ISIOLO COUNTY GOVERNMENT

COUNTY FINANCE & ECONOMIC PLANNING

2018 COUNTY FISCAL STRATEGY PAPER

"SUSTAINABLE SOCIAL ECONOMIC GROWTH AND DEVELOPMENT"

2018

FOREWORD

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

The 2017 CFSP was prepared based on Promotion of Sustainable Social Economic Growth and Development. Its implementation is currently ongoing and it is expected to increase speed, protract broad-based economic growth and to change our county’s economy in line with the county transformative agenda and the vision 2030.

Significant progress has been made in the implementation of 2017/2018 budget so far; however some challenges have been encountered especially on the release of funds from national government and delayed movement to e-Procurement platform.

Similarly the local revenue collected has been recording a shortfall which has continued to impact negatively on our budget implementation. The local revenue collection stood at Ksh.54 Million in the first half of FY 2017/18.

CFSP, 2018 will emphasize on sustainable social economic growth and development. We will also continue building on the achievements so far made in most sectors and with the policies set out in the CFSP, 2017.

In pursuit of the 2018/19 budget theme, the County Government has identified key development priority areas from the County Integrated Development Plan(CIDP) and Annual Development Plan(ADP) that include: Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock; investment in Infrastructure development and expansion; investing in quality, affordable and accessible Health Services; Enhancing governance, transparency and accountability in service delivery through public participation; investing in Education, focusing on construction of more ECD structures, equipping of youth polytechnics and technical institutions as well as social development of the communities through social programs; Promotion of trade and industrial development for a rapidly industrializing economy and Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society.

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

The paper covers the following broad areas in review of the fiscal performance of financial year 2017/2018; highlights of the recent economic developments and the economic outlook; broad strategic priorities and policies for the Medium Term and the Medium Term Fiscal Framework. The fiscal framework presented in the paper ensures a sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives calls for greater transparency, effectiveness and efficiency in public financial management in order to ensure fiscal discipline

Mr. Mwenda Thiribi

CEC –Finance and Economic Planning.

CEC Finance
Isiolo County Government
P. O. Box 36
ISIOLO

ACKNOWLEDGEMENT

The County Fiscal Strategy Paper (CFSP) is envisaged to play critical role in influencing the pace at which the County's economy will grow. It provides a framework under which the County will deal with the key strategic priority issues and challenges in the next three years and beyond. It also outlines a summary of government spending plans as a basis for the 2018/19 budget.

The County would like to thank all the individuals who played various roles during the preparation of this County Fiscal Strategy Paper, CFSP. We are grateful for their inputs.

We especially acknowledge the dedication of core team of technical staff from the Department of Finance and Economic Planning.

This core team undertook the preparation task with the support and guidance of H.E The Governor, Deputy Governor, CECs and Chief Officers. The draft 2018 CFSP document was presented to the various institutions and members of the public for their inputs and direction.

Equally, my special thanks go to all who are not individually mentioned but took part in this exercise; you remain an asset to this county.

Mr. Yusuf Mohamed

Chief Officer - Finance and Economic Planning

ABBREVIATIONS AND ACRONYMS

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

TABLE OF CONTENTS

LIST OF TABLES

LEGAL BASIS FOR COUNTY FISCAL STRATEGY PAPER

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

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

COUNTY GOVERNMENT FISCAL RESPONSIBILITY PRINCIPLES

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

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

1: INTRODUCTION

1.1 OVERVIEW

The 2018, County Fiscal Strategy Paper (CFSP) is the first under the new administration led by H.E Gov. Dr Mohamed Kuti. It is in accordance with the requirements of Public Finance Management Act, 2012, section 117. The theme of the County Budget for the Financial Year 2018/19 is to promote sustainable social economic growth and development. Section 117(2) of the PFM Act requires the County Treasury to align its County Fiscal Strategy Paper with the National objectives in the Budget Policy Statement. The CFSP serves as a guide to the budgeting process and provides projections of the County's revenue, recurrent and development expenditures. It also examines the anticipated risks in the medium term, structural measures and strategic interventions required.

In pursuit of the theme of the budget for financial year 2018/19, the County Government has identified key development priority areas that cover;

(i) Enhancing food security, sustainability of livestock based livelihoods and commercializing of livestock

(ii) Investment in Infrastructure development and expansion i.e. Roads, Water Supply, Market development, Livestock and agriculture transformation for sustainable economic growth and development.

(iii) Investing in quality, affordable and accessible Health Services (i.e. preventative, curative and rehabilitative health care services).

(iv) Investing in Education, focusing on construction of more ECD structures and equipping of youth polytechnics, technical institutions as well as social development of the communities through social programs.

(v) Promotion of trade and industrial development for a rapidly industrializing economy.

(vi) Enhancing governance, transparency and accountability in the delivery of services.

(vii) Investment in conflict resolutions by promoting initiatives for peaceful and cohesive society where all have access to equitable share of resources;

(viii) Promotion of Public participation through involvement in decision making in order to enhance ownership and sustainability of development programs;

(ix) Investing in Energy, Environmental conservation, natural resource management, modern urban infrastructure and sustainable land management for socio economic development

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

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

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

1.2 Outline of the County Fiscal Strategy Paper.

The CFSP is organized as follows;

a. Chapter 1: Gives an introduction on the various laws governing the preparation of the CFSP, plus the fiscal responsibility principles governing the budgeting process.
b. Chapter 2: Outlines the economic context in which the 2018/19 MTEF budget is prepared. It provides an overview of the recent economic development and the macroeconomic outlook covering the national scene.
c. Chapter 3: Outlines the forward economic and fiscal policies and the budget framework for the county.
d. Chapter 4: Gives an analysis of strategic priorities and interventions. It also gives an analysis of the key priority sectors and interventions to be implemented.
e. Chapter 5: Provides fiscal policy and budget framework and it outlines the fiscal framework that is supportive of growth over the medium term while continuing to provide adequate resources to facilitate execution of policy priorities of the County government of Isiolo.
f. Chapter 6: Gives a detailed analysis of the MTEF. It presents the resource envelope and spending priorities of the proposed MTEF budget for the financial year 2018/19 and the medium term. It further provides the proposed sector ceilings and the baseline ceilings.

2: RECENT ECONOMIC AND FISCAL DEVELOPMENT

2.1 Economic and Fiscal Overview

2.1.1Global and regional Overview

The global economy is estimated to have further expanded in 2017. In 2016 the global economy expanded by 2.9 % compared to a revised growth of 3.1 per cent in 2015. Growth in advanced economies expanded by 2.1 per cent in 2016 compared to 1.9 per cent in 2015. The United States of America recorded a growth of 1.5 per cent in 2016 compared to 2.6 per cent in 2015, mainly due to weak exports, subdued investments and uncertainty surrounding the 2016 elections. Growth in China decelerated on account of slowed investment as the economy rebalanced towards services and consumption. In Japan, growth was boosted by private consumer spending, signaling improved consumer purchasing power after two years of contraction.

The IMF has indicated that global output is projected to increase to 3.8% in 2018 up from 3.6% in 2017 and 3.2 % in 2016 with notable upward surprises in Europe and Asia. Data from the IMF also shows that some 120 economies, accounting for three quarters of the world GDP have seen a pickup in growth in year on year terms in 2017, the broadest synchronized global growth upsurge since 2010.

In the advanced economies, growth is expected to pick up to 2.3 percent in 2018 and 2017, up from 1.7 percent in 2016. This forecast reflects the expectation that favorable global financial conditions and strong sentiment will help maintain the recent acceleration in demand, especially in investment with a noticeable impact on growth in economies with large exports. In addition, the U.S. tax reform and associated fiscal stimulus are expected to temporarily raise U.S. growth, with favorable demand spill over for U.S. trading partners especially Canada and Mexico

The Sub-Saharan Africa's real gross domestic product is estimated to have grown by 1.5 per cent in 2016 compared to 3.8 per cent growth registered in 2015.

2.1.2 National Economic Overview

Kenya's economy remained resilient in 2017 despite adverse weather conditions, a prolonged electioneering period as well as subdued credit growth to the private sector which combined to weaken growth in the first half of the year. Economic growth for 2017 is estimated at 4.8 percent from 5.8 percent in 2016 and is projected to bounce back to 5.8 percent in 2018.
The resilience in growth in 2017 was supported by the ongoing public sector infrastructure investments, recovery in the tourism sector and continued stable macroeconomic environment.

Consumer Price Index (CPI) increased from 183.05 points in December 2017 to 185.47 points in January 2018. The overall rate of inflation rose from 4.50 per cent to 4.83 per cent during the same period.

In January 2018, the Kenyan Shilling depreciated against the major trading currencies except for the US Dollar, the Ugandan shilling and the Tanzanian shilling. The average yield rate for the 91-day Treasury bills, which is a benchmark for the general trend of interest rates increased from 8.01 per cent in December 2017 to 8.04 in January 2018, while the inter-bank rate dropped from 7.27 per cent in December 2017 to 6.21 per cent in January 2018.

The Nairobi Securities Exchange (NSE) 20 share index increased from 3,711 points in December 2017 to 3,737 points in January 2018, while the total number of shares traded rose from 451 million shares to 862 million shares during the same period. The total value of NSE shares traded increased from Kshs 11.87 billion in December 2017 to Kshs 20.34 billion in January 2018.

Broad money supply (M3), a key indicator for monetary policy formulation, decreased from Ksh 3,028.14 billion in December 2017 to Kshs 3,020.85 billion in January 2018. Gross Foreign Exchange Reserves increased from Kshs 996.56 billion in December 2017 to Kshs 1,000.19 billion in January 2018. Net Foreign Exchange Reserves increased from Kshs 519.93 billion in December 2017 to Kshs 541.63 billion in January 2018.

The foreign exchange market has remained relatively stable supported by increased tea and horticultural exports, strong Diaspora remittances, and a continued recovery in tourism. The 12-month current account deficit stabilized at 7.0percent of GDP in December 2017 and is expected to narrow to below 6.0 percent of GDP in 2018 due to lower imports of food and lower imports in the second phase of SGR project.

Growth of the services sector accelerated from 5.0 percent in 2012 to 6.8 percent in 2016 supported by favourable performance of ICT, real estate, wholesale and Retail Trade, Transport and Storage and Accommodation and Restaurants. Accommodation and restaurants has been the fastest growing sector. It grew from 3.1 percent in 2012 to 13.3 percent in 2016 supported by the improved security situation that led to removal of travel alerts from major tourist originating countries.

The growth of the financial and insurance sector accelerated from 6.0 percent in 2012 to 9.4 percent in 2015 supported by reforms aimed at creating conducive business environment. However, the growth of the sector slowed down to 6.9 percent in 2016 and is estimated at 3.2 percent in 2017 partly due low banking sector credit to the private sector and a decline in the growth of interest income.

The industry sector grew from 3.5 percent in 2012 to 7.0 percent in 2015 supported by the construction sector as a result of public infrastructural development. The sector slowed down in 2016 and 2017 following subdued performance of the manufacturing and electricity and water supply sectors.

Over the medium term, growth is projected to average around7.0percent due to investments in strategic areas under “The Big Four” Plan, namely: increasing the share of manufacturing sector to GDP; ensuring all citizens enjoy food security and improved nutrition by 2022;

expanding universal health coverage; and constructing at least five hundred thousand (500,000) affordable housing units. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth.

Kenya is ranked favourably in the ease of doing business and as a top investment destination. In 2017, the World Bank's Doing Business Report, ranked Kenya third in Africa in the ease of doing business after Rwanda and Mauritius, as the country moved up 12 places to position 80. Further, in September 2017, Standard and Poor's Global Ratings affirmed Kenya's short and long term foreign and local currency sovereign credit rating at B+/B citing Kenya's strong growth prospects which will facilitate fiscal consolidation.

2.1.3 National Fiscal Overview

Implementation of the FY 2017/18 budget is on course although performance is lagging behind targets. In the first half of the year, revenue collection lagged behind targets due to the under performance of the main revenue tax heads. On the other hand, there have been elevated expenditures pressures as a result of the adverse spill over effects of the prolonged drought, the repeat of the Presidential Elections and salary demands by Universities Staff and Health Workers.

By end of December 2017, total cumulative revenues including A-I-A collected amounted to Ksh 709.4 billion (equivalent to 8.1percent of GDP) against a target of Ksh 777.7 billion (8.8 percent of GDP). The recorded shortfall of Ksh 68.3 billion was due to under performance of the ordinary revenues by Ksh 44.8 billion and the ministerial A-I-A by Ksh 23.5 billion. The shortfall in ordinary revenue was on account of underperformance in all the broad categories of ordinary revenues.

Total expenditures amounted to Ksh 907.0 billion against a target of Ksh 1,029.3 billion falling below target by Ksh 122.3 billion at the end of December 2017. The shortfall was due to lower than projected disbursements to County Governments due to the delayed enactment of the County Allocation of Revenue Act as well as below target absorption of development expenditures despite the faster spending in the recurrent expenditures by the National Government. Recurrent expenditure amounted to Ksh 647.0 billion against a target of Ksh 616.2 billion, representing above target spending of Ksh 30.8 billion. The faster-spending was mainly recorded in operations and maintenance which accounted for Ksh 35.6 billion and higher than programmed domestic interest payments of Ksh 17.6 billion.

2.2 County Economic and Fiscal Overview

2.2.1 County Economic Overview

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

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

2.2.2 County Fiscal Overview

The revised Approved Budget for the Financial Year 2017/18 amounts to Kshs.4, 340,282, 474, with Kshs. 2,765,692,084 (63.72 percent) allocated for recurrent expenditure and Kshs. 1,574,590,390 (36.28percent) for development expenditure.

2.2.2.1 County Revenue Analysis

In order to finance the budget for the Financial Year 2017/18, the County Government is expected to receive the following total revenue as shown in the table below.

Table 1 2017/18 Supplementary 1 Expected Revenue

ITEM	TITLE	2017/19 REVISED ESTIMATES	Percentage (%)
	REVENUE BUDGET		
A	**EXTERNAL REVENUE ESTIMATES**		
	EQUITABLE SHARE	**3,775,000,000**	**86.98**
	General Provisions (Equitable Share)	3,775,000,000	86.98
	CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT	**280,870,017**	**6.47**
	Funds Received from Road Maintenance Levy Fund	130,230,858	3.00
	Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	0.08
	Medical equipment	-	0.00
	Free Maternity Fund	-	0.00
	Supplement for Construction of County Headquarters	121,000,000	2.79
	conditional allocation for development of youth polytechnic	26,166,698	0.60
	CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	**101,551,120**	**2.34**
	Current Grants from Foreign Governments Danida	13,678,677	0.32
	Kenya Devolution Support Programme (KDSP) World bank	36,113,321	0.83
	world bank loan to supplement financing of county health facilities	12,607,500	0.29
	world bank loan to supplement financing of county health facilities **B/f from 2016/17**	18,454,800	0.43
	world bank loan for transforming health systems for universal care project	20,696,822	0.48
B	**GROSS INTERNAL REVENUE ESTIMATES**	**182,861,337**	**4.21**
	GROSS COUNTY EXTERNAL REVENUE ESTIMATES	**4,340,282,474**	**100.00%**

Revenue Received from exchequer as at 31st December 2017

In the first half of financial year 2017/18, the County received Ksh. 995,808,597 comprising of Ksh 941,839,326 from the National Government as a direct transfer to the County Revenue Fund Account and 53,969,271 rose from local sources. The table 2 below provides a summary of the revenues received from the National Government during the first half of the financial year 2017/18.

Table 2: Direct Transfers from National Government

Revenue Source	Revised Approved Budget Kshs	Actual Cumulative Receipts Kshs
Equitable Share (Exchequer Releases)	3,775,000,000	**868,250,000**
General provisions (equitable shares)	3,775,000,000	868,250,000
Transfers From National Government Entities	280,870,017	
Transfers from Central government entities		
Transfer from Ministry of Health	3,472,461	
Conditional allocation for development of youth polytechnic	26,166,698	-
Funds received from road maintenance levy	130,230,858	60,736,583.00
Supplement for construction of county headquarters	121,000,000	
Total		
Grants Received From Bilateral Donors (Foreign Governments)		
Grants Received From Multilateral Donors (International Organizations)		
Current grants from foreign governments(DANIDA)	13,678,677	8,824,953
World Bank	0	
Kenya Devolution support programme (KDSP)	36,113,321	
World Bank loan to supplement financing of county health facilities	12,607,500	20,696,822
World Bank loan to supplement financing of county health **facilities (B/F from FY 2016/17)**	18,454,800	
Local Revenue	182,861,337	53,969,271
Total Kshs	**4,340,282,474**	**995,808,597**

The total supplementary 1 revenue estimate for fiscal year 2017/18 is Kshs. 4,340,282,474 these includes Kshs. 182,861,337 from local revenue sources, Kshs.3,775,000,000 equitable share of revenue from National Government, Kshs. 280,870,017 additional conditional allocations from National Government, Kshs 101,551,120 conditional allocation from development partners from loans and grants to County Government.

The table 3 below provides a summary of the local revenue collected against the target during the half of financial year 2017/18.

Table 3: Local Revenue Collection Performance in the First half year of Financial Year 2017/18

No.	Revenue Stream	Targeted Receipts (Ksh.)	Actual Receipts (Ksh.)	Revenue Performance (%)
1	Sand	5,450,000	3,416,740	63%
2	Livestock Auction	2,404,088	1,645,140	68%
3	Miraa Export	1,959,078	531,710	27%
4	Produce Cess/Barter/Murram/Cheque Clearance	1,156,269	532,830	46%
5	Property Taxes 1.Land Rent & Rates - Current 2.Land Rent & Rates - Arrears	- 6,598,538 2,200,000	- 554,331 506,100	 8% 23%
6	3.Penalties Rent & Rates	500,000	541,744	108%
7	Stand Premiums	628,512	-	0%
8	Plot Application/Transfer/Sub-Division	1,620,000	347,000	21%
9	Clearance & Consents	139,973	60,000	43%
10	Plot Transfer Approval	1,295,359	72,200	6%
11	Lease Extension	100,000	-	0%
12	Planning & Survey	818,000	-	0%
13	Kiosks & Stalls	760,873	66,900	9%
14	Miscellaneous Charges	-	-	
15	Other Miscellaneous Charges (Ground Rent)	750,000	1,615,016	215%
16	Parking Fees / Bus Park	3,240,000	2,018,100	62%
17	S.B.P Fees/Promotion	2,999,001	1,520,145	51%
18	Slaughter Fees	996,677	640,780	64%
19	4%Water Levies Iwasco	1,188,000	-	0%
20	Public Works /Other Charges	200,000	524,000	262%
21	Building Plan Approvals	1,854,691	17,500	1%
22	Liquor Licence	400,000	-	0%
23	Hospital Cost Sharing	8,024,595	1,693,925	21%
24	Livestock/Veterinary	932,000	285,740	31%
25	Tractor Hire	499,953	31,000	6%
26	Agriculture Training Centre	400,000	-	0%
27	Weights And Measures	250,000	-	0%
28	Game	-	-	
29	Game Entrance & Royalties	44,065,065	37,348,370	85%
	Grand Total	**91,430,669**	**53,969,271**	**59%**

The local revenue raised during the first half of the financial year 2017/18 was Ksh 53,969,271 compared to Ksh 58,136,757 collected in the first half of the financial year 2016/17. This shows an overall decrease of 7 percent in the total local revenue realised. Overall all revenue sources reflected a decline except public works and ground rent.

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

	Revenue Source	Actual Receipts in the first half of 2016/17 (Ksh.)	Actual Receipts in the first half of 2017/18 (Ksh.)	Deviation
1	SBP & Promotions Fee	780,560	1,520,145	739,585
2	Agri. Produce Cess/Barter/Market Entrance/Tractor	0		0
3	Livestock Cess	1,430,623	1645140	214,517
4	Sand Cess	3,121,000	3,416,740	295,740
5	Miraa Cess	855,770	531,710	-324,060
6	Clearance & Consent	108,004	60,000	-48,004
7	Tender Doc Sales	0	0	0
8	Water Connection Fee	0	0	0
	Water Levies	806,723	0	-806,723
9	Murram Cess	506,380		-506,380
10	Parking Fee	2,232,360	2,018,100	-214,260
11	Slaughter Fee	691,880	640,780	-51,100
12	Hides & Skin	0	0	0
13	Land Rates & Rents	5,091,464	1,602,175	-3,489,289
14	Plot transfer/ Subdivision/ Registration/ Approval/Application	1,278,300	347,000	-931,300
15	Lease Extension	0	0	0
16	Physical Planner	0	0	0
17	Planning & Survey Fee	0	0	0
18	Building Approval	40,390	17,500	-22,890
19	Stand Premium	22,000	0	-22,000
20	Market stalls/Kiosks	85,550	0	-85,550
	Other Sectors			0
21	Hospital	5,788,287	1,693,925	-4,094,362
22	Liquor Application	22,000	0	-22,000
23	Fisheries	0	0	0
24	Public Health	0	0	0
25	Livestock/Veterinary/Meat Inspection	328,740	285,740	-43,000
26	Rent/Hire/Tractor Hire	0	31,000	31,000
27	Movement permit	0	0	0
28	Weight and Measures	0	0	0
29	Game collection	34,946,726	37,348,370	2,401,644
	Grand Total	**58,136,757**	**53,969,271**	**-4,167,486**

2.2.2.2 County Expenditure Analysis

The County spent a total of Ksh. 1,022,023,392 during the first half of financial year 2017/18 against approved budget of Ksh. 4,340,282,474 which represents an absorption rate of 24 percent of the total funds released for recurrent and development. This is an absolute decline in comparison to similar period of financial year 2016/17 which was 72.97 percent of the total funds released. A total of Ksh793, 600, 819 was spent on recurrent activities. While total of Ksh 49.5 Million was spent on development in the first half financial year 2017/18.

The recurrent expenditure for the period under review represented 33 percent of the approved annual recurrent budget; the rate spent was 65% in a similar period of financial year 2016/17. Development expenditure recorded an absorption rate of 3 percent, a drop from 6 percent (County) spent in a similar period of financial year 2016/17.

Recurrent Expenditure Analysis

The total recurrent expenditure during the review period (first half of the financial year 2017/18) was Ksh 785,120,509 against a total budget of Ksh 1,228,431,054 representing absorption rate of 65 percent. The table 5 below provide the analysis of recurrent expenditure and budget absorption rate by sectors.

Table 5: Recurrent Expenditure Analysis by Sector for the first half of the financial year 2017/18

Approved Recurrent Budget for First half of Financial Year 2017/18	Approved Recurrent Budget for First half of Financial Year 2017/18	Actual Recurrent Expenditure for First half of Financial Year 2017/18	Absorption Rate (%)
County Assembly Services	194,276,820	157,404,659	81
Governor County Executive	201,326,721	108,620,177	46
Finance and Economic planning	144,894,380	109,230,988	75
Land, Roads, Urban planning, Housing and Public works	27,924,814	16,510,206	59
Agriculture, Livestock, Veterinary and Fisheries	68,735,749	56,793,739	83
Cohesion ,Intergovernmental Relation, Aid Coordination, Disaster management and Climate change	52,325,000	8,480,310	16
Education, Vocational Training, Youth, Sports and Gender	51,285,000	40,316,033	79
Tourism, culture and social services	74,012,250	52,301,861	71
County Administration ,Public service management and ICT	32,453,060	11,609,401	36
Water, Irrigation, Energy, Environment and natural resources	41,433,343	29,399,129	71
Health services	489,518,788	349,479,514	71
Trade, Industrialization, Cooperative and Enterprises Development	8,203,948	7,373,192	90
Town Admin Town Administration Board	6,093,001	3,486,269	57
Total	1,228,431,054	793,600,819	65

Development Expenditure Analysis

The total development expenditure during the review period (first half of the financial year 2017/18) was Ksh 79,498,224 against a total budget of Ksh **762,508,668** representing absorption rate of 6 percent. The table 6 below provides the analysis of development expenditure during the first half of the financial year 2017/18.

Table 6: Development Expenditure Analysis by Sector for the first half of the financial year 2017/18

Sector	Approved Development Budget for first half of Financial Year 2017/18	Development Expenditure	Absorption Rate (%)
County Assembly Services	78,706,966	29,973,975	38
Governor County Executive	144,000,000	35,300,000	25
Finance and Economic planning	129,750,000	13,012,680	10
Land, Roads, Urban planning, Housing and Public works	72,615,429	-	0
Agriculture, Livestock, Veterinary and Fisheries	60,278,540	-	0
Cohesion ,Intergovernmental Relation, Aid Coordination, Disaster management and Climate change	16,000,000	-	0
Education, Vocational Training, Youth, Sports and Gender	44,583,349	-	0
Tourism, culture and social services	16,000,000	-	0
County Administration ,Public service management and ICT	10,000,000		0
Water, Irrigation, Energy, Environment and natural resources	67,512,500	1,211,569	2
Health services	96,348,411	-	0
Trade, Industrialization, Cooperative and Enterprises Development	11,500,000		0
Town Admin Town Administration Board	40,000,000	-	0
Total	**787,295,195**	**79,498,224**	**10%**

3. FORWARD ECONOMIC AND FISCAL DEVELOPMENTS

3.1 National Forward Economic and Fiscal Development

The fiscal policy stance over the medium term aims at supporting rapid and inclusive economic growth, ensuring a sustainable debt position and at the same time supporting the devolved system of Government for effective delivery of services. The fiscal policy also indicates Kenya's deliberate convergence path towards the East African Community Monetary Union Protocol's fiscal targets. That is, the EAC targets of a fiscal deficit ceiling including grants of 3 percent of GDP and excluding grants 6 percent of GDP.

The fiscal policy underpinning the FY 2018/19 budget and MTEF will sustain the revenue projections in line with recent mobilization trends in order to maintain fiscal predictability. Revenue is projected to increase from 18.3percent of GDP in FY 2016/17to 19.2percent of GDP in FY 2020/21.

In an effort to boost domestic revenue mobilization, the Government is going to undertake a combination of policy and administrative reforms to bolster revenue yields going forward. These efforts will reverse the revenue losses experienced in the recent past where ordinary revenues have declined about 1.0 percent of GDP from 18.1 percent in FY 2013/14 to 17.1 Percent in FY 2016/17.In the medium term, ordinary revenues are projected to increase to 17.7 percent of GDP in FY 2020/21 from 17.1 percent of GDP in FY 2017/18. The additional resources are expected to support the fiscal consolidation program and bring the fiscal deficit down to 3.0 percent of GDP by FY 2021/22 from the projected 7.2 percent of GDP in FY 2017/18.

Total expenditures and net lending is projected to decline from 26.8percent of GDP in FY 2017/18 to 25.5 percent of GDP in FY 2018/19 and 22.5percent of GDP in FY 2021/22. This takes into account the Government's efforts to increase the efficiency, effectiveness, transparency, and accountability of public spending, in order to ensure that there is sufficient fiscal space for priority social and investment projects.

The overall fiscal deficit inclusive of grants is therefore projected to decline from 9.1percent of GDP in FY 2016/17 to 7.2percent of GDP in FY 2017/18, 6.0 percent in FY2018/19 and Further to 3.0 percent of GDP by FY 2021/22. Excluding expenditures related to the SGR, the deficit declines from 7.5percent of GDP in FY 2016/17to 6.5percent of GDP in FY 2017/18 and 2.5 of GDP by FY 2021/22.The lower deficit reflects the projected completion of key infrastructural projects being implemented by the Government, enhanced revenue collection and prudent public spending.

3.2 County Forward Economic and Fiscal Development

3.2.1 County Forward Economic Development

For more than 50 years, the policy makers considered the County as being of low potential and were ignored. The post-independence successive governments' neglects led to acute economic and social underdevelopment in the region. The lack of infrastructural development closed the region from the rest of the country and escalated marginalization that bred other forms of conflagration such as cattle rustling and insecurity. It is with advent of the devolved system of government that the County is put on a new development trajectory.

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

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

The County is also a host to key National flagship projects such as the LAPSSET corridor, the proposed resort city, the international airport, oil refinery, pipeline, railway station and an international abattoir. These projects are expected to spur rapid economic growth and transform the County to an economic hub.
Isiolo County has a huge renewable energy potential. Preliminary wind resource assessment shows that wind regime enjoys wind speeds ranging from 8 to 14 meters per second. The County therefore has a potential to produce over 150 megawatt (MW) of wind power for sale to the national grid.

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

The tourism industry in the County is expected to be very vibrant with the proposed development of the resort city. The resort city will attract lucrative investment opportunities which include construction of international hotel chains, investment in conference facilities, international standard performance venues and entertainment facilities such, clubs, casinos, amusement parks, art galleries, museums, jet skiing and golf courses.
Livestock production accounts for 12 percent of the national GDP and over 40 percent of these livestock is found in the County. With the completion of the world-class abattoir with a capacity to slaughter 1000 sheep and goats, 300 cows and 100 camels daily, the County is set

to be the leading livestock products exporter in Kenya. This is expected to spur growth in related industries such as animal feeds, tanneries and leather processing plants which will contribute immensely to economic growth.

3.2.2 County Fiscal Overview

3.2.2.1 County Revenue Analysis

In order to finance the budget for the Financial Year 2018/19, the County Government is expected to receive from National Equitable share Ksh 3,925,000,000 Medical equipment worth Ksh.200, 000,000, Fuel Levy worth Ksh. 103,341,833, Rehabilitation of Polytechnics worth Ksh. 21,235,000 and User Fee Foregone worth Ksh. 3,472,461 from the National Government transfers.

The County is further expected to receive grants worth Ksh. 361,523,006. The Local Revenue was however projected at Ksh. 150, 861,337.The table 1 below provides a summary of the revenue projections.

Table 7: Summary of Revenue Projections

Revenue Source	Amount(Ksh)	Percentage
National Equitable Share	3,925,000,000	83
Conditional Grants		
Supplement to construction of County Head Quarters	121,000,000	3
Fuel Levy	103,341,833	2
Rehabilitation of village Polytechnics	21,235,000	0.45
User Fee Foregone	3,472,461	
Donor Funds		
Universal health care in devolved system program (DANIDA)	12,656,250	0.27
Transforming Health System for universal health care (WB)	66,229,830	1
Climate Smart Agricultural Project(WB)	150,000,000	3
Urban Support Project(WB)	93,968,100	2
Urban Support Project(WB)-Dev	41,200,000	
Kenya Devolution Support Project(WB)	38,668,826	1
Local Revenue	150,861,337	3
Total	**4,727,633,637**	**100**
leasing of Medical Equipment	**200,000,000**	**Deducted at source**

4: STRATEGIC PRIORITIES AND INTERVENTIONS

4.1 Overview

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

4.2 Livestock and Crop Productivity

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

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

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

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

i. allocating enough funds for the livestock sub-sector
ii. purchasing vehicles to facilitate movement of technical staff
iii. promoting cohesion among the neighboring communities
iv. employing and deploying technical staff to the sub-counties
v. coming up with mitigation measures to curb the effects of drought and floods
vi. Developing an efficient livestock marketing system that capitalize the full potential of the livestock economy

On crop productivity, the budget will focus on;

i. Provision of subsidized seeds and fertilizer to farmers;
ii. Support of existing irrigation projects and creation of more irrigation projects
iii. Agricultural Mechanization that will increase efficiency and reduce production costs

iv. Up scaling of Capacity Buildings Programmes for farmers through extension services.

4.3 Developing both Surface and Underground Water Sources

The County government recognizes that 80 percent of the inhabitants lack access to clean and safe water within five kilometers reach. 73 percent of the rural areas rely on water sources that are unsafe and are about 25 kilometers of reach during the dry season. Further, the livestock walking distance without stress is estimated at 10 kilometers yet 74 percent of pastoralist walk over 25 kilometers to the nearest water sources during the dry season.

The main challenges experienced in the sector include;

i. Delay in procurement due to challenges of the e-procurement system.
ii. Inadequate technical personnel for design and supervision of projects
iii. Inadequate financing
iv. Frequent breakdowns of existing and dilapidated water supplies.
v. Inadequate community capacity to run and manage the completed water projects
vi. Frequent droughts that constrain the allocated resources due to emergencies that require emergency interventions such as water trucking and borehole breakdown repairs

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

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

4.4 Access to Quality and Affordable Health Services

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

County Health indicators remain alarming with the leading cause of mortality being HIV/AIDS at 4.2 percent and Gunshots at 13.4 percent. Maternal Mortality rate currently stands at 48 deaths per 1,000. Less than 5 Mortality rate is at 56 deaths per 1000 live births. Infant Mortality rate is 43 per 1000 live births. Neonatal Mortality rate is 31per 1000 births.

The budget for financial year 2017/18 will focus on reversing the rising burden of communicable and non-communicable conditions by minimizing the health risks through:

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

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

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

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

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

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

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

According to the 2009 population census, 79 percent of County's population is under 35 years of age. Youth (using the term to include those between 15 and 35 years of age) number 49,063 or about 34 percent of the population. Due to high levels of unemployment, most of them are idle and not engaged in any productive and gainful activities.

The challenges specific to Early Childhood Development include:

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

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

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

i. **Youth Training**

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

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

ii. **Youth Talent Search**

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

iii. **Youth and Environment**

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

iv. **Youth Crime and Drugs**

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

4.7 Tourism Promotion

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

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

i. Infrastructure improvement in the parks including park roads and staff houses;
ii. Diversification of tourism products e.g. culture, sport, film shooting, and bird shooting;
iii. Promotion of community wildlife conservancies;

iv. Promotion of Bisanadi Game Reserve; and
v. Marketing of the tourism products both locally and internationally.

4.8 Finance and Economic Planning

The County government recognises provision of better working conditions for its personnel and revenue enhancements are very critical and are very important to be left out. This budget will seek to invest in construction of county headquarters and Isiolo market for it to make savings from office rent and revenue enhancement for positive contribution to society.

4.9 Administration and Public Service Management

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

4.10 County Assembly

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

5: FISCAL POLICY AND BUDGET FRAMEWORK

5.1 Overview

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

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

5.2 Fiscal Policy Framework

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

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

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

5.2.1 Observing Fiscal Responsibility Principles

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

The ratio of development to recurrent expenditure will be at least 30:70 over the medium term, as set out in the law. In order to address the risks associated with wage bill and other operational and expense crowding out development, the proportion will be managed in a manner that it should decrease or remain constant as the total expenditure increases. To ensure that the County Government get competitive rates for goods and services from its suppliers, payments shall be made on timely basis to forestall confidence and creditworthiness.

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

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

5.2.2 Fiscal and Public Financial Management Reforms

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

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

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

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

5.3 Budget Framework for 2018/19

The budget framework for financial year 2018/19 targets strategic priorities outlined in the Annual Development Plan for financial year 2018/19 and County Integrated Development Plan 2018-2022. The County Government will continue to re-direct most of its expenditure from non-core recurrent items to finance development activities. During the medium term, the County government will continue to diversify its revenue sources with great emphasis on developing new revenue streams. Public Private Partnerships (PPPs) will be encouraged in order to create fiscal space, which is important for development.

Total projected County revenue is expected to increase from Kshs 4,340,282,474 in the financial year 2017/18 to Kshs. 4,727,633,637 representing a 9 percent increase. The table 8 below shows the County Fiscal Projections over the medium term.

Table 8: County Fiscal Projections for Financial Year 2018/19 – 2020/21

Total revenue		**CFSP 2018**		
	FY 2017/18 Approved Budget	**Estimates For FY 2018/19**	**Projection For FY 2019/20**	**Projection For FY 2020/21**
Equitable Share from National Government	3,775,000,000	3,925,000,000	4,356,750,000	4,835,992,500
Construction of HQ	121,000,000	121,000,000	134,310,000	149,084,100
Fuel Levy	130,230,858	103,341,833	114,709,435	127,327,472
User forgone Fees	3,472,461	3,472,461	3,854,432	4,278,419
rehabilitation of Youth Polytechnic	26,166,698	21,235,000	23,570,850	26,163,644
loans and grants(Danida and world bank)	13,678,677	12,656,250	14,048,438	15,593,766
Transforming Health System for universal health care	20,696,822.00	66,229,830	73,515,111	81,601,774
Climate Smart Agricultural Project	0	150,000,000	166,500,000	184,815,000
Urban Support Project-Development	0	93,968,100	104,304,591	115,778,096
Urban Support Project-Recurrent		41,200,000	21,600,000	21,600,000
Kenya Devolution Support Project	36,113,321.00	38,668,826	42,922,397	47,643,861
World Bank Loan to supplement financing of county facilities	12,607,500	-	-	-
Balance B/f	18,454,800	-	-	-
Local Revenue	182,861,337	150,861,337	202,020,000	224,242,200
Total Revenue	**4,340,282,474**	**4,727,633,637**	**5,236,505,253**	**5,812,520,831**
Lease of Medical Equipment's		200,000,000	200,000,000	200,000,000
Total Expenditure		**4,727,633,637**	**5,236,505,253**	**5,812,520,831**
County Assembly				
Recurrent Expenditure	**388,553,640**	**415,284,815**	**418,376,215**	**449172055.9**
Operation and Maintenance	192,496,705	290,699,371	222,581,554	231,484,816
Personnel Emoluments	196,056,935	124,585,443	195,794,653.60	203,626,439.74
Development Expenditure	**157,413,932**	**75,000,000**	**78,000,000**	**81,120,000**

Total revenue		CFSP 2018		
	FY 2017/18 Approved Budget	**Estimates For FY 2018/19**	**Projection For FY 2019/20**	**Projection For FY 2020/21**
	545,967,572	**490,284,815**	**509,896,208**	**530,292,056**
County Executive				
Recurrent Expenditure	**2,377,138,444**	2,854,211,950	2,529,949,246	2,631,147,216
Operation and Maintenance	953,302,524	1,873,421,687	1,873,421,687	1,873,421,687
Personnel Emoluments	1,597,033,613	1,873,421,687	1,873,421,687	1,873,421,687
Development Expenditure	1,417,176,458	1,873,421,687	1,873,421,687	1,873,421,687
Total	**4,340,282,474**	**4,727,633,637**	**4,916,738,982**	**5,113,408,542**

5.3.1 Revenue projections

The budget estimate for the financial year 2018/19 projects a total revenue target of Kshs 4,727,633,637 which is a 9 percent increase on revenue from the revenue projection from financial year 2017/18. The revenue allocation from the national equitable share is projected to increase from Kshs. 3,775,000,000 in the financial year 2017/18 to Kshs.3, 925,000,000 in the financial year 2018/19 representing 11 percent increase. The local revenue target is expected to be Ksh 150,861,337.

The inability to collect the projected local revenue targets over last three years has resulted to shortfall of funds for financing planned projects/activities. The main cause of shortfall in local revenue is attributed to the continued slump in the tourism sector due to insecurity issues and revenue leakages. Table 8 below shows the targets and realized revenues trends for the last three years that could be used as baseline ceilings for 2018/19.

Table 9: Analyis of the Local Revenue Collection from Financial Year 2013/14 to Financial Year 2017/18 first half

Revenue Source	Financial Year 2013/14		Financial Year 2014/15		FY 2015/16		FY 2016/17		First half of FY 2017/18	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Local Revenue in (Million)	360	125	452	133	360	116	250	58.14	90	54

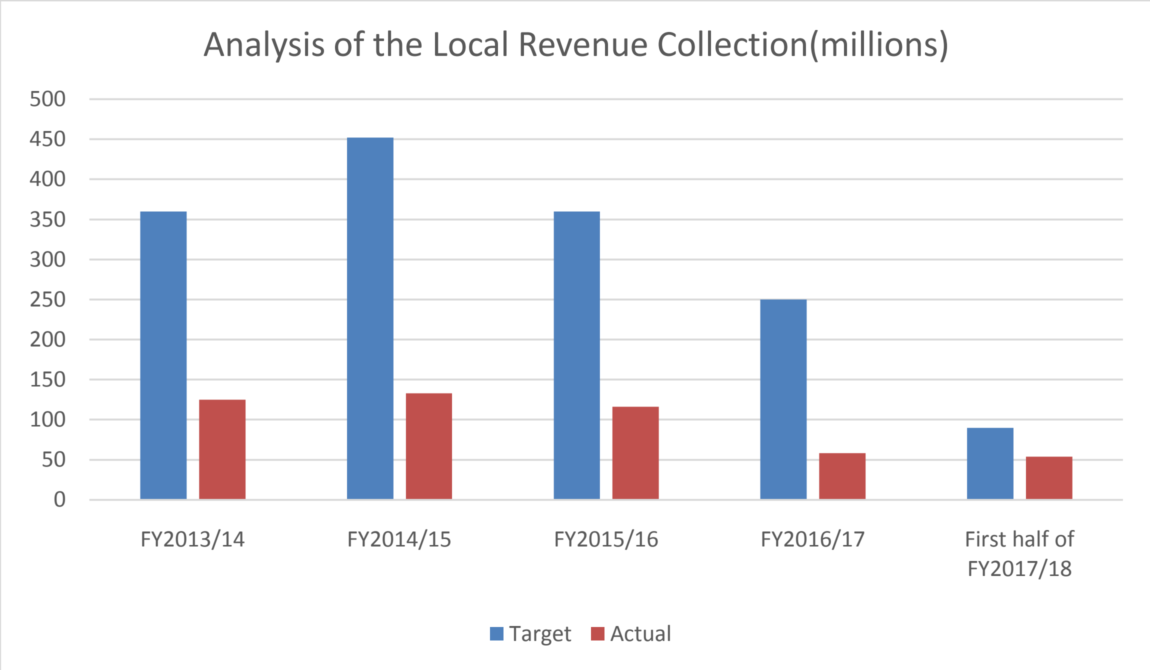

Figure 1 Bar graph showing County Local Revenue over the past three and half financial years

The local revenue projections over the Medium Term are shown in the table 10 below.

Table 10: Local Revenue Projection

Description	Targeted For First Half Year (Ksh.) 2017/18	Actual Revenue	Performance (%)	Target For FY 2018/19
Sand	5,450,000	3,416,740	63	10,900,000
Livestock Auction	2,404,088	1,645,140	68	4,808,175
Miraa Export	1,959,078	531,710	27	3,918,156
Produce Cess/Barter/Murram/Cheque Clearance	1,156,269	532,830	46	2,312,537
Property Taxes	-	-		
1.Land Rent & Rates - Current	6,598,538	554,331	8	6,197,075
2.Land Rent & Rates - Arrears	2,200,000	506,100	23	1,400,000
3.Penalties Rent & Rates	500,000	541,744	108	1,000,000
Stand Premiums	628,512	-	0	1,257,024
Plot Application/Transfer/Sub-Division	1,620,000	347,000	21	1,240,000
Clearance & Consents	139,973	60,000	43	279,946
Plot Transfer Approval	1,295,359	72,200	6	2,590,717
Lease Extension	100,000	-	0	200,000
Planning & Survey	818,000	-	0	1,636,000
Kiosks & Stalls	760,873	66,900	9	1,521,746
Miscellaneous Charges	-	-		
Other Miscellaneous Charges (Ground	750,000	1,615,016	215	1,500,000

Description	Targeted For First Half Year (Ksh.) 2017/18	Actual Revenue	Performance (%)	Target For FY 2018/19
Rent)				
Parking Fees / Bus Park	3,240,000	2,018,100	62	6,480,000
S.B.P Fees/Promotion	2,999,001	1,520,145	51	5,998,001
Slaughter Fees	996,677	640,780	64	1,993,353
4%Water Levies Iwasco	1,188,000	-	0	0
Public Works /Other Charges	200,000	524,000	262	400,000
Building Plan Approvals	1,854,691	17,500	1	1,709,382
Liquor License	400,000	-	0	800,000
Hospital Cost Sharing	8,024,595	1,693,925	21	16,049,190
Livestock/Veterinary	932,000	285,740	31	1,864,000
Tractor Hire	499,953	31,000	6	999,905
Agriculture Training Centre	400,000	-	0	800,000
Weights And Measures	250,000	-	0	500,000
Game	-	-		
Game Entrance & Royalties	44,065,065	37,348,370	85	72,506,130
Grand Total	**91,430,669**	**53,969,271**	**59%**	**150,861,337**

5.3.2 Expenditure Forecasts

To fully implement the current Annual Development Plan, 2018 the expenditure forecast for priority programmes in the financial year 2018/19 stands at Ksh. 4,427,633,637 comprising of a recurrent expenditure forecast of Ksh 2,834,928,321 and development expenditure forecast of Ksh 1,892,705,316. Both recurrent and development expenditure forecasts over the medium term are presented in table 10 and 11 respectively.

The resources that the County will require to implement priority programmes in the Annual Development Plan, 2018 will be partly met through the Medium Term Expenditure Framework (MTEF) budget. The projected revenue target for the Financial Year 2018/19 is Ksh. 4,727,633,637 against the total expenditure projections of Ksh 4,727,633,637 resulting into a projected balanced budget.

Given that the County will be operating within a tight budgetary framework, full realization of the strategic objectives as outlined in the County Annual Development Plan, 2018 will largely depend on the goodwill of other development partners.

5.3.2.1 Recurrent Expenditure Forecasts

Table 10 below provides the recurrent expenditure forecast by sectors over the medium term (Financial Year 2018/19 to Financial Year 2020/21)

Table 11: Recurrent Expenditure Forecast by sectors for Financial Year 2018/19 to 2020/21

SECTOR/SUBSECTOR	Recurrent Ceilings For FY 2018/19	Projections for FY 2019/20	Projections for FY 2020/21
COUNTY ASSEMBLY	415,284,815	456,813,296.5	502,494,626
OFFICE OF GOVERNOR	271,237,492	282,086,992	293,370,471
CPSP	69,275,252	72,046,262	74,928,113
COUNTY SECRETARY	19,994,886	20,794,681	21,626,469
DELIVERY UNIT	8,024,000	8,344,960	8,678,758
DEPUTY GOVERNOR	24,000,000	24,960,000	25,958,400
PSM	35,920,000	37,356,800	38,851,072
COHESION	38,061,199	39,583,647	41,166,993
FINANCE AND ECONOMIC PLANNING	276,428,308	287,485,440	298,984,858
SPECIAL PROGRAMME	160,057,894	166,460,210	173,118,618
LANDS	22,686,415	23,593,872	24,537,626
ROADS	9,573,318	9,956,251	10,354,501
PUBLIC WORKS& URBAN DEVELOPMENT	18,350,000	19,084,000	19,847,360
MUNICIPAL ADMINISTRATION	53,067,086	55,189,769	57,397,360
AGRICULTURE	49,213,608	51,182,152	53,229,438
LIVESTOCK	95,111,324	98,915,777	102,872,408
EDUCATION & VOCATIONAL TRAINING	188,426,321	195,963,374	203,801,909
YOUTH & SPORTS	10,180,000	10,587,200	11,010,688
CULTURE AND SOCIAL SERVICE	10,570,727	10,993,556	11,433,298
TOURISM	115,869,914	120,504,711	125,324,899
TRADE	22,402,395	23,298,491	24,230,430
WATER	56,801,481	59,073,540	61,436,482
ENVIRONMENT	36,764,815	38,235,408	39,764,824
HEALTH SERVICES	847,270,700	881,161,528	916,407,989
TOTAL	**2,854,211,950**	**2,968,380,428**	**3,087,115,645**

5.3.2.2 Development Expenditure Forecast

The table below provides the development Expenditure forecast over medium term (Financial Year 2018/19 to Financial Year 2020/21)

Table 12: Development Expenditure Forecast by departments for Financial Year 2018/19 to 2020/21

SECTOR/SUBSECTOR	Development Ceilings For FY 2018/19	Projections For FY 2019/20	Projections for FY 2020/21
COUNTY ASSEMBLY	75,000,000	45,000,000	25,000,000
OFFICE OF GOVERNOR	60,557,386	60,557,386	0
CPSP	0	-	-
COUNTY SECRETARY	0	-	-
DELIVERY UNIT	0	-	-
DEPUTY GOVERNOR	0	-	-
PSM	13,000,000	13,520,000	14,060,800
COHESION	0	-	-
FINANCE AND ECONOMIC PLANNING	296,539,178	308,400,745	320,736,775
SPECIAL PROGRAMME	56,950,000	59,228,000	61,597,120
LANDS	41,000,000	42,640,000	44,345,600
ROADS	168,177,193	174,904,281	181,900,452
PUBLIC WORKS& URBAN DEVELOPMENT	0	-	-
MUNICIPAL ADMINISTRATION	257,968,100	268,286,824	289,834,297
AGRICULTURE	23,114,160	24,038,726	279,018,297
LIVESTOCK	236,885,840	246,361,274	256,215,725
EDUCATION & VOCATIONAL TRAINING	45,000,000	46,800,000	48,672,000
YOUTH & SPORTS	188,000,000	197,600,000	205,504,000
CULTURE AND SOCIAL SERVICE	15,000,000	15,600,000	16,224,000
TOURISM	28,000,000	31,200,000	32,448,000
TRADE	14,000,000	15,600,000	16,224,000
WATER	119,000,000	126,880,000	131,955,200
ENVIRONMENT	25,000,000	26,000,000	27,040,000
HEALTH SERVICES	210,229,830	218,639,023	227,384,584
TOTAL	**1,873,421,687**	**1,921,256,259**	**2,178,160,850**

5.4 Risk Management

To ensure fiscal discipline, the County government will have a balanced budget in the Financial Year 2018/19. The County Government will ensure that the allocated resources for spending are commensurate to the revenues expected. The budget will be financed through transfer from the National Government and revenue collected from local sources such as fees and charges, rates, among others as allowed by the County government Acts.

The risks to the budget for the Financial Year 2018/19 include challenges in local revenue performance as the County continues to put structures in place, seal revenue leakages and expand the revenue base. The gross County wage bill continues to be a significant concern in the implementation of the budget and indeed in the realization of the County fiscal goals.

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

6.0 MEDIUM TERM EXPENDITURE FRAMEWORK

6.1 Overview

In the view of limited resources, MTEF budgeting will entail adjusting non priority expenditures to cater for the priority ones. The identified priority sectors will continue to receive more resources. These sectors are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions.
The economic sectors including livestock and roads ; will receive increasing share of resources to boost livestock productivity and initiate value addition ventures as the County deals with threats of food insecurity and poor market returns for livestock products.

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

6.2 Resource Envelope

The resource envelope projections for the financial year 2018/19 and over the medium term as shown in table 7 will largely target the transfers from the National Government as provided for by the County Revenue Allocation of Revenue Bill 2018 and the local revenue collection as per the County Finance Act.

All the conditional transfers from the National Government are included in the resource envelope for financial year 2018/19. The County will also continue to benefit from grants intended to support health sector service delivery from World Bank and the Republic of Denmark. These funds will be allocated to County Governments on the basis of the criteria specified in the financing agreement between the Government of Kenya and the development partners.

Table 13: Resource Envelope for Financial Year 2018/19

	FY 2017/18	FY 2018/19
EQUITABLE SHARE	**3,775,000,000**	**3,925,000,000**
General Provisions (Equitable Share)	3,775,000,000	3,925,000,000
CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT	**280,870,017**	**249,049,294**
Funds Received from Road Maintenance Levy Fund	130,230,858	103,341,833
Funds Received from Health Care Services Fund (User fee foregone)	3,472,461	3,472,461
Medical Equipment	-	-
Free Maternity Fund	-	-
Supplement for Construction of County Headquarters	121,000,000	121,000,000
Conditional Allocation for Development of Youth Polytechnic	26,166,698	21,235,000
CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS	**101,551,120**	**402,723,006**
Current Grants from Foreign Governments Danida	13,678,677	12,656,250
Kenya Devolution Support Programme (KDSP) World bank	36,113,321	38,668,826
World Bank Loan to Supplement Financing of County Health Facilities	12,607,500	
World Bank Loan to Supplement Financing of County Health Facilities **B/f from 2016/17**	18,454,800	
World Bank Loan for Transforming Health Systems for Universal Care Project	20,696,822	66,229,830
Climate Smart Agricultural Project		150,000,000
Urban Support Project Development		93,968,100
Urban Support Project- Recurrent (2017/18+2018/19)		41,200,000
Local Revenue	182,861,337	150,861,337
TOTAL REVENUE	**4,340,282,474.00**	**4,727,633,637.00**

6.3 Proposed Resource Allocation Prioritization Criteria

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

(i) **Non-Discretionary Expenditure**: This expenditure takes first charge and includes payment of staff salaries and other statutory payments. Personnel emoluments are projected to account for about 31.6 percent of the resource envelope.

(ii) **Operations and Maintenance:** These are resources available to sectors for basic operations and maintenance. This will account for about 21 percent of the non-discretionary expenditures.

(iii) **Development Expenditure**: This will account for not less than 30 percent of the projected revenue. Development expenditures will be shared based on the programs that address the County priorities and other strategic interventions as in the 2018, annual development plan.

The following guideline will be used on the development expenditure:

(i) **Outstanding Projects:** Greater emphasis will be put on the completion of on-going projects.

(ii) **Strategic Interventions:** Priority will be given to policy interventions with high impact on poverty reduction, climate change mitigation and adaptation, environmental conservation, and value chain addition.

6.4 Overall Spending Priorities

In the Financial Year 2017/18, the County priority economic sectors are shown below.

Table 14: Development Expenditure Estimates by Sectors

Sector	Supplementary Development Estimates for first half of FY 2017/18	% of Development Vote
County Assembly	157,413,932	10
Office of governor	270,000,000	17
County Secretary	18,000,000	1
County Public Service Board	-	0
Delivery Unit	-	0
Finance and economic planning	259,500,000	16
Lands and Physical Planning	12,000,000	1
Public Works, Housing Urban development		0
Roads and Infrastructure	133,230,858	8
Cohesion Intergovernmental	32,000,000	2
Agriculture	29,557,080	2
Livestock	91,000,000	6
Town Administrator	80,000,000	5
Trade Industrialization & Cooperative Development	23,000,000	1
Medical Services	131,696,822	8
Public Health	61,000,000	4
Water	122,000,000	8

Sector	Supplementary Development Estimates for first half of FY 2017/18	% of Development Vote
Environment	13,025,000	1
Public Service Management	20,000,000	1
Tourism	32,000,000	2
Education and Vocational training	65,166,698	4
Youth	24,000,000	2
Total	**1,574,590,390**	100

Effective use of resources will be sought across spending departments and any identified saving will be redirected to deserving priority expenditures. In finalizing the preparation of the budget for the financial year 2018/2019, the County Government will continue to pursue the policy of limiting less productive expenditures and redirecting resultant savings to capital investment.

6.5 Baseline Ceilings

The 2017/18 baseline estimates depicts the departments current spending levels. In the recurrent expenditure category, expenditures on compensation of employee's accounts for about 37.05 % percent of the resource envelope and it take the first charge. Expenditure on operations and maintenance accounts for 26.27 percent of the Total County Resource Envelope. Overall, the recurrent expenditure on compensation to employees and operations and maintenance account for about 63.7 percent of the projected resource envelope. The balance of 36.3 percent from total resource envelope is the resources available to fund planned development programmes. The table below presents the summary of baseline ceilings.

Table 15: Baseline Ceilings

Sector	Description	Approved Budget Financial year 2017/18	% of Total Budget
County Assembly	**Recurrent**	**388,553,640**	**71.17**
	Compensation to employees	179,298,816	46.15
	Operations and maintenance	209,254,824	53.85
	Development	**157,413,932**	**28.83**
	Total	**545,967,572**	**12.58**
County Executive	**Recurrent**	**402,653,442**	**58.30**
	Compensation to employees	155,220,903	38.55
	Operations and maintenance	247,432,539	61.45
	Development	**288,000,000**	**41.70**
	Total	**690,653,442**	**15.91**
Finance	**Recurrent**	**318,501,160**	**55.10**
	Compensation to employees	171,376,829	53.81

Sector	Description	Approved Budget Financial year 2017/18	% of Total Budget
	Operations and maintenance	147,124,331	46.19
	Development	**259,500,000**	44.90
	Total	**578,001,160**	**13.32**
Lands, Physical Planning , Roads and public works	**Sector Total**	**208,155,672**	**4.80**
Lands	**Recurrent**	**33,583,414**	**73.67**
	Compensation to employees	16,285,950	48.49
	Operations and maintenance	17,297,464	51.51
	Development	**12,000,000**	**26.33**
	Total	**45,583,414**	**1.05**
Roads	**Recurrent**	**29,341,400**	**18.05**
	Compensation to employees	15,679,000	53.44
	Operations and maintenance	13,662,400	46.56
	Development	**133,230,858**	**81.95**
	Total	**162,572,258**	**3.746**
Agriculture, livestock and Fishery	**Sector Total**	**271,792,829**	**6.26**
Agriculture	**Recurrent**	**56,699,800**	**65.73**
	Compensation to employees	38,299,800	**67.55**
	Operations and maintenance	18,400,000	**32.45**
	Development	**29,557,080**	**34.27**
	Total	**86,256,880**	**1.99**
Livestock & Agriculture	**Recurrent**	**94,535,949**	**50.95**
	Compensation to employees	73,721,228	77.98
	Operations and maintenance	20,814,721	22.02
	Development	**91,000,000**	**49.05**
	Total	**185,535,949**	**4.27**
Cohesion	**Recurrent**	**62,325,000**	**66.07**
	Compensation to employees	6,620,000	10.62
	Operations and maintenance	55,705,000	89.38
	Development	**32,000,000**	**33.93**
	Total	**94,325,000**	**2.17**
Education, Vocational Training , Youth Sports and Gender		**230,451,698**	**5.31**
Education	**Recurrent**	**126,585,000**	**66.02**
	Compensation to employees	70,592,380	55.77
	Operations and maintenance	55,992,620	44.23
	Development	**65,166,698**	**33.98**
	Total	**191,751,698**	4.42
Youth	**Recurrent**	**14,700,000**	**37.98**
	Compensation to employees	7,432,726	50.56
	Operations and	7,267,274	49.44

Sector	Description	Approved Budget Financial year 2017/18	% of Total Budget
	maintenance		
	Development	**24,000,000**	**62.02**
	Total	**38,700,000**	0.89
Tourism	Recurrent	**129,012,250**	80.13
	Compensation to employees	102,417,560	79.39
	Operations and maintenance	26,594,690	20.61
	Development	**32,000,000**	**19.87**
	Total	**161,012,250**	3.71
Trade	**Recurrent**	**23,517,896**	**50.56**
	Compensation to employees	11,502,632	48.91
	Operations and maintenance	12,015,264	51.09
	Development	**23,000,000**	**49.44**
	Total	**46,517,896**	1.07
PSM & ICT	**Recurrent**	**74,953,060**	**78.94**
	Compensation to employees	18,605,560	24.82
	Operations and maintenance	56,347,500	75.18
	Development	**20,000,000**	**21.06**
	Total	**94,953,060**	2.19
Water, Sanitation, Energy , Environment and Natural Resource	**Sector Total**	**229,639,305**	5.29
Water and Sanitation	**Recurrent**	**60,861,924**	**33.28**
	Compensation to employees	36,884,689	60.60
	Operations and maintenance	23,977,235	39.40
	Development	**122,000,000**	66.72
	Total	**182,861,924**	4.21
Energy, Environment and Natural Resource	**Recurrent**	**33,752,381**	**72.16**
	Compensation to employees	28,452,521	84.30
	Operations and maintenance	5,299,860	15.70
	Development	**13,025,000**	**27.84**
	Total	**46,777,381**	1.08
Health Services		**1,097,834,464**	25.29
Medical Services	Recurrent	**463,300,000**	77.87
	Compensation to employees	**370,596,600**	79.99
	Operations and maintenance	92,703,400	20.01
	Development	131,696,822	22.13
	Total	**594,996,822**	**13.71**
Public Services	Recurrent	441,837,642	87.87
	Compensation to employees	298,832,825	67.63
	Operations and maintenance	**143,004,817**	**32.37**
	Development	61,000,000	12.13
	Total	**502,837,642**	**11.59**

Sector	Description	Approved Budget Financial year 2017/18	% of Total Budget
Town Admin	Recurrent	10,978,126	12.07
	Compensation to employees	6,378,918	58.11
	Operations and maintenance	4,599,208	41.89
	Development	80,000,000	87.93
	Total	**90,978,126**	2.10
Grand Total		**4,340,282,474**	**100.00**

6.6 Medium Term Expenditure Ceilings

The departmental budget ceilings for financial year 2018/19 are as provided in table 14 below. Development expenditure allocations are shared out amongst departments on the basis of the County Integrated Development Plan (CIDP), 2018-22 and Annual Development Plan (ADP) 2018 as well as other strategic objectives and policy goals identified in CFSP.

Table 16: Medium Term Expenditure Ceilings.

SECTOR/SUB SECTOR	Recurrent Ceilings For FY 2018/19	Development Ceilings For FY 2018/19	Total	Recurrent Projections for FY 2019/20	Development Projections for FY 2019/20	Total	Recurrent Projections for FY 2020/21	Projections for FY 2020/21	Total
COUNTY ASSEMBLY	415,284,815	75,000,000	490,284,815	456813296.5	45,000,000	501,813,297	502,494,626	25,000,000	527,494,626
OFFICE OF GOVERNOR	271,237,492	60,557,386	331,794,878	282,086,992	60,557,386	342,644,378	293,370,471	0	293,370,471
CPSP	69,275,252	0	69,275,252	72,046,262	-	72,046,262	74,928,113	-	74,928,113
COUNTY SECRETARY	19,994,886	0	19,994,886	20,794,681	-	20,794,681	21,626,469	-	21,626,469
DELIVERY UNIT	8,024,000	0	8,024,000	8,344,960	-	8,344,960	8,678,758	-	8,678,758
DEPUTY GOVERNOR	24,000,000	0	24,000,000	24,960,000	-	24,960,000	25,958,400	-	25,958,400
PSM	35,920,000	13,000,000	48,920,000	37,356,800	13,520,000	50,876,800	38,851,072	14,060,800	52,911,872
COHESION	38,061,199	0	38,061,199	39,583,647	-	39,583,647	41,166,993	-	41,166,993
FINANCE AND ECONOMIC PLANNING	276,428,308	296,539,178	572,967,486	287,485,440	308,400,745	595,886,185	298,984,858	320,736,775	619,721,633
SPECIAL PROGRAMME	160,057,894	56,950,000	217,007,894	166,460,210	59,228,000	225,688,210	173,118,618	61,597,120	234,715,738
LANDS	22,686,415	41,000,000	63,686,415	23,593,872	42,640,000	66,233,872	24,537,626	44,345,600	68,883,226
ROADS	9,573,318	168,177,193	177,750,511	9,956,251	174,904,281	184,860,532	10,354,501	181,900,452	192,254,953
PUBLIC WORKS& URBAN DEVELOPMEN T	18,350,000	0	18,350,000	19,084,000	-	19,084,000	19,847,360	-	19,847,360
MUNICIPAL ADMINISTRA TION	53,067,086	257,968,100	311,035,186	55,189,769	268,286,824	323,476,593	57,397,360	289,834,297	347,231,657

SECTOR/SUB SECTOR	Recurrent Ceilings For FY 2018/19	Development Ceilings For FY 2018/19	Total	Recurrent Projections for FY 2019/20	Development Projections for FY 2019/20	Total	Recurrent Projections for FY 2020/21	Projections for FY 2020/21	Total
AGRICULTURE	49,213,608	23,114,160	72,327,768	51,182,152	24,038,726	75,220,878	53,229,438	279,018,297	332,247,735
LIVESTOCK	95,111,324	236,885,840	331,997,164	98,915,777	246,361,274	345,277,051	102,872,408	256,215,725	359,088,133
EDUCATION & VOCATIONAL TRAINING	188,426,321	45,000,000	233,426,321	195,963,374	46,800,000	242,763,374	203,801,909	48,672,000	252,473,909
YOUTH & SPORTS	10,180,000	188,000,000	198,180,000	10,587,200	197,600,000	208,187,200	11,010,688	205,504,000	216,514,688
CULTURE AND SOCIAL SERVICE	10,570,727	15,000,000	25,570,727	10,993,556	15,600,000	26,593,556	11,433,298	16,224,000	27,657,298
TOURISM	115,869,914	28,000,000	143,869,914	120,504,711	31,200,000	151,704,711	125,324,899	32,448,000	157,772,899
TRADE	22,402,395	14,000,000	36,402,395	23,298,491	15,600,000	38,898,491	24,230,430	16,224,000	40,454,430
WATER	56,801,481	119,000,000	175,801,481	59,073,540	126,880,000	185,953,540	61,436,482	131,955,200	193,391,682
ENVIRONMENT	36,764,815	25,000,000	61,764,815	38,235,408	26,000,000	64,235,408	39,764,824	27,040,000	66,804,824
HEALTH SERVICES	847,270,700	210,229,830	1,057,500,530	881,161,528	218,639,023	1,099,800,551	916,407,989	227,384,584	1,143,792,573
TOTAL	**2,854,211,950**	**1,873,421,687**	**4,727,633,637**	**2,993,671,917**	**1,921,256,259**	**4,914,928,176**	**3,113,418,794**	**2,178,160,850**	**5,291,579,644**

7.0 CONCLUSION

The CFSP, 2018 is prepared as a guiding tool for budget preparation of financial year 2018/19. It is meant to broadly define the expected revenues and expenditure over the medium term as well as propose strategies of financing any anticipated deficit. Isiolo County Government is expected to prepare a balanced budget in financial year 2018/19.

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

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

In the budget for the financial year 2018/19, key priority areas of livestock, investment in surface and underground water resources, road infrastructure network, Health services, tourism promotion and Education will receive considerate allocation while maintaining reasonable growth on other County sectors. Allocation of funds to these County key priority areas will generally reflect the critical needs of the County residents. It is envisaged that the enhancement of these key areas will drive the County economy up by creating greater supply hence improving the per capita income of households.