Preparation of procurement plans	Sectors	7 th July 2024
9.3 Preparation of cash flow projections	Sector	14 th July 2024