



COUNTY GOVERNMENT OF ISIOLO

FINANCE AND ECONOMIC PLANNING

2019 COUNTY BUDGET REVIEW

AND

OUTLOOK PAPER (CBROP)

SEPTEMBER 2019

FOREWORD

The 2019 County Budget Review and Outlook Paper (CBROP), is prepared at a time when there is a lot of uncertainty in the Global economy. Global economic activity is expected to slow down to 3.2 percent in 2019/20 from 3.6 percent in 2018/19 with prospects across countries and regions remaining uneven. On the domestic scene, economic growth has remained strong and resilient despite the emerging global challenges, supported by ongoing public and private sector investments and stable macroeconomic environment. The economy expanded by 6.3 percent in 2018/19 up from the 4.9 percent registered in 2017/18. The growth momentum continued in the first quarter of 2019/20, with the economy expanding by 5.6 percent despite the delayed rainfall. We project this growth momentum to continue culminating to a growth of 6.0 percent in 2019/20 underpinned by the resilient services sector and positive business sentiments.

The CBROP provides an opportunity to review the 2018/19 budget performance and also form a basis for the revision of the 2019/20 budget in the context of the Supplementary Estimates. CBROP further provides the broad fiscal provisional parameters for the next budget and medium term period. The law requires CBROP to present the fiscal outcome for the previous financial year and states how this outcome affects the financial objectives contained in the 2019 County Fiscal Strategy Paper (CFSP).

The 2019 CBROP contains information that shows changes in the forecasts in the 2019/20 budget due to emerging expenditure pressure from the previous financial year and unexpected expenditure streams in the current budget. It therefore plays a critical role in the management of public resources in terms of revision of the current budget and preparation of the next budget (2020/21). To strengthen the budget preparation process, the County government will continue to embrace performance based budgeting and deepen public financial reforms geared towards increasing efficiency and effectiveness in service delivery.

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

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



Mr. Mahamoud Haji

County Executive Committee Member - Finance and Economic Planning

ACKNOWLEDGEMENT

This 2019 County Budget Review and Outlook Paper (CBROP), is prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its regulations. The document provides a review of the recent economic developments and fiscal performance for the Financial Year 2018/2019 in comparison to the budget appropriations for the same year. It further provides an overview of how the actual performance of the Financial Year 2018/2019 affected our compliance with the Fiscal Responsibility Principles and the financial objectives as spelt in the PFM Act 2012, 2018 County Fiscal strategy paper (CFSP) as well as showing changes from the projections outlined in the 2019 CFSP towards reviewing the 2019/20 budget in terms of supplementary estimates.

The preparation of 2019 CBROP was a collaborative effort among various units. The department is grateful to the spending units for providing useful information concerning their budget execution for the Financial Year 2018/19 that added value to finalization of the document. Special thanks go to Economic Planning Team led by Ms. Halima Ibrahim for working tirelessly in the development of this document.



Mr. Patrick Lenawasae

Chief Officer – Economic Planning

TABLE OF CONTENT

Contents

COUNTY GOVERNMENT OF ISIOLO	1
ACKNOWLEDGEMENT	3
TABLE OF CONTENT	4
LIST OF TABLES	6
Table 3: Expenditure Performance 10.....	6
ABBREVIATIONS AND ACRONYMS	7
Legal Basis for the Publication of the County Budget Review and Outlook Paper	8
Fiscal Responsibility Principles in the Public Financial Management Act	9
EXECUTIVE SUMMARY	10
I. INTRODUCTION	11
A. Background	11
B. Objectives of the CBROP	11
C. Organization of the Document	11
II. REVIEW OF FISCAL PERFORMANCE IN THE FINANCIAL YEAR 2018/19	12
A. Development priorities for financial year 2018/19	12
B. Fiscal Performance Overview for Financial Year 2018/19	13
i. Revenue performance	13
Internal Revenue	8
External Revenue	10
ii. Expenditure Performance	11
Cumulative Recurrent Expenditure.....	12
Cumulative Development Expenditure.....	12
Challenges.....	12
Remedies.....	13
C. Implication of 2018/2019 Fiscal Performance on Financial Objectives	14
Fiscal Responsibility Principles	15
III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK	16
A. Overview	16

B.	Implementation of the Financial Year 2019/20 Budget	19
IV.	MACROECONOMIC POLICIES AND OUTLOOK	20
A.	Overview	20
B.	Medium Term Fiscal Framework.....	21
i.	Fiscal Policy Objective	21
ii.	Debt and Deficit Financing Policy	21
iii.	Medium Term Fiscal Projections	21
iv.	2019/20 Budget Framework.....	21
	Table 4: Allocations for Financial Year 2019/20	22
vi.	2019/20 Budget Framework.....	23
	Table 5: Revenue Projections- FY 2019/20 to 2022/23.....	24
C.	Risks to the Economic Outlook	32
V.	RESOURCE ALLOCATION FRAMEWORK	33
A.	Adjustment to 2019/20 Budget	33
B.	Medium-Term Expenditure Framework	34
	Table 6: Total Projected Expenditure Ceilings for the MTEF period 2019/20 to 2021/22	36
C.	Fiscal Risks.....	38
	CONCLUSION AND WAY FORWARD	39
	ANNEX 1: BUDGET CALENDAR FOR THE FINANCIAL YEAR 2020/2021 MTEF BUDGET	40

LIST OF TABLES

Table 1: Fiscal outturn in Financial Year 2018/19	3
Table 2: Local Revenue Collection for Financial Years 2013/14- 2018/19 in Millions.....	7
Table 3: Expenditure Performance	10
Table 4: Allocations for Financial Year 2019/20.....	23
Table 5: Revenue Projections- FY 2019/20 to 2022/23.....	25
Table 6: Total Projected Expenditure Ceilings for the MTEF period 2019/20 to 2021/22	36

ABBREVIATIONS AND ACRONYMS

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

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

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

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

Fiscal Responsibility Principles in the Public Financial Management Act

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

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

EXECUTIVE SUMMARY

This County Budget Review and Outlook Paper (CBROP), is prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its regulations. The document provides actual fiscal performance for the FY 2018/2019, Macro-Economic Projections and the sector ceilings for the FY 2021/22 Medium Term Budget. The document also provides an overview of how the actual performance of the FY 2018/19 affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act as well as information showing changes from the projections outlined in the 2019 County Fiscal Strategy Paper.

The fiscal performance for the FY 2018/19 was broadly satisfactory albeit with challenges emanating from expenditure pressures. The Fiscal outcome largely adhered to the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012. The County managed to surpass its revenue target by Ksh.10.9 Million in the FY 2018/19. In the FY 2019/20 budget, more efforts will be made such as sealing of revenue leakages and improving efficiency on revenue collection , that will further improve County own Source Revenue collection.

In FY 2018/19 the County allocated 34% of its budget towards development expenditure. Under these circumstances, we remain steadfast in maintaining Macroeconomic Stability, even in the face of expenditure pressures associated with devolution of functions to the County and a swollen wage bill. The updated County Economic Outlook will be firmed up in the CFSP 2020 to reflect any changes in Economic and Financial conditions. In line with the County Treasury Circular No 1/2019, the 2020 CFSP will be submitted to County Assembly by 28th February 2020.

The PFMA, 2012 has set standards for compliance with the MTEF budgeting process. Therefore, it is expected that the 2019 CBROP will form the provisional indicative sector baseline ceilings for the Financial Year 2020/21. However, the 2020 CFSP will modify the sector ceilings to reflect the County development goals and priorities.

The County Government will closely monitor the developments and undertake appropriate measures to safeguard stability should the following risks materialize: insecurity, pressures on expenditures especially recurrent related expenditures, the drought that might disrupt economic activities especially for the pastoralist

I. INTRODUCTION

A. Background

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

B. Objectives of the CBROP

2. The objective of CBROP is to provide a review of the fiscal performance in the Financial Year 2018/19 and how this impacts on the financial objectives and fiscal responsibility principles as set out in the 2019 County Fiscal Strategy Paper. This together with updated economic outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the Medium Term Expenditure Framework. Details of the fiscal framework and the medium term policy priorities will be firmed up in the 2020 CFSP.

As required by the PFM Act, 2012, the budget process aims to promote the efficient and effective use of resources. To meet the resource requirements of the FY 2020/21 budget and the Medium Term Expenditure Framework, 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 2020/21 and the medium term period. The sector ceilings are guided by the overall resource envelope that is informed by the macroeconomic and fiscal outlook as presented in section III and IV of this document. Budgetary allocations in this CBROP are in line with the governments priorities as outlined in the 2018 CFSP.

C. 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 2018/19 and its implications on the financial objectives set out in the 2018 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 2018/19

A. Development priorities for financial year 2018/19

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 2018/19, the development objectives stipulated in the 2018 CFSP identified the following key development priority areas that cover;
 - (i) Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock
 - (ii) Investment in Infrastructure development and expansion i.e. Roads, Water Supply, Market development, Livestock and agriculture transformation for sustainable economic growth and development.
 - (iii) Investing in quality, affordable and accessible Health Services (i.e. preventative, curative and rehabilitative health care services).
 - (iv) Investing in Education, focusing on construction of more ECD structures and equipping of youth polytechnics, technical institutions as well as social development of the communities through social programs.
 - (v) Promotion of trade and industrial development for a rapidly industrializing economy.
 - (vi) Enhancing governance, transparency and accountability in the delivery of services.
 - (vii) Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society where all have access to equitable share of resources;
 - (viii) Promotion of Public participation through involvement in decision making in order to enhance ownership and sustainability of development programs;
 - (ix) Investing in Energy, Environmental conservation, natural resource management, modern urban infrastructure and sustainable land management for socio economic development

B. Fiscal Performance Overview for Financial Year 2018/19

i. Revenue performance

6. The Total Receipts for the county in the financial year 2018/19 was Ksh 4,981,228,946 against target of Ksh 5,484,098,999. Representing a deficit of Ksh 502,870,053 i.e. 9.2 %. Mainly from external sources. More detailed explanation in table 1 below

Table 1 Fiscal outturn in Financial Year 2018/19

ITEM	2017-18				2018-19			
	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE
EXTERNAL REVENUEESTIMATES								
EQUITABLE SHARE	3,775,000,000	3,775,000,000	0	100.00%	3,925,000,000	3,925,000,000	0	100.00%
General Provisions (Equitable Share)	3,775,000,000	3,775,000,000	0	100.00%	3,925,000,000	3,925,000,000	0	100.00%
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT	280,870,017	136,747,275	-144,122,742	49%	555,800,518	272,677,146	-283,123,372	49.06%
Funds Received from Road Maintenance Levy Fund	130,230,858	107,066,100	-23,164,758	82.00%	103,341,833	103,341,833	0	100.00%
Road levy fund bal 2017/18	0	0	0	0	23,164,758	23,164,758	0	100.00%
Funds Received from Health Care Services Fund (User fee foregone)	0	0	0	0	0	0	0	0.00%
Free Maternity Fund	3,472,461	3,514,477	42,016	101.00%	3,472,461	3,472,461	0	100.00%
Supplement for Construction of County Headquarters	0	0	0	0	0	0	0	0.00%
conditional allocation for development of youth polytechnic	121,000,000	0	-121,000,000	0.00%	121,000,000	0	-121,000,000	0.00%
Universal Health Care (UHC)	26,166,698	26,166,698	0	100.00%	21,235,000	0	-21,235,000	0.00%
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	101,551,120	65,635,096	-35,916,024	65%	433,775,696	233,470,346	-200,305,350	53.82%
Current Grants from Foreign Governments Danida			0	0	283,586,466	142,698,094	-140,888,372	50.32%
Kenya Devolution Support Programme (KDSP) World bank	13,678,677	8,824,953	-4,853,724	65%	12,656,250	17,509,974	4853724	138.35%
world bank loan to supplement financing of county health facilities	36,113,321	36,113,321	0	100%	38,668,826	0	-38,668,826	0.00%
world bank loan to supplement financing of county health facilities/f from 2016/17	12,607,500	0	-12,607,500	0%	0	0	0	0.00%
world bank loan to supplement financing of county health facilities/f from 2016/17	18,454,800	0	-18,454,800	0%	0	0	0	0.00%
world bank loan for transforming health systems	20,696,822	20,696,822	0	100%	0	0	0	0.00%
Climate Smart Agricultural Project	0	0	0	0%	150,000,000	32,966,823	-117,033,177	21.98%
Food and Agriculture Organization of the United Nations-Livestock grant	0	0	0	0%	9,023,720	4,511,860	-4,511,860	50.00%
Development Support Programme (ASDSP)	0	0	0	0%	22,028,970	8,020,256	-14,008,714	36.41%

ITEM	2017-18				2018-19			
	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE
Urban Support Project Development	0	0	0	0%	93,968,100	93,968,100	0	100.00%
Urban Support Project- Recurrent (2017/18+2018/19)	0	0	0	0%	41,200,000	41,200,000	0	100.00%
World Bank Loan for Transforming Health Systems for Universal Care Project	0	0	0	0%	66,229,830	35,293,333	-30,936,497	53.29%
GROSS COUNTY EXTERNAL REVENUE ESTIMATES	4,157,421,137	3,977,382,371	-180,038,766	95.67%	4,914,576,214	4,431,147,492	-483,428,722	90.16%
Balance from FY 2017/18	0	0	0		418,661,449	418,661,449	0	100.00%
INTERNAL COUNTY OWN REVENUE ESTIMATES							0	
RECEIPTS FROM ADMINISTRATIVE FEES ANDCHARGES	3,240,000	4,192,078	952,078	129%	1,240,000	1,681,954	441,954	135.64%
other land revenue (Plot Application/Transfer/Sub-Division)	3,240,000	4,192,078	952,078	129.39%	1,240,000	1,681,954	441,954	135.64%
LAND RATES	18,597,075	5,678,584	-12,918,491	30.53%	8,597,075	15,184,306	6,587,231	176.6%
Land Rent & Rates - Current year	13,197,075	1,806,424	-11,390,651	13.69%	6,197,075	7,318,959	1,121,884	118.10%
Penalties Rent & Rates	1,000,000	736,565	-263,435	73.66%	1,000,000	582,642	-417,358	58.26%
Land Rent & Rates - Arrears	4,400,000	3,135,595	-1,264,405	71.26%	1,400,000	7,282,705	5,882,705	520.19%
CESSSES	18,020,712	13,439,821	-4,580,891	74.58%	18,020,712	16,970,685	-1,050,027	94.17%
Livestock Auction	4,808,175	4,435,051	-373,124	92.24%	4,808,175	3,514,666	-1,293,509	73.10%
Sand Cess Murram	10,900,000	8,034,240	-2,865,760	73.71%	10,900,000	12,473,389	1,573,389	114.43%
other cess (Produce Cess/Barter/Murram/Cheque Clearance)(included tractor)2016/17	2,312,537	970,530	-1,342,007	41.97%	2,312,537	982,630	-1,329,907	42.49%
OTHER MISCELLANEOUS	22,743,749	15,328,860	-7,517,416	67.40%	22,743,748	16,094,272	-4,813,476	70.76%
RECEIPTS								
Miraa Export	3,918,156	1,198,625	-2,719,531	30.59%	3,918,156	2,336,050	-1,582,106	59.62%
Miscellaneous Charges	1,500,000	419,208	-2,692,078	27.94%	1,500,000	1,217,274	-282,726	81.15%
S.B.P Fees/Promotion	5,998,001	5,603,265	-394,736	93.42%	5,998,000	6,443,604	445,604	107.43%
Liquor License	800,000	2,422,000	1,622,000	302.75%	800,000	2,801,563	2,001,563	350.20%
Public Works /Other Charges	400,000	524,000	124,000	131.00%	400,000	290,000	-110,000	72.50%
Stand Premiums	1,257,024	81,000	-1,176,024	6.44%	1,257,024	83,560	-1,173,464	6.65%
Clearance & Consents	279,946	179,000	-100,946	63.94%	279,946	182,000	-97,946	65.01%

ITEM	2017-18				2018-19			
	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE
Plot Transfer Approval	2,590,717	103,200	-2,487,517	3.98%	2,590,717	600,000	-1,990,717	23.16%
Lease Extension	200,000	0	-200,000	0.00%	200,000	0	0	0.00%
Planning & Survey	1,636,000	0	-1,636,000	0.00%	1,636,000	0	0	0.00%
Livestock/Veterinary Inspection(meat)	1,864,000	844,665	-1,019,335	45.31%	1,864,000	1,551,180	-312,820	83.22%
Weights and Measure	500,000	17,500	-482,500	3.50%	500,000	65,000	-435,000	13.00%
Tractors Hire	999,905	61,000	-938,905	6.10%	999,905	211,395	-788,510	21.14%
ATC	800,000	0	-800,000	0.00%	800,000	312,646	-487,354	39.08%
Audit Fee		102,527						
GAME ENTRANCE(GATE, ROYALTIES,KATO)	88,130,130	63,886,444	-24,243,686	72.49%	70,130,130	97,477,182	27,347,052	138.99%
MARKET/TRADE CENTRE FEE	1,521,746	66,900	-1,454,846	4.40%	1,521,746	124,400	-1,397,346	8.17%
market stalls rent -Kiosks & Stalls	1,521,746	66,900	-1,454,846	4.40%	1,521,746	124,400	-1,397,346	8.17%
VEHICLE PARKING FEES	6,480,000	3,724,055	-2,755,945	57.47%	6,480,000	4,572,267	-1,907,733	70.56%
street Parking Fees	6,480,000	3,724,055	-2,755,945	57.47%	6,480,000	4,572,267	-1,907,733	70.56%
HEALTH FACILITIES OPERATIONS SERVICE FEES	16,049,190	9,302,638	-6,746,552	57.96%	16,049,190	7,842,485	-8,206,705	48.87%
Hospital Cost Sharing	16,049,190	9,302,638	-6,746,552	57.96%	16,049,190	7,842,485	-8,206,705	48.87%
SLAUGHTER HOUSES ADMINISTRATION FEES	1,993,353	1,285,350	-708,003	64.48%	1,993,353	1,436,440	-556,913	72.06%
Slaughter Fees	1,993,353	1,285,350	-708,003	64.48%	1,993,353	1,436,440	-556,913	72.06%
WATER SUPPLY ADMINISTRATION -METERED								
WATER CHARGE	2,376,000	0	0	0.00%	2,376,000	10,000	-2,366,000	0.42%
4%Water Levies IWASCO	2,376,000	0	0	0.00%	2,376,000	10000	-2,366,000	0.42%
TECHNICAL SERVICES FEES	3,709,382	22,500	-3,686,882	0.61%	1,709,382	373,332	-1,336,050	21.84%
LIVESTOCK FISHERIES DEVELOPMENT	0	0	0	0.00%		16,630	16,630	0.00%
BRANDING FEE	0	0	0	0.00%		5,000	5,000	0.00%
Building Plan Approvals	3,709,382	22,500	-3,686,882	0.61%	1,709,382	351,702	-1,357,680	20.57%
GROSS INTERNAL REVENUE ESTIMATES	182,861,337	116,927,230	-63,660,634	63.94%	150,861,336	161,767,323	12,741,987	107.23%
A.I.A			0	0.00%			0	0.00%

ITEM	2017-18				2018-19			
	PRINTED ESTIMATES	ACTUALS	DEVIATION	%PERFORMANC E	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE
GROSS COUNTY REVENUEESTIMATES	4,340,282,474	4,094,309,601	-243,699,400	94.33%	5,484,098,999	5,011,576,264	-470,686,735	91.38%

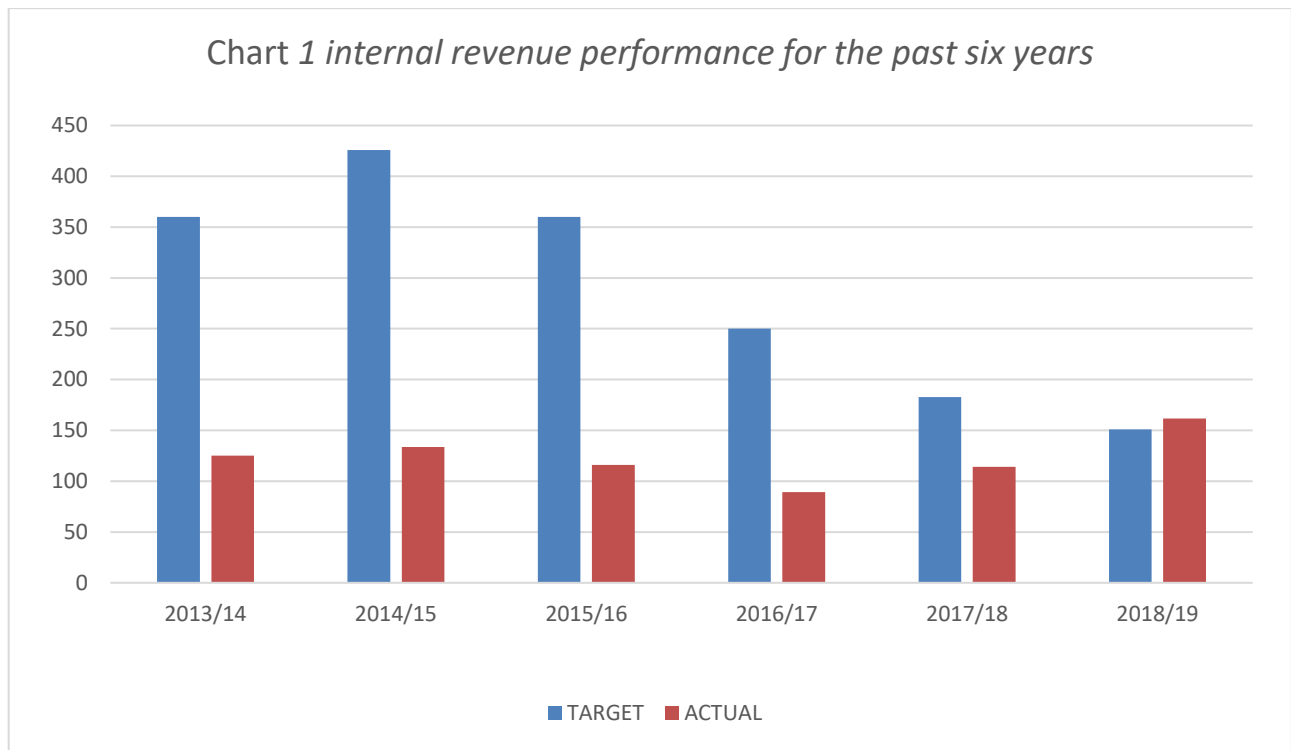
Source: County Treasury

Internal Revenue

7. The fiscal performance was quite fair, the county managed to surpass its internal revenue target by 7% in the financial year 2018/19. Internal revenue collection increased from Ksh.114 Million collected in FY2017/18 to Ksh. 161.7 Million collected in FY 2018/19. This reflected an increment of 41.8% improvement from the financial year 2017/18. Major revenue stream remained tourism sub sector. The collection in FY 2018/19 was the highest ever since the inception of County Government of Isiolo. This growth in revenue will influence the county to revise its revenue target for FY 2019/20 from Ksh. 155 Million to Ksh. 165Million.
8. The cumulative revenue collection from local sources for the period between July 2018 and 30th June 2019 amounted to Ksh. 161,767,323 compared to a target of Kshs. 150,861,337. This represented a positive deviation of 7 percent (Kshs.10, 905,984) in local revenue collection. The good performance in revenues collection was largely due to improved revenue performance in the tourism sector (game entrance, gate royalties) and land rates, which managed to achieve 139% and 118% of the target respectively. Other revenue streams that recorded surplus receipts include: liquor license, small business permit fees / promotions and sand Cess. The positive results in revenue were majorly due to sealing of revenue leakages and more efficiency mechanisms in revenue collection mechanisms.
9. The County government has a high potential in local revenue and it needs to come up with new strategies of further enhancing local revenue sources. This can be achieved by widening the internal revenue base through diversification of internal revenue streams and sealing leakages by scaling up secure revenue collection channels, enhanced enforcement, supervision and regular field spot checks of revenue clerks.

Table 2 internal revenue performance for the past six years

YEAR	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
TARGET	360	425.7	360	250	182.86	150.8
ACTUAL	125.06	133.7	116.03	89.16	114.1	161.7



External Revenue

10. By end of the Fiscal period 2018/19 the National Government, had released a total disbursements of Kshs. **5,011,576,264**. whose breakdown: external revenue receipts was Ksh **4, 400, 800, 173**, **balance brought forward of Ksh** 418,661,449 and internal revenue of Ksh 161,767,323. External revenue for financial 2018/19 **receipts was Ksh 4,431,147,492 against target of Ksh4, 914,576,214.**
11. **The external revenue** breakdown are: Kshs. 3,925,000,000 from the equitable share, Proceeds from conditional grants from development partners totaling to Ksh. **233,470,346** (53.82%) and Ksh. **272,677,146(49.06%)** as conditional grants from the National Government
12. Proceeds from conditional grants from development partners of Ksh. **233,470,346** which includes Ksh. 17,509,974 from Danida, World Bank Loan for Transforming Health Systems for Universal Care Project of Ksh. 35,293,333, Ksh. 93,968,100 from the Kenya Urban Support Programme- Development and Ksh. 41,200,000 for recurrent, the county also received grants from Climate Smart Agricultural Project i.e. Ksh. 32,966,823, Ksh 4,511,860 Food and Agriculture Organization of the United Nations-Livestock grant and Ksh. 8,020,256 from Sweden Agricultural Sector Development Support Programme (ASDSP). The deficit for conditional grants from development partners was Ksh. **200,305,350.**
13. Conditional grants from the National Government of Ksh.**272,677,146**: this includes Funds Received from Road Maintenance Levy Fund of Ksh. 103,341,833 and the balance from FY2017/18 of Ksh. 23,164,758, 2) Funds Received from Health Care Services Fund (User fee foregone) of Ksh. 3,472,461, 3) and Ksh. 142,698,094 from the Universal Health Care (UHC). The deficit for conditional grants from the National Government was Ksh. **283,123,372.**
14. The deficit from external revenue was Ksh. **483,428,722** i.e.9.84 % of total external revenue.

ii. Expenditure Performance

Total cumulative expenditure for the period under review amounted to Kshs. 4,279.14 Million against an overall budget of Kshs 5,484.1 Million, representing an under spending of Kshs. 1,204.96 Million (22 percent deviation from the revised budget).

These under spending were attributed to a revenue deficit of Ksh. 513.78 Million, because the County did not receive the following conditional grants i.e. Ksh. 121,000,000 from the National Government for the construction of the County Head Quarter, Ksh. 21,235,000 for development of youth polytechnic, Ksh. 25,835,459 from the Fuel Levy fund, Ksh. 140,888,372 from the UHC project, Ksh. 38,668,826 from the Kenya Devolution Support Programme, Ksh. 117,033,177 from the Kenya Climate Smart Agricultural project, Ksh. 9,023,720 from the Food and Agriculture Organization of the United Nations, Ksh.14,008,714 from the Sweden Agricultural Sector Development Support Programme (ASDSP) and Ksh. 26,082,773 from World Bank Loan for Transforming Health Systems for Universal Care Project.

This shortfall affected both recurrent and development expenditures in line spending units.

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

Table 3: Expenditure Performance

Department	Revised Budget Allocation (Kshs.)			Actual Expenditure (Kshs.)			Absorption rate (%)			Revised Budget Allocation (Kshs.)			Actual Expenditure (Kshs.)			Absorption rate (%)		
	Millions) 2017/18			Millions) 2017/18			Absorption rate (%)			Millions) 2018/19			Millions) 2018/19			Absorption rate (%)		
Department	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
County Assembly	388.55	157.42	545.97	379.8	129	508.8	98%	82%	93%	415.28	85.00	500.28	393.67	76.21	469.88	95%	90%	94%
Office of the Governor	302.63	310	612.63	298.86	303.86	602.72	99%	98%	98%	299.48	-	299.48	287.75	-	287.75	96%		96%
Office of the Deputy Governor	7.51	0	7.51	2.77	0	2.77	37%		37%	24.00	-	24.00	20.86	0	20.86	87%		87%
County Public Service Board	82	0	82	65.92	0	65.92	80%		80%	54.61	-	54.61	53.03	0	53.03	97%		97%
Office of the County Secretary	36.5	18	54.5	22.96	8.5	31.46	63%	47%	58%	32.98	3.94	36.92	30.93	2.38	33.31	94%	60%	90%
Delivery unit										10.48	-	10.48	10.11	0	10.11	96%		96%
Special programmes										432.37	17.37	449.74	431.29	3.51	434.8	100%	20%	97%
Finance	297	256.5	553.5	284.67	116.05	400.72	96%	45%	72%	222.05	210.91	432.96	179.86	79.57	259.43	81%	38%	60%
Economic Planning										44.43	-	44.43	43.3	0	43.3	97%		97%
Lands and physical planning	29.47	12	41.47	15.65	6.95	22.6	53%	58%	54%	31.12	34.39	65.51	28.71	26.87	55.58	92%	78%	85%
Roads	26.65	186.23	212.88	20.37	178.13	198.5	76%	96%	93%	15.60	163.05	178.65	14.22	71.01	85.23	91%	44%	48%
Public Works	2.8	0	2.8	2.8	0	2.8	100%		100%	27.77	3.30	31.07	25.92	3.3	29.22	93%	100%	94%
Agriculture	55.35	23.01	78.36	51.47	7.18	58.65	93%	31%	75%	54.08	223.00	277.08	49.42	32.15	81.57	91%	14%	29%
Livestock and Fisheries	93.26	95.39	188.65	92.21	86.06	178.27	99%	90%	94%	123.57	71.41	194.98	103.71	53.55	157.26	84%	75%	81%
Cohesion and Intergovernmental relations	72.9	20.25	93.15	75.98	8.2	84.18	104%	40%	90%	44.86	-	44.86	42.71	0	42.71	95%		95%
Education and Vocational training	114.44	55.17	169.61	60.74	9	69.74	53%	16%	41%	225.21	89.97	315.18	212.01	56.85	268.86	94%	63%	85%
Sports, Youth and gender Department	20.17	0	20.17	18.69	0	18.69	93%		93%	24.90	136.00	160.90	18.08	130	148.08	73%	96%	92%
Culture	5	0	5	1.2	0	1.2	24%		24%	37.85	17.10	54.95	34.05	9.79	43.84	90%	57%	80%
Tourism, Culture	132.96	30	162.96	120.1	22.96	143.06	90%	77%	88%	126.75	19.87	146.62	120.63	17.3	137.93	95%	87%	94%
Trade, Industrialization	21.36	5	26.36	13.48	0	13.48	63%	0%	51%	25.08	4.75	29.83	18.55	1.06	19.61	74%	22%	66%
Public Service Management and Administration	74.53	20	94.53	64.66	10.5	75.16	87%	53%	80%	165.11	29.80	194.91	150.17	12.2	162.37	91%	41%	83%
Water and Irrigation	63.31	109.2	172.51	49.93	102.73	152.66	79%	94%	88%	67.78	99.87	167.65	62.12	84.15	146.27	92%	84%	87%
Environment and Natural Resources	40.4	16.03	56.43	34.18	13.27	47.45	85%	83%	84%	34.41	15.68	50.09	31.6	0	31.6	92%	0%	63%
Health Services	891.24	185	1076.24	871.62	135.35	1006.97	98%	73%	94%	1,002.28	498.67	1,500.95	988.14	349.38	1337.52	99%	70%	89%
Municipal Administration	10.48	73.1	83.58	7.56	78.56	86.12	72%	107%	103%	82.16	135.81	217.97	62.94	49.09	112.03	77%	36%	51%
Total	2,768.51	1,572.30	4,340.81	2,555.62	1,216.30	3,771.92	92%	77%	87%	3,624.21	1,859.89	5,484.10	3,413.78	1,058.37	4,472.15	94%	57%	82%

Source: Isiolo County Treasury 2019

Cumulative Recurrent Expenditure

15. Recurrent expenditure amounted to Kshs 3,413.78 Million against an approved revised budget estimates of Kshs. 3,624.21 Million representing an under spending on recurrent budget of Kshs. 210.43 Million (Absorption rate of 94 percent) as shown in the table above. The revised allocation for recurrent activities accounts for 66 percent and this conforms with PFM Act 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. Analysis of recurrent outlay indicates that on average all Departments accounted for over 80 percent absorption of the revised approved budget, except Sports, Trade, Municipal Administration with absorption rate of 73%, 74% and 77% respectfully as at end of June 2019.

Cumulative Development Expenditure

16. Development expenditure was Kshs 1,058.37 Million compared to an approved revised budget of Kshs. 1,859.88 Million. This represented development budget under absorption of Kshs. 801.52 Million (Absorption rate of 43.09 percent as shown in the table above). The revised allocation for development activities accounts for 34 percent and this conforms with PFM Act fiscal responsibility principle which requires that over the medium term, a minimum of thirty per cent of the County Government's budget shall be allocated to development activities. Analysis of development outlay indicates that all departments adhered to their budgets; the low absorption was due to delays of disbursement of funds and slow procurement processes.

Challenges

17. In terms of spending, recurrent expenditure continued to claim the lion's share of County budgetary resources. In Financial Year 2018/19 for instance, the County devoted about 66 percent of its actual realized revenue towards recurrent spending and this is expected to continue to rise in this year's budget due to revised salary schemes and expected new recruitments for technical staff.

18. There is also a major concern on the pending payments. The bulk of this amount was pending accounts payable, most of it related to construction of buildings and civil works, and supply of goods and services accrued from past years.

19. Frequent labor strikes by health workers that interrupt the health sector service delivery and lack of effective monitoring and evaluation frameworks
20. Challenges in shifting to E procurement due to capacity gaps leading to delays in procuring goods and services
21. Weak internal controls & processes
22. High wage bill due to demands by Collective Bargaining Agreements (CBA) by Trade Unions
23. Delays in disbursement of funds from National Treasury.

Remedies

24. Enhancing local revenue through enactment of the various revenue bills, Review of valuation roll, Tightening enforcement across all revenue sources and embark on alternative sources for supporting the capital budget that includes PPP and joint ventures;
25. Adherence to the law that requires alignment of Supplementary Budgets to exchequer issues, expenditure, and commitments to eliminate instances of over issues;
26. Executive Committee members responsible for finance and economic planning to designate a person responsible for administering each established County Funds in line with Section 116 of the PFM Act, 2012;
27. Strengthen the capacity of county government employees through proper training and recruitment of qualified staff;
28. Adequate funding for monitoring and Evaluation unit as per the County Integrated Monitoring and Evaluation System (CIMES) guidelines to enable it effectively carry out its function in reporting on development projects;
29. Formulate clear strategies to address the labor issues in the Health Sector; and
30. Timely processing of payments from county treasury and requisition of funds from the exchequer.
31. Though audit of 2013-17 pending bills and propose a clear mechanism on how payment would be made.

C. Implication of 2018/2019 Fiscal Performance on Financial Objectives

32. The fiscal performance in the FY 2018/19 has affected the financial objectives set out in the 2019 CFSP and the Budget for FY 2019/20 in the following ways: The 2018/19 local revenue projections is lower than the actual outcome by about Ksh 5.9 Million; forcing an upward adjustment of local source revenue projection for FY 2019/20 and in the medium term. This adjustment in revenues is expected to translate to an increase in expenditure projections financing for the FY 2019/20. In addition, adjustments will be made to fiscal aggregates to mirror revisions in the macroeconomic projections as well as revenue performance for the first two months of FY 2019/20;
33. The baseline ceilings for departmental spending for FY 2020/21 will be adjusted in line with the revised resource envelope under the updated macroeconomic framework in the 2020 County Fiscal Strategy Paper;
34. The under-spending in both recurrent and development budget for the FY 2018/19 has implications on the base used to project expenditures in the FY 2019/20 and the medium term. Appropriate revisions have been undertaken in the context of this CBROP taking into account the budget outturn for the FY 2018/19;
35. To remedy these deviations, the fiscal outlook will focus on strengthening local revenue collection. Ongoing projects will be prioritized and any new projects will be evaluated in the context of their furtherance of the government's agenda. The County Government will not deviate from the fiscal responsibility principles, but will make appropriate modification to the financial objectives to be contained in the County Fiscal Strategy Paper 2020 to reflect the changing fiscal environment.

Fiscal Responsibility Principles

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

- a. The County Government's development as a percent of total revised budget was 34 percent in Financial Year 2018/19 and is set to continue stabilizing above the 30 percent minimum threshold set out in the PFM law over the medium term period
- b. The law further requires that regulations shall be developed to set a ratio of County Government expenditures on wages and benefits for public officers to County Government revenue that shall not be exceeded. In the meantime, County Government needs to put in place measures aimed at containing the ever rising wage bill.
- c. The deviations, in the revision in revenues and expenditures are due to the macroeconomic assumptions contained in this CBROP, which have been firmed up in the context of the 2019 CFSP. The Government will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives contained in the latest CFSP to reflect the changed circumstances.

37. As the County remains vulnerable to risks such as weather-related shocks and potential volatility in capital flows, county policies shall focus on the following priorities so as to help strengthen resilience and support sustained growth:

- a) Scaling up infrastructure investment in areas of road maintenance, value addition in the livestock sub sector, water and mitigation of weather related vulnerabilities, given our high dependence on rain-fed agriculture. Efforts to mobilize domestic revenue will be enhanced to fund these priorities
- b) Strengthening capacity-building in public financial management to ensure that the high expectations linked to devolution are met.
- c) Effective natural resource management of County resources e.g. game parks, conservancies. A sound fiscal framework, including transparent management rules and the full integration of these resources into the budget will be done in order to fully realize this potential

III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

A. Overview

38. The global economic growth slowed down to 3.6 percent in 2018 compared to 3.8 percent in 2017 owing to increased trade tensions and tariff hikes between China and United States, weakening of consumer and business confidence in the Euro area and tightening of financial conditions for emerging markets. These conditions are expected to ease as markets became more optimistic about trade tensions following the G20 Summit in June. Growth in Sub-Saharan Africa region remained strong at 3.1 percent in 2018 up from 2.9 percent in 2017.
39. Despite the global economic challenges, Kenya's economy continues to register strong economic performance. The economy expanded by 6.3 percent in 2018 up from a growth of 4.9 percent in 2017. This growth was supported by strong agricultural and manufacturing activities, vibrant service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business confidence.
40. The outlook for Kenya's economy is strong, projected at 6.0 percent in 2019. In the first quarter of 2019, the economy expanded by 5.6 percent compared to a growth of 6.5 percent in the same quarter of 2018 supported by strong growth in the service sector industries despite contraction in agricultural activities due to delayed rains.
41. The economy continues to register macroeconomic stability with low and stable interest rates and competitive exchange rate to support exports. The overall year on year inflation remained within target at 5.0 percent in August 2019 compared to 4.0 percent in August 2018.
42. The foreign exchange market remains stable supported by a narrower current account deficit. The current account deficit narrowed to 3.8 percent of GDP in June 2019, from 5.4 percent in June 2018, reflecting strong growth of agricultural exports particularly horticulture and coffee, resilient diaspora remittances, and improved tourism receipts. The international reserves accumulation stood at US\$ 9,656 million equivalent to 6 months of import cover
43. Going forward, the macroeconomic outlook remains favorable although risks remain. Some of the challenges include among others, insecurity, pressures on expenditures especially recurrent related expenditures, human resource capacity gaps that might disrupt economic activities, natural disasters like drought, floods and diseases, external risks particularly on the

Uncertainty in the market prices of livestock and agriculture products. The county government will therefore closely monitor the developments and undertake appropriate measures to safeguard macroeconomic stability.

44. The County Government County Fiscal strategy paper for the fiscal year 2018/2019 highlighted the following priority areas:

- a. Promotion of Livestock and Crop Productivity;
- b. Investment in both Surface and Underground water resources;
- c. Provision of Reliable, Adequate and Quality Road Infrastructure Network;
- d. Improvement of Access, Quality and Affordable Health Services;
- e. Promotion of Tourism including opening of new Conservancies and new Game Reserves; and
- f. Investment in Early Childhood Development, Youth and Women Empowerment, and Vocational and Technical Training.
- g. Promoting pro-poor development initiatives, building resilience of the communities to adapt to the adverse effects of climate change

45. The largest expenditure drivers in the Financial Year 2019/20 are Health Services Finance and Economic Planning, Roads and Public Works; Water and Irrigation; Agriculture Livestock, Veterinary and Fisheries.

46. Isiolo County's economy is however, heavily dependent on livestock production, commerce and tourism products. The County still is 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.

47. 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.

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

49. 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 have been one of the guiding principles in county resource allocations.

B. Implementation of the Financial Year 2019/20 Budget

50. County spending entities have already commenced the implementation of the financial year 2019/20 Budget. So far, the implementation of the Financial Year 2019/20 budget is progressing well despite initial challenges of the standoff between the Senate and the national Assembly on passing the Division of Revenue Act (DORA). Adequate measures have been taken to ensure that implementation of the budget is back on track and priority programmes are fully implemented. This includes directing departments to revise their annual work plans, cash flow plans and procurement plans. Implementation of priority programmes will be tracked and feedback given periodically.
51. Regarding internal revenue, the collection for the financial year 2019/20 is currently on track and we expect the trend to continue. The revenue returns by end August 2019 was Ksh.41Million this is slightly the same as the collection in a similar period in FY 2018/19. Even though the collection has improved compared to the past years, there is still need for re-evaluation of County Own Revenue collection strategies to contain leakages and improve efficiency in collection, implement austerity measures in expenditures, and revision of the budget in order to curb the widening of the current account deficit as it poses a serious threat to the implementation of County programmes.
52. The expenditure side recorded underperformance in both recurrent and development expenditures and this was caused by delays in accessing the money from national treasury as a result of the delay in passing both the division of revenue bill and the county allocation of revenue bill.

IV. MACROECONOMIC POLICIES AND OUTLOOK

A. Overview

53. The theme of the County Budget for the Financial Year 2019/20 is harnessing the big four agenda for sustainable social economic growth and development. In pursuit of the theme of the budget for financial year 2019/20, the County Government identified key development priority areas that will continue to affix 2019/20, budget theme. The broad macro-economic priorities that will affirm sustainable social economic growth and development are as outlined below:

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

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

55. Against this backdrop, the Macroeconomic Framework guiding the projections takes into account, the County Government's strategic objectives as outlined in the 2018-2022 CIDP,

Second Medium Term Plan (MTP) for the period 2018-2022 of Vision 2030 and the broad development policies of the National Government.

B. Medium Term Fiscal Framework

i. Fiscal Policy Objective

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

ii. Debt and Deficit Financing Policy

57. 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. The County currently has no debt to finance.

iii. Medium Term Fiscal Projections

58. In the medium term, the overall budget revenue and expenditure estimates are projected to balance as the government has taken measures to set realistic local revenue targets and also strictly adhere to budget lines.

iv. 2019/20 Budget Framework

59. The allocation for the Financial Year 2019/20 is as shown in table 4 below;

Table 4: Allocations for Financial Year 2019/20

SECTOR/ SUB SECTOR	RE APPROVED ESTIMATES FOR FY 2019/20	DE APPROVED ESTIMATES FY 2019/20	TOTAL APPROVED BUDGET ESTIMATES FY 2019/20
COUNTY ASSEMBLY	422,947,617.00	80,000,000	502,947,617
OFFICE OF GOVERNOR	301,737,492.00	-	301,737,492
CPSB	59,375,252.00		59,375,252
COUNTY SECRETARY	19,994,885.00	-	19,994,885
DELIVERY UNIT	8,024,000.00		8,024,000
DEPUTY GOVERNOR	25,000,000.00		25,000,000
COHESION	65,061,199.00		65,061,199
FINANCE	160,899,902.00	250,467,051	411,366,953
SPECIAL PROGRAMME	160,057,894.00	45,288,640	205,346,534
ECONOMIC PLANNING	62,535,239.00		62,535,239
LANDS	32,043,086.00	50,580,337	82,623,423
ROADS	12,001,117.00	180,866,549	192,867,666
PUBLIC WORKS& URBAN DEVELOPMENT	21,373,518.00	-	21,373,518
MUNICIPAL ADMINISTRATION	23,237,086.00	229,504,530	252,741,616
AGRICULTURE	50,191,138.00	234,608,427	284,799,565
LIVESTOCK	95,165,664.00	101,741,770	196,907,434
EDUCATION & VOCATIONAL TRAINING	216,321,378.00	54,562,377	270,883,755
YOUTH & SPORTS	16,359,826.00	133,000,000	149,359,826
CULTURE AND SOCIAL SERVICE	19,717,577.00	23,802,537	43,520,114
TOURISM	116,105,033.00	28,299,009	144,404,042
TRADE	20,256,862.00	15,581,925	35,838,787
PSM	139,307,540.00	13,700,420	153,007,960
WATER	62,353,668.00	125,924,560	188,278,228
ENVIRONMENT	29,560,668.00	28,896,047	58,456,715
HEALTH SERVICES	1,029,553,060.00	202,597,509	1,232,150,569
TOTAL	3,169,180,701.00	1,799,421,688.00	4,968,602,389

v. Outlook for the Financial Year 2019/20

60. There are still some expenditure in the budget for 2019/20 which are necessary in ensuring that the County government is fully operational and provides a stable administrative framework. Such as Construction of the headquarters by the Finance Department and ward administrative offices.
61. 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 2019/20 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.
62. In this regard, several austerity 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 2019/20.

vi. 2019/20 Budget Framework

Revenue Projections:

63. The Financial Year 2019/20 approved budget projects total revenue of Kshs 4,968,602,388. The original approved budget for FY 2018/19 was Kshs 4, 727, 633, 637, but the figure moved upwards to Ksh. 5,484 Million due to addition of balances from FY 2017/18 Ksh 418Milliom and additional conditional grants from National Government for Universal health Coverage of Ksh 283Million.
64. It should also be noted that the County Allocation of Revenue Act, 2019 further increased the counties equitable share by Ksh. 87.1 Million i.e. from Ksh.4, 154 Million to Ksh. 4,241.1 Million. The 2019/20 projected revenue sources will be as indicated in the table 5 below. The internal revenue is also expected to improve as the prospected reforms on revenue administration are anticipated to cede positive results.

Table 5: Revenue Projections- FY 2019/20 to 2022/23

ITEM	2017-18				2018-19				2019-20	2019-20	2020/21	2021/22	2022/23
	PRINTED ESTIMATES	ACTUALS	DEVIATION	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	PROJECTION	PROJECTION	PROJECTION	PROJECTION
EXTERNAL REVENUE ESTIMATES													
EQUITABLE SHARE	3,775,000,000	3,775,000,000	-	100%	3,925,000,000	3,925,000,000	-	100%	4,154,000,000	4,241,100,000	4,453,155,000	4,675,812,750	4,909,603,388
General Provisions (Equitable Share)	3,775,000,000	3,775,000,000	-	100%	3,925,000,000	3,925,000,000	-	100%	4,154,000,000	4,241,100,000	4,453,155,000	4,675,812,750	4,909,603,388
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT	280,870,017	136,747,275	-144,122,742	49%	555,800,518	246,841,687	-308,958,831	44%	255,692,197	255,692,197	262,253,184	269,142,220	276,375,708
Funds Received from Road Maintenance Levy Fund	130,230,858	107,066,100	-23,164,758	82%	103,341,833	77,506,374	-25,835,459	75%	120,386,438	120,386,438	126,405,760	132,726,048	139,362,350
Road levy fund b/F 2017/18					23,164,758	23,164,758	-	100%					-
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	3,514,477	42,016	101%	3,472,461	3,472,461	-	100%	3,472,461	3,472,461	3,472,461	3,472,461	3,472,461
Maternity Fund													
Supplement for Construction of County Headquarters	121,000,000	-	-121,000,000	0%	121,000,000	-	-121,000,000	0%	121,000,000	121,000,000	121,000,000	121,000,000	121,000,000
conditional allocation for development of youth polytechnic	26,166,698	26,166,698	-	100%	21,235,000	-	-21,235,000	0%	10,833,298	10,833,298	11,374,963	11,943,711	12,540,896
Universal Health Care(UHC)					283,586,466	142,698,094	-140,888,372	50%					
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	101,551,120	65,635,096	-35,916,024	65%	433,775,696	228,958,486	-204,817,210	53%	403,048,854	403,048,854	419,170,808	440,129,349	462,135,816
Current Grants from Foreign Governments Danida	13,678,677	8,824,953	-4,853,724	65%	12,656,250	12,656,250	-	100%	16,572,474	16,572,474	17,235,373	18,097,142	19,001,999
Kenya Devolution Support Programme (KDSP) World bank	36,113,321	36,113,321	-	100%	38,668,826	-	-38,668,826	0%	30,000,000	30,000,000	31,200,000	32,760,000	34,398,000
world bank loan to supplement financing of county health facilities	12,607,500	-	-12,607,500	0%									
world bank loan to supplement financing of county health facilities B/f from 2016/17	18,454,800	-	-18,454,800	0%									
world bank loan for transforming health systems	20,696,822	20,696,822	-	100%									
Climate Smart Agricultural Project					150,000,000	32,966,823	-117,033,177	22%	170,794,330	170,794,330	177,626,103	186,507,408	195,832,779
Food and Agriculture Organization of the United Nations- Livestock grant					9,023,720	-	-9,023,720	0%					
Sweden Agricultural Sector Development Support Programme(ASDSP)					22,028,970	8,020,256	-14,008,714	36%	18,540,513	18,540,513	19,282,134	20,246,240	21,258,552
Urban Support Project Development					93,968,100	93,968,100	-	100%	93,968,100	93,968,100	97,726,824	102,613,165	107,743,823
Urban Support Project-Recurrent					41,200,000	41,200,000	-	100%	8,800,000	8,800,000	9,152,000	9,609,600	10,090,080
World Bank Loan for Transforming Health Systems for Universal Care Project					66,229,830	40,147,057	-26,082,773	61%	64,373,437	64,373,437	66,948,374	70,295,793	73,810,583
GROSS COUNTY EXTERNAL REVENUE ESTIMATES	4,157,421,137	3,977,382,371	-180,038,766	96%	4,914,576,214	4,400,800,173	-513,776,041	90%	4,812,741,051	4,899,841,051	5,134,578,992	5,385,084,318	5,648,114,911
Balance from previous					418,661,449	418,661,449	0	100%					
INTERNAL COUNTY OWN REVENUE ESTIMATES													
RECEIPTS FROM ADMINISTRATIVE FEES AND CHARGES	3,240,000	4,192,078	952,078	129%									
other land revenue (Plot Application/Transfer/Sub-Division)	3,240,000	4,192,078	952,078	129%	1,240,000	1,681,954	441,954	36%	1,240,000	1,240,000	1,240,000	1,277,200	1,315,516
LAND RATES	18,597,075	2,856,584	-15,740,491	15%	8,597,075	15,184,306	6,587,231	77%	13,773,075	13,773,075	13,773,075	14,186,267	14,611,855
Land Rent & Rates -Current year	13,197,075	1,806,424	-11,390,651	14%	6,197,075	7,318,959	1,121,884	18%	7,197,075	7,197,075	7,197,075	7,412,987	7,635,377
Penalties Rent & Rates	1,000,000	736,565	-263,435	74%	1,000,000	582,642	-417,358	-42%	1,000,000	1,500,000	1,500,000	1,545,000	1,591,350
Land Rent & Rates – Arrears	4,400,000	313,595	-4,086,405	7%	1,400,000	7,282,705	5,882,705	420%	5,576,000	5,576,000	5,576,000	5,743,280	5,915,578
CESSES	18,020,712	13,439,821	-4,580,891	75%	15,708,175	15,988,055	279,880	2%	15,008,175	15,008,175	15,008,175	15,458,420	15,922,173
Livestock Auction	4,808,175	4,435,051	-373,124	92%	4,808,175	3,514,666	-1,293,509	-27%	3,808,175	3,808,175	3,808,175	3,922,420	4,040,093
Sand Cess Murrum	10,900,000	8,034,240	-2,865,760	74%	10,900,000	12,473,389	1,573,389	14%	11,200,000	13,200,000	13,200,000	13,596,000	14,003,880
other Cess (Produce Cess/Barter/ Murrum/Cheque Clearance)/(included tractor)2016/17	2,312,537	970,530	-1,342,007	42%	2,312,537	982,630	-1,329,907	-58%	2,312,537	2,312,537	2,312,537	2,381,913	2,453,371
OTHER MISCELLANEOUS RECEIPTS	22,743,749	10,910,255	-11,833,494	48%		138,915	138,915						
Miraa Export	3,918,156	1,198,625	-2,719,531	31%	3,918,156	2,336,050	-1,582,106	-40%	3,018,156	3,018,156	3,018,156	3,108,701	3,201,962

ITEM	2017-18				2018-19				2019-20	2019-20	2020/21	2021/22	2022/23
	PRINTED ESTIMATES	ACTUALS	DEVIATION	% PERFORMANCE	PRINTED ESTIMATES	ACTUALS	DEVIATIONS	% PERFORMANCE	PRINTED ESTIMATES	PROJECTION	PROJECTION	PROJECTION	PROJECTION
Miscellaneous Charges	1,500,000	-	-1,500,000	0%	1,500,000	1,078,359	-421,641	-28%	500,000	500,000	500,000	515,000	530,450
S.B.P Fees/Promotion	5,998,001	5,603,265	-394,736	93%	5,998,000	6,443,604	445,604	7%	4,098,001	6,598,001	6,598,001	6,795,941	6,999,819
Liquor License	800,000	2,422,000	1,622,000	303%	800,000	2,801,563	2,001,563	250%	3,800,000	4,200,000	4,200,000	4,326,000	4,455,780
Public Works/Other Charges	400,000	400,000	-	100%	400,000	290,000	-110,000	-28%	800,000	800,000	800,000	824,000	848,720
Stand Premiums	1,257,024	81,000	-1,176,024	6%	1,257,024	83,560	-1,173,464	-93%	857,024	857,024	857,024	882,735	909,217
Clearance & Consents	279,946	179,000	-100,946	64%	279,946	182,000	-97,946	-35%	279,946	279,946	279,946	288,344	296,995
Plot Transfer Approval	2,590,717	103,200	-2,487,517	4%	2,590,717	600,000	-1,990,717	-77%	2,590,717	2,590,717	2,590,717	2,668,439	2,748,492
Lease Extension	200,000	-	-200,000	0%	200,000	-	-200,000	-100%	200,000	200,000	200,000	206,000	212,180
Planning & Survey	1,636,000	-	-1,636,000	0%	1,636,000	-	-1,636,000	-100%	636,000	636,000	636,000	655,080	674,732
Livestock/Veterinary Inspection(meat)	1,864,000	844,665	-1,019,335	45%	1,864,000	1,551,180	-312,820	-17%	1,064,000	1,064,000	1,064,000	1,095,920	1,128,798
Weights and Measure	500,000	17,500	-482,500	4%	500,000	65,000	-435,000	-87%	500,000	500,000	500,000	515,000	530,450
Tractors Hire	999,905	61,000	-938,905	6%	999,905	211,395	-788,510	-79%	999,905	999,905	999,905	1,029,902	1,060,799
ATC	800,000	-	-800,000	0%	800,000	312,646	-487,354	-61%	800,000	800,000	800,000	824,000	848,720
GAME ENTRANCE(GATE, ROYALTIES, KATO)	88,130,130	63,886,444	-24,243,686	72%	70,130,130	97,477,182	27,347,052	39%	92,130,130	96,130,130	98,130,130	101,074,034	104,106,255
MARKET/TRADE CENTRE FEE	1,521,746	66,900	-1,454,846	4%									
market stalls rent -Kiosks & Stalls	1,521,746	66,900	-1,454,846	4%	1,521,746	124,400	-1,397,346	-92%	1,021,746	1,021,746	1,021,746	1,052,398	1,083,970
VEHICLEPARKING FEES	6,480,000	3,724,055	-2,755,945	57%	6,480,000	4,572,267	-1,907,733	-29%	6,480,000	6,480,000	6,480,000	6,674,400	6,874,632
street Parking Fees	6,480,000	3,724,055	-2,755,945	57%	6,480,000	4,572,267	-1,907,733	-29%	6,480,000	6,480,000	6,480,000	6,674,400	6,874,632
HEALTH FACILITIES OPERATIONS SERVICE FEES	16,049,190	9,302,638	-6,746,552	58%	16,049,190	7,842,485	-8,206,705	-51%	1,049,190	1,049,190	1,049,190	1,080,666	1,113,086
Hospital Cost Sharing	16,049,190	9,302,638	-6,746,552	58%	16,049,190	7,842,485	-8,206,705	-51%	1,049,190	1,049,190	1,049,190	1,080,666	1,113,086
SLAUGHTER HOUSES ADMINISTRATION FEES	1,993,353	1,285,350	-708,003	64%	1,993,353	1,436,440	-556,913	-28%	1,993,353	1,993,353	1,993,353	2,053,154	2,114,748
Slaughter Fees	1,993,353	1,285,350	-708,003	64%	1,993,353	1,436,440	-556,913	-28%	1,993,353	1,993,353	1,993,353	2,053,154	2,114,748
WATER SUPPLY ADMINISTRATION - METERED WATERCHARGE	2,376,000	-	-2,376,000	0%		10,000	10,000						
4%Water Levv s/WASCO	2,376,000	-	-2,376,000	0%	2,376,000		-2,376,000						
TECHNICALSERVICES FEES	3,709,382	22,500	-3,686,882	1%									
LIVESTOCK FISHERIES DEVELOPMENT BRANDINGFEE						16,630	16,630						
Building Plan Approvals	3,709,382	22,500	-3,686,882	1%	1,709,382	351,702	-1,357,680	-79%	709,382	709,382	709,382	730,663	752,583
GROSS INTERNAL REVENUEESTIMATES	182,861,337	114,130,920	-68,730,417	62%	150,861,337	161,767,323	10,905,986	7%	155,861,337	165,261,337	167,261,337	172,279,177	177,447,552
GROSS COUNTY REVENUEESTIMATES	4,340,282,474	4,091,513,291	-248,769,183	94%	5,484,098,999	4,981,228,946	-502,870,053	-9%	4,968,602,388	5,065,102,388	5,301,840,329	5,557,363,495	5,825,562,464

Source: County Treasury

65. Expenditure Forecasts: In Financial year 2019/20, overall approved expenditure estimate is projected at Kshs 4,968.6 Million. The revised approved estimates for FY 2018/19 was Ksh. 5,484 Million, this was an increase from the original budget of Ksh. 4,727 Million that had been approved in June 2019. The increment was due to a balance brought forward from FY 2017/18 of Ksh 418 Million and an increase in conditional grant from the National Government including grants for the UHC project.

I. **Recurrent expenditures** will amount to Kshs 3,169.1 Million (64 percent of total expenditure) 2019/20 compared with Kshs 3,624.21 Million (66 percent of total expenditure) in the Financial Year revised budget 2018/19. Expenditure ceilings on goods and services for sectors are based on funding allocation in the Financial Year 2018/19 budget as the baseline. The ceilings will be reduced to take into account one-off expenditures and then an adjustment factor will be applied to take into account the general increase in prices and acquisition of new assets for the new government. The wage bill is expected to stabilize at around 35 percent of total expenditure in the MTEF period 2019/20-2022/23 period.

II. **Development expenditure** is projected at Kshs 1,799.42 Million (36 percent of total expenditure). Compared with Kshs 1,859.8 Million (34 percent of total expenditure) in the Financial Year 2018/19 revised Approved Budget.

C. Risks to the Economic Outlook

66. Internally, public expenditure pressures particularly wage related recurrent expenditures, and revenue shortfalls continue to pose a fiscal risk. In addition, the revenue leakages, adverse weather conditions and impact of insecurity on tourism are anticipated to interrupt the economic environment and may slow down the implementation of the 2019/20 programmes.

67. In the event the above risks materialize; we shall revise again the macro economic framework and the Medium Term Sector Ceilings in the 2019/20 Budget.

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

V. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2019/20 Budget

69. Resource allocation and utilization in this Financial Year and in the medium term period is guided by the emerging priorities, County plans and the principles of PFMA, 2012 to ensure effective and efficient utilization of public resources. The sector allocations were informed by the County development goals as well as the people's aspirations as captured in the County Integrated Development Plan, 2018-22 and Public Consultation Forums' reports. The County goals are aligned to the goals and the objectives of the Second Medium Term Plan of Kenya's Vision 2030.
70. Considering the tight fiscal position and the assumptions underpinning the medium term fiscal framework for Financial Year 2019/20, we must contain expenditures by adhering to the fiscal responsibilities outlined in the Public Finance Management Act, 2012. The fiscal framework for Financial Year 2019/20 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.
71. County Departments/entities have just commenced the implementation of the Financial Year 2019/20 Budget. As we consider making any adjustments to the Financial Year 2019/20 Budget, we need to control additional/supplementary funding to areas of emergency in nature. Frequent changes in the budget during implementation stage are not in line with best practice. Such changes may be construed to mean that budgets are not credible. That is, budgets are not being planned well, implemented as planned or there are cases of policy reversal by the County Government.
72. The risks to the 2019/20 budget include weak internal controls and the medium term expenditure pressures with respect to the rising wage bill that is crowding out resources for essential services and economic development. In addition, implementation pace of development programmes continues to be a source of concern especially with regard to the delays due to recent political turbulences in the country. 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; 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.

73. 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 Construction of the Head Quarter, Construction of Isiolo Stadium, construction of the Isiolo Modern Market, storm water management in Isiolo Town,. The revenue sources of the county are critically low and savings must be made and the non-core spending areas to be used to fund these urgent projects.

B. Medium-Term Expenditure Framework

74. In view of the limited resources, we will continue to adjust non-priority expenditures to cater for the priority expenditures in all sectors. The County integrated development plan (2018-2022) and its annual development plan 2019/20 will continue to guide resource allocations.

75. 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 them 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 two polytechnics. Resources earmarked for these interventions are ring fenced over the medium term.

76. 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.

77. Dazzling the above medium-term expenditure framework, the table below provides the tentative projected baseline ceilings for the Financial Year 2019/20 – 2021/22 MTEF period

Table 6: Total Projected Expenditure Ceilings for the MTEF period 2019/20 to 2021/22

SECTOR/SUB SECTOR	APPROVED ESTIMATES FOR FY 2019/20			CBROP PROJECTED ESTIMATES FOR FY 2019/20			CHANGES RECURRENT AND DEVELOPMENT ESTIMATES IN		PROJECTION FOR FY 2020/21			PROJECTION FOR FY 2022/21		
	RE	DE	TOTAL	RE	DE	TOTAL	RE	DE	RE	DE	TOTAL	RE	DE	TOTAL
COUNTY ASSEMBLY	422,947,617	80,000,000	502,947,617	421,383,160	80,000,000	501,383,160	(1,564,457)	-	441,188,169	83,760,000	524,948,169	462,453,438	87,797,232	550,250,670
OFFICE OF GOVERNOR	301,737,492	0	301,737,492	303,537,492	-	303,537,492	1,800,000	0	317,803,754	-	317,803,754	333,121,895	-	333,121,895
CPSB	59,375,252		59,375,252	59,375,252		59,375,252	-	-	62,165,889	-	62,165,889	65,162,285	-	65,162,285
COUNTY SECRETARY	19,994,885	0	19,994,885	19,994,885	-	19,994,885	-	-	20,934,645	-	20,934,645	21,943,694	-	21,943,694
DELIVERY UNIT	8,024,000		8,024,000	8,024,000		8,024,000	-	-	8,401,128	-	8,401,128	8,806,062	-	8,806,062
DEPUTY GOVERNOR	25,000,000		25,000,000	25,000,000		25,000,000	-	-	26,175,000	-	26,175,000	27,436,635	-	27,436,635
COHESION	65,061,199		65,061,199	65,061,199		65,061,199	-	-	68,119,075	-	68,119,075	71,402,415	-	71,402,415
FINANCE	160,899,902	250,467,051	411,366,953	164,599,902	250,467,051	415,066,953	3,700,000	-	172,336,097	262,239,002	434,575,100	180,642,697	274,878,922	455,521,620
SPECIAL PROGRAM ME	160,057,894	45,288,640	205,346,534	160,057,894	45,288,640	205,346,534	-	-	167,580,615	47,417,206	214,997,821	175,658,001	49,702,715	225,360,716
ECONOMIC PLANNING	62,535,239		62,535,239	62,535,239		62,535,239	-	-	65,474,395	-	65,474,395	68,630,261	-	68,630,261
LANDS	32,043,086	50,580,337	82,623,423	32,043,086	50,580,337	82,623,423	-	-	33,549,111	52,957,613	86,506,724	35,166,178	55,510,170	90,676,348
ROADS	12,001,117	180,866,549	192,867,666	12,501,117	180,866,549	193,367,666	500,000	-	13,088,669	189,367,277	202,455,946	13,719,543	198,494,780	212,214,323
PUBLIC WORKS & URBAN DEVELOPMENT	21,373,518	0	21,373,518	21,373,518	-	21,373,518	-	-	22,378,073	-	22,378,073	23,456,696	-	23,456,696
MUNICIPAL ADMINISTRATION	23,237,086	229,504,530	252,741,616	27,237,086	229,504,530	256,741,616	4,000,000	-	28,517,229	240,291,243	268,808,472	29,891,759	251,873,281	281,765,040
AGRICULTURE	50,191,138	234,608,427	284,799,565	50,191,138	234,608,427	284,799,565	-	-	52,550,121	245,635,023	298,185,145	55,083,037	257,474,631	312,557,669
LIVESTOCK	95,165,664	101,741,770	196,907,434	95,165,664	101,741,770	196,907,434	-	-	99,638,410	106,523,018	206,162,083	104,441,018	111,658,072	216,099,096

SECTOR/SUB SECTOR	APPROVED ESTIMATES FOR FY 2019/20			CBROP PROJECTED ESTIMATES FOR FY 2019/20			CHANGES RECURRENT AND DEVELOPMENT ESTIMATES IN		PROJECTION FOR FY 2020/21			PROJECTION FOR FY 2022/21		
	RE	DE	TOTAL	RE	DE	TOTAL	RE	DE	RE	DE	TOTAL	RE	DE	TOTAL
									50	633		024		
EDUCATION & VOCATIONAL TRAINING	216,321,378	54,562,377	270,883,755	216,321,378	54,562,377	270,883,755	-	-	226,166,611	57,126,809	283,293,420	237,067,842	59,880,321	296,948,163
YOUTH & SPORTS	16,359,826	133,000,000	149,359,826	16,359,826	220,000,000	236,359,826	-	87,000,000	17,128,738	230,340,000	247,468,738	17,954,343	241,442,388	259,396,731
CULTURE AND SOCIAL SERVICE	19,717,577	23,802,537	43,520,114	20,782,033	23,802,537	44,584,570	1,064,456	-	21,758,788	24,921,256	46,680,045	22,807,562	26,122,461	48,930,023
TOURISM	116,105,033	28,299,009	144,404,042	116,105,033	28,299,009	144,404,042	-	-	120,561,970	29,629,062	150,191,032	126,373,056	31,057,183	157,430,240
TRADE	20,256,862	15,581,925	35,838,787	20,256,862	15,581,925	35,838,787	-	-	21,208,935	16,314,275	37,523,210	22,231,205	17,100,624	39,331,829
PSM	139,307,540	13,700,420	153,007,960	139,307,540	13,700,420	153,007,960	-	-	145,854,994	14,344,340	160,199,334	152,885,205	15,035,737	167,920,942
WATER	62,353,668	125,924,560	188,278,228	62,353,668	125,924,560	188,278,228	-	-	65,284,290	131,843,014	197,127,305	68,430,993	138,197,848	206,628,841
ENVIRONMENT	29,560,668	28,896,047	58,456,715	29,560,668	28,896,047	58,456,715	-	-	30,950,019	30,254,161	61,204,181	32,441,810	31,712,412	64,154,222
HEALTH SERVICES	1,029,553,060	202,597,509	1,232,150,569	1,029,553,060	202,597,509	1,232,150,569	-	-	1,077,942,054	212,119,592	1,290,061,646	1,129,873,324	222,343,756	1,352,217,080
TOTAL	3,169,180,701	1,799,421,688	4,968,602,389	3,178,680,700	1,886,421,688	5,065,102,388	9,499,999	87,000,000	3,326,756,821	1,975,083,507	5,301,840,329	3,487,080,963	2,070,282,532	5,557,363,495

C. Fiscal Risks

78. Despite the optimism, risks do remain. The County economy is still vulnerable to exogenous shocks as the current macroeconomic instability threatens the county economic stability. The macroeconomic management and performance of most of the sectors under the National Government have a ripple effect on how the County will perform.
79. The risks to the 2019/20 Financial Year's budget include challenges in revenue performance as the county continues to put structures in place, seal leakages and expand the revenue base. The current process of County restructuring, recruitment and rationalization of staff is expected to exert pressure on wage expenditures.
80. Adjustments to the 2019/20 budget will also take into account the pending bills from FY 2018/19, 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.

CONCLUSION AND WAY FORWARD

81. The fiscal outlook for the 2019/20-2021/22 MTEF period presented in this CBROP is developed by taking into account the key policy challenges facing the County economy. It is therefore marked by moderate growth in overall expenditure, taking into account the economic outlook and the need to maintain fiscal discipline in all levels of the County Government for maximum return from public resources. The policies, therefore, are broadly in line with the fiscal responsibility principles outlined in the PFM law.
82. Going forward, the set of policies outlined in this CBROP reflect the changing circumstances and are broadly in line with the County Integrated Development Plan. They ensure continuity in resource allocation based on prioritized programs that have been earmarked by the County to accelerate growth, Food security, employment creation and poverty reduction.
83. The policies and sector ceilings will guide all County spending units in preparation of the Financial Year 2020/21 budget. As budgetary resources are scarce, it is critical that County Sector Working Groups (CSWGs) prioritize their programmes within the available ceilings to ensure that use of public funds is in line with County Government priorities. There is also need to ensure that current resources are being utilized efficiently and effectively before more funding is considered for programmes. CSWGs needs to carefully consider detailed costing of Projects, Strategic Significance, Deliverables (output and outcomes), alternative interventions, administration and implementation plans
84. The 2020 County Fiscal Strategy paper (CFSP) will be finalized by the February, 28th 2020 deadline as per the budget calendar.

**ANNEX 1: BUDGET CALENDAR FOR THE FINANCIAL YEAR 2020/2021 MTEF
BUDGET**

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Preparation and Issuance of a circular setting out guidelines to be followed by all county government entities in the Budget process	County Treasury	30 August 2019
2. Launch of sector working groups	County Treasury	30 August 2019
3. Performance Review and Strategic Planning		
3.1 Review and update of strategic plans , previous Budget Programme outputs and outcomes	Line sectors Working Groups	24 August 2019
3.2 review of Programme expenditure performance and approval of projects for financial year 2020/21	Line sectors Working Groups	24 August 2019
3.3Preparation of Annual Development Plan by sectors and submission to County Treasury	Line Sectors Working Groups	27 August 2019
3.4 Preparation and approval of Annual Development Plan to County Assembly for approval	County Treasury	1 September 2019
4. Determination of Fiscal Framework		
4.1 Draft County Budget Review and Outlook Paper CBROP	County Treasury	15 September 2019
4.2 Submission of CBROP to the Executive Committee for Approval	County Treasury	30 September 2019
4.3 Submission of CBROP to the County Assembly for Approval	CEC member Finance	19 October 2019
4.4 Issue of guidelines for review of the 2019/20County budget (supplementary budget)	County Treasury	22 October 2019
5. Preparation of MTEF Budget Proposal		
5.1Retreat to Draft Sector Reports	Line Sector Working Groups	22 October to 10 November 2019
5.2Briefing of sector Chairperson and accounting officers on draft sector reports	Line Sector Working Groups	12 th November 2019
5.3Public Sector Hearing	Line Sector Working Groups	19 th -23 rd November 2019
5.4Review and incorporation of stakeholders inputs in the sector proposals	Line Sector Working Groups	30 th – November 2019
5.6Submission of Draft sector reports to County treasury	Sector chair persons (Cos)	10 th December 2019
5.7Consultative meeting of accounting officers, CEC Members chairperson of sector working groups on sector budget proposals	County Treasury	14 th December 2019
6. Draft County Fiscal Strategy Paper (CFSP)		
6.1 Finalize the draft County Fiscal Strategy Paper	Macro Working Group	30 th December 2019
6.2 Cabinet Retreat on finalization of the budget	Governor office	15 January 2020
6.3 Submission of County Fiscal Strategy paper (CFSP) to CEC for Approval	County Treasury	20 th February 2020
6.4 Submission of County Fiscal Strategy paper (CFSP) to County Assembly	County Treasury	28 th February 2020
6.5 Preparation and Submission of Debt Management Strategy of the County Government over the Medium Term to the County Assembly	County Treasury	28 th February 2020
7. Preparation and Approval of the Final Budget		
7.1 Develop and issue final guidelines on the preparation of final budget estimates to line sectors	County Treasury	15 th March 2020
7.2 Departmental Submission of budget proposals to County Treasury	Line Sectors Working Groups	30 th March 2020

ACTIVITY	RESPONSIBILITY	DEADLINE
7.3 Consolidation of the Final Budget Estimates	County Treasury	10 April 2020
7.4 Submission of budget Estimates to cabinet for approval	County Treasury	20 th April 2020
7.5 Submission of draft budget Estimates to Assembly for approval together with other documents	County Treasury	30 th April 2020
7.6 Review of budget estimates by the county assembly	County Assembly Committee	15 th April 2020
7.7 Report on draft budget by the county assembly	County Assembly Committee	20 th April 2020
7.8 Consolidation of the final budget estimates	County Treasury	30 th May 2020
7.9 Submission of appropriation bill to County Assembly	County Treasury	10 June 2020
8. Budget statement	CEC-Finance and Economic Planning	15 June 2020
8.1 Appropriation Bill passed	County Assembly	30 June 2020
8.2 Finance Bill passed	County Assembly	30 th June 2020
9. Budget implementation		
9.1 Preparation of the Annual Work plans for FY 2019/2020	Sectors	7 th May 2020
9.2 Preparation of procurement plans	Sectors	7 th June 2020
9.3 Preparation of cash flow projections	Sector	15 th June 2020