

# **COUNTY GOVERNMENT OF TANA RIVER**



**THE COUNTY TREASURY**

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

**September 2018**

©2018 Tana River County Budget Review and Outlook Paper (CBROP)

To obtain copies of the document, please contact:

Tana River County Treasury

Trade House, County Council Rd.

P. O. Box 29 -70101

**HOLA, KENYA**

The document is also available on the County website: [www.tanariver.go.ke](http://www.tanariver.go.ke)

## **FOREWORD**

The 2018 County Budget Review and Outlook Paper (CBROP) was prepared by the County Treasury, it provides a review of the fiscal performance implemented by the County government of Tana River during the financial year 2017/2018. We have carried out comparisons of the budget appropriations in the same year and provide insight on recent economic developments and the updated economic and financial forecast along with information to show changes from the forecast in the County Fiscal Strategy Paper (CFSP) of 2017.

The County Treasury continues to enforce the fiscal responsibility principles in accordance with the Constitution, and the Public Finance Management (PFM) Act, 2012, (Section 107).

The county government's recurrent and development expenditures remained within the legal thresholds as per the PFMA, 2012. However, recurrent related expenses like the rising wage bill without commensurate service delivery poses a major challenge to the County's development agenda. In addition, the county's growth and development agenda will largely depend on how well the programme based budget is implemented as well as how fast people and business get to full capacity and produce and sell at optimum levels.



**MATHEW BABWOYA**

**County Executive Committee Member, Finance and Economic Planning.**

## **ACKNOWLEDGEMENT**

The 2017 edition of County Budget Review Outlook Paper (CBROP) was prepared in accordance with section 118 of the Public Finance Management Act, 2012 and is the fifth version since the inception of the County Government of Tana River.

I would like to acknowledge all the various departments for their tremendous contribution without which this document would not be a success. All the county departments were invited to submit their performance on expenditures for the period under review. This information was analyzed by the team lead by our CEC Finance and planning Mathew Babwoya, Chief Officer Finance and planning Hero Said, Director Finance Francis Ngigi, Director Planning and budgeting Lennox Mbwana, the Assistant Director internal audit Charles Njuguna, Assistant Director vocational training Patrick Kiongo, the principal revenue officer Harrison Mabonye, Mr. Arnold Odipo and Ms Amanda Korasu, these officers spent significant amount of time putting together this CBROP.

Finally, I am indebted to express my sincere gratitude to the entire staff of the County Treasury for their dedication and commitment during the entire exercise.

**HERO B. SAID**

**County Chief Officer – Finance and Economic Planning**

## List of Tables and Figures

### Tables

Table 1: Aggregate fiscal Performance 2015/16- 2016/17.....	3
Table 2: Revenue Analysis.....	5
Table 3: Approved Estimates and Expenditures Analysis for FY 2016/2017.....	10
Table 4: Medium Term Expenditure Ceilings 2018/19 to 2020/21.....	19

### Figures

Fig 1: 2016/2017 revenue analysis.....	9
----------------------------------------	---

## **ABBREVIATIONS AND ACRONYMS**

CBEF	County Budget and Economic Forum
CBEF	County Budget and Economic Forum
CBR	Central Bank Rates
CBROP	County Budget Review Outlook Paper
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
COSR	County Own Source Revenue
CPSB	County Public Service Board
ERC	Energy Regulatory Commission
EYE	Early Years Education
FY	Financial Year
GDP	Gross Domestic Product
MTEF	Medium Term Expenditure Framework
MTP	Medium Tern Plan
OM	Operations and Maintenance
PE	Personnel Emolument
PFMA	Public Finance Management Act
SRC	Salaries and Remuneration Commission
VTCs	Vocational Training Centers

## TABLE OF CONTENTS

FOREWORD .....	iii
ACKNOWLEDGEMENT .....	iv
List of Tables and Figures .....	v
ABBREVIATIONS AND ACRONYMS .....	vi
Section I: Introduction .....	1
Objectives of the CBROP .....	1
Section II. Review of Fiscal Performance in Financial Year 2017/2018 .....	2
A. Overview .....	2
B. Fiscal Responsibility .....	2
C. Fiscal Performance .....	3
Table 1: Aggregate fiscal Performance 2016/17- 2017/18 .....	3
a. Conditional allocations .....	4
b. Equitable Share of Revenue Raised Nationally .....	4
c. County Own Source Revenue (COSR) .....	4
Table 2: Revenue Analysis .....	5
Common Causes For Revenue Under Performance .....	9
Fig 1: 2017/2018 revenue analysis .....	10
County Expenditure Performance .....	10
Table 3: Approved Estimates and Expenditures Analysis for FY 2017/2018 .....	11
Implication of 2017/2018 Implementation .....	14
Fiscal Performance on the Fiscal Responsibilities and Financial Objectives Contained in the CFSP of 2017` .....	14
Recent Development .....	14
SECTION III: Recent Economic Developments and its Outlook .....	16
Overview .....	16
<b>Interest Rates</b> .....	17
Economic Risks .....	17
a. <b>Macro-economic risks include;</b> .....	17
b. Micro-economic risks include; .....	17
SECTION IV: RESOURCE ALLOCATION FRAMEWORK .....	18
Adjustment to the 2018/2019 FY budget .....	18
The Medium Term Expenditure Framework .....	21

Table 4: Medium Term Expenditure Ceilings 2018/19 to 2020/21 .....	22
<b>Proposed 2018/2019 Budget Framework .....</b>	<b>27</b>
Revenue Outlook .....	27
<b>Expenditure Outlook .....</b>	<b>27</b>
Section V: Conclusion and Way Forward .....	27
Annex I: Projected.....	29



## **Section I: Introduction**

1. The Public Finance Management (PFM) Act, 2012 section 118 requires that among other responsibilities, the “County Treasury to prepare a County Budget Review Outlook Paper”. As such, this paper is prepared in accordance with this section of the PFM Act 2012. The Act requires that every county prepare a CBROP and submit it to the County Executive Committee (CEC) by 30<sup>th</sup> September of that financial year.
2. The County Executive Committee shall in turn:
  - i) within fourteen days after submission, consider the CBROP with a view to approving it, with or without amendments.
  - ii) Within seven days after the CEC approval of the paper, the county treasury shall arrange for the paper to be laid before the County Assembly and after doing so, publish and publicize the paper.

### **Objectives of the CBROP**

3. The objectives of the County Budget Review and Outlook Paper is to provide;
  - i. A review of the fiscal performance of the county in the financial year 2017/2018 in comparison to the appropriation (budgeted amount) of the year under review and its effects on the economic performance in county government of Tana River;
  - ii. An updated economic and financial forecast with sufficient information showing changes from the forecasts in the most recent County Fiscal Strategy Paper;
  - iii. Information on any changes in the forecasts compared with the CFSP;
  - iv. Reasons for any deviation from the financial objectives in the CFSP together with the proposals to address the deviation and an estimation of the time needed to do so.
4. CBROP 2018 is organized in the following sections: section II covers a review of the county fiscal performance, section III indicates the recent economic development and outlook, and section IV covers the resource allocation framework. Meanwhile section V covers the conclusions.

## **Section II. Review of Fiscal Performance in Financial Year 2017/2018**

### **A. Overview**

5. This section provides an overview of the performance and implementation of the budget for the financial year 2017/2018 and how it affected compliance with the fiscal responsibility during implementation of the CFSP. This makes it useful in providing a basis for setting out broad fiscal parameters for subsequent budgets as well as mapping out a way forward for Tana River County.
6. The FY 2017/2018 Approved budget for Tana River County was Kshs. 5,795,034,389 comprising of 58% recurrent expenditure amounting to Kshs. 3,336,710,157 and 48% development expenditure totaling to Kshs. 2,458,324,232.
7. In order to finance the budget, the county received Kshs. **5,345,400,000** (92.26%) as equitable share, Kshs. **323,813,627** (7.61%) as conditional allocations, and targeted to raise Kshs. **60,000,000** as own local revenues.

### **B. Fiscal Responsibility**

8. In observing the fiscal responsibility, the PFMA section 15 states that;
  - i. Over medium term a minimum of thirty percent of the county government budget shall be allocated to development expenditure
  - ii. The county expenditure own wages and benefits for its public officers shall not exceed a percentage of the county revenue as prescribed by regulations
  - iii. Over medium term the county government borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
  - iv. Public debts and obligations shall be maintained at a sustainable level as approved by the county assembly
  - v. Fiscal risks shall be managed prudently

- vi. A reasonable degree of creditability with respect to the level of taxes and tax bases shall be maintained, taking into account any tax reform that may be made in future.

**C. Fiscal Performance**

- 9. The fiscal performance of the FY 2017/18 was below expectation mainly due to a number of challenges which included;
  - i. Delays in disbursement of funds from the national treasury;
  - ii. The general elections in August 2017 and repeat elections in November 2017.
  - iii. Extreme underperformance in revenue collection.
  - iv. The excess long rains during the long rainy season that lead to flooding along river Tana.

**D. Revenue Sources**

- 10. During the financial year under review the county had three sources of funding namely: conditional allocations; revenue raised nationally and county own source revenue.

**Table 1: Aggregate fiscal Performance 2016/17- 2017/18**

Revenue Summary	Approved estimates		Actual performance
	2017/18	2018/19	2017/18
Equitable share	5,345,400,000	5,557,800,000	5,345,400,000
Local revenue	60,000,000	60,000,000	31,313,488
Conditional Grants	389,634,389	739,429,663	276,379,137
Balance B/F	0	952,981,239	
<b>Total Revenue</b>	<b>5,795,034,389</b>	<b>7,310,210,902</b>	<b>5,653,092,625</b>
Personnel Emoluments	1,222,176,082	1,715,208,400	1,205,792,636
Operational and Maintenance	2,114,534,075	2,633,350,732	900,814,116
Development	2,458,324,232	2,961,651,770	1,277,792,615
Balance B/F			
<b>Total Expenditure</b>	<b>5,795,034,389</b>	<b>7,310,210,902</b>	<b>3,384,399,367</b>
<b>VARIANCE</b>			<b>1,343,860,032</b>

Source: County Treasury

**a. Conditional allocations**

An expenditure report of the conditional grants is yet to be availed by the department concerned.

**b. Equitable Share of Revenue Raised Nationally**

During the FY 2017/2018 the exchequer release of the equitable share revenue to the county government of Tana River amounted to Ksh **4,490,136,000**. Additional Kshs. **752,981,239** was appropriated in the FY 2018/19 budget estimates as balance carried forward.

**c. County Own Source Revenue (COSR)**

The revenue collection for the financial year 2017/18 amounted to Kshs 40,439,598 (balance as per the cashbook) which constituted 67.40% of the budget target amounting to Kshs. 60,000,000. The table below shows the actual revenue collection by the County Department of Revenue during the FY 2017/2018.

**Table 2: Revenue Analysis**

COLLECTION STREAM	Revenue Type	Actual Performance 2015/16	Estimates 2016/17	Actual Performance 2017/18	% Performance 2016/17	Deviation 2016/17 Estimates	2015/16 & 2016/17 Growth	2015/16 & 2016/17 Growth
<b>CESS REVENUE CODES</b>								%
1420601	Sale of tender documents	17,000	1,200,000	776,000		-424,000	17,000	4564.7
1450214	<b>A.I.A (Health facilities)</b>	255,310	<b>10,000,000</b>	664,780	233	-9,335,220	145,855	260.4
	Hides & skins	9,230	500,000	1,850	134	-498,150	2,330	20.0
1520315	Charcoal	6,272,170	1,230,000	4,976,250	179	3,746,250	2,766,256	79.3
1530103	Fish	137,256	200,000		256	-200,000	83,606	0.0
1520321	fruits & vegetables/Produce cess	2,104,198	2,800,000	3,186,240	129	386,240	469,799	151.4
	<b>Rice &amp; paddy</b>	0	600,000	0		-600,000	0	
	Ghee & milk	0	200,000	0	0	-200,000	-500	
	Crocodile eggs	47,400	1,800,000	0	22	-1,800,000	-172,600	0.0
1520304	Maize	1,707,753	2,500,000	0	1,721	-2,500,000	1,608,498	0.0
1530103	Export	890,840	3,800,000	0	39	-3,800,000	-1,382,640	0.0
1520321	Miraa	151,508	800,000		15	-800,000	-839,492	0.0
1530301	Sand, gravel & ballast extraction fees	1,074,300		1,915,750	100	1,915,750	1,300	178.3
	Gypsum	1,465,000	<b>6,200,000</b>		30	-6,200,000	-3,461,000	0.0

1530303								
1590132	Others	1,201,830	1,000,000	519,611	447	-480,389	932,990	43.2
	<b>SUB TOTAL</b>	<b>15,061,485</b>	<b>21,630,000</b>	<b>0</b>	<b>100</b>	<b>-21,630,000</b>	<b>8,547</b>	<b>0.0</b>
<b>LAND REVENUE</b>								
1520501	Plot rent	470,580	1,500,000	904,550	98	-595,450	-10,012	192.2
1530102	plot registration fees /Application	645,460	300,000	373,000	725	73,000	556,460	57.8
1530103	plot transfer fees	245,700	500,000	520,100	534	20,100	199,700	211.7
1530102	land application fees	244,200	700,000	0	509	-700,000	196,200	0.0
1520101	land lease fees	0	3,200,000	5,000.00		-3,195,000	0	
1520101	Land rates / leases Area rates	334,836		129,000	132	129,000	80,216	38.5
	<b>SUB TOTAL</b>	<b>1,940,776</b>	<b>6,200,000</b>		<b>211</b>	<b>-6,200,000</b>	<b>1,022,564</b>	<b>0.0</b>
<b>SINGLE BUSINESS PERMITS</b>								
1520201	Application fees	7,489	500,000		63	-500,000	-4,411	0.0
1520201	permit fees and Motor Bike	5,488,905	6,000,000	10,746,100	166	4,746,100	2,180,905	195.8
1520201	Liquor Licences	179,000		0	201	0	90,000	0.0
1520201	Motor Bike	2,138,100		0	525	0	1,730,500	0.0
	<b>SUB TOTAL</b>	<b>8,462,494</b>	<b>6,500,000</b>	<b>0</b>	<b>222</b>	<b>-6,500,000</b>	<b>4,645,994</b>	<b>0.0</b>

<b>OTHER FEES AND CHARGES</b>									
1550201	Bus park fees	332,025	700,000	1,014,700	47,432	314,700	331,325	305.6	
1550211	Toll fees	438,124		1,648,500	400	1,648,500	328,474	376.3	
1530103	Livestock & fish	131,370	450,000	5,599,717	59	5,149,717	-92,253	4262.6	
1550101	Market Fees	9,350	1,500,000	28,100	35	-1,471,900	-17,150	300.5	
1580401	Slaughter Fees	24,700	1,200,000	236,100	112	-963,900	2,700	955.9	
1530103	Auction fees (livestock products)	1,101,615			58	0	-810,010	0.0	
1560101	water charges/House Rent	41,590	0	43,200	48	43,200	-45,210	103.9	
1590132	Daily Advertising Fees	24,000	20,000	38,500		18,500	24,000	160.4	
1580301	Conservancy fees	10,500	80,000	0	54	-80,000	-9,100	0.0	
	Dev appl fee	91,850	800,000	0		-800,000	91,850	0.0	
1590112	Plan appv. Fees	17,550	300,000	81,500	234	-218,500	10,050	464.4	
1590132	Promotions	47,500		0	264	0	29,500	0.0	
	Penalty on Building Plans	5,000	400,000	0		-400,000	5,000	0.0	
	Physical planning	0		0		0	0		
	Renewal / Extension of Lease	3,000	180,000	0		-180,000	3,000	0.0	

1590101	Survey Fees	2,000	50,000	0		-50,000	2,000	0.0
1530104	Plot Sub-letting/Plot Sub-division	0	1,500,000	0		-1,500,000	0	
	PPI Forms	1,000	400,000	0		-400,000	1,000	0.0
	Interest from bank(savings)	3,500	500,000	0		-500,000	3,500	0.0
1590113	Inspection Fee	312,160	2,200,000		2,214	-2,200,000	298,060	0.0
1590121	wayleave fees	500,000.00	500,000.00	766,300.00	-	266,300		153.3
1530302	Quarry extraction fees (Consent to mining)	0	2,890,000	6,264,750.00	0	3,374,750	-251,000	
	<b>SUB TOTAL</b>	2,613,834	<b>15,670,000</b>	-	97	-15,670,000	-77,264	0.0
<b>TOTAL</b>		<b>28,333,899</b>	<b>60,000,000</b>	<b>40,439,598</b>	<b>125</b>	-19,560,402	<b>5,745,696</b>	142.7



## **Common Causes For Revenue Under Performance**

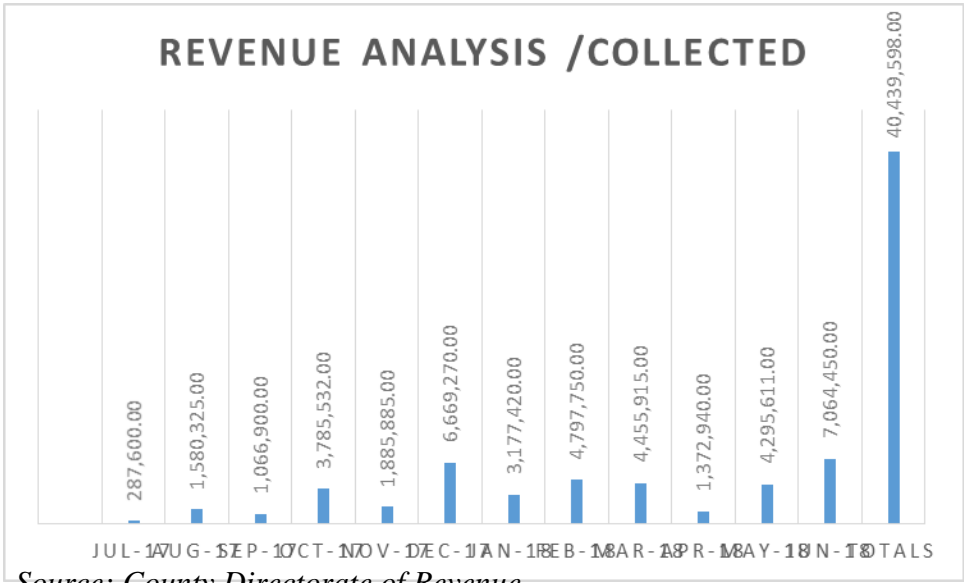
11. Poor performance of local revenue during the financial year 2017/18 was attributed to a number of constraints as described below;

- i. Manual revenue collection and poor revenue collection mechanism: They have created a lot of loopholes leading to loss of revenue and adverse inefficiency.
- ii. Poor segregation of duties in revenue administration; duties and responsibilities in the department of revenue are not effectively administered. There is a lack of checks and balances that lead to inefficiency in revenue collection.
- iii. Inadequate vehicle for supervision: due to vastness of the county the need for adequate and reliable mobility is paramount in revenue administration.
- iv. Inadequate and ineffective enforcement on revenue collections: there had been a chronic laxity amongst the officers concerned in ensuring seamless adherence to revenue administration procedures.
- v. Revenue cartels: there exist illegal groupings in management of resource endowed areas who deny the county access to collect revenue e.g. Meti and Kurawa Marram harvesting quarries, sand mining at Hola and Madogo among others.
- vi. Inadequate staff capacity: majority of revenue collectors in the county are commission agents whom are paid 15% of daily collection while there are no regular trainings for staff empowerment.

12. In light of these bottlenecks, the Directorate of Revenue, which is charged with revenue administration, collection and management, has put in place measures to address these issues. The department has planned for recruitment in key posts; a resource mapping exercise is in the process, and will be aimed at arresting loopholes in collection streams that are not included in the current structure; the department will also embark on a citizen sensitization exercise (especially the business community) through public participation that will seek to enable them understand the importance of paying revenue; and lastly the department is at an advanced stage of preparation of the Finance Bill for approval at the county assembly; the bill will govern the collection of revenue and the obligations involved therein. The targeted local revenue collection for the FY 2019/2020 is Kshs. 78,000,000. With the aforementioned recommendations put in place, the target should be achievable by end of the financial year.

13. The graph below shows an analysis of revenue collection for the period under review:

**Fig 1: 2017/2018 revenue analysis**



Source: County Directorate of Revenue

14. As indicated in the above diagram, in the FY 2017/2018, the highest monthly revenue collection occurred in three seasons; the 1st season occurred in October to December probably due to high sand harvest, high of livestock products outside the county and issuing of single business permit that prompted high revenue collection. The 2nd season occurred during months of May and June which is attributed to same factors just like in the first season. The department is working on an analytical survey to determine the factors that affect revenue collection trend within the county throughout the year.

**County Expenditure Performance**

15. The total approved expenditure for the financial year was Kshs. **5,972,465,261**, comprising of Kshs. **3.448 billion** (58%) recurrent expenditure and Kshs. **2.524 billion** (42%) development expenditure. As per the data provided by the County Treasury on the final accounts, the total expenditure was Kshs. **4,531,356,121**. This represents **24.13%** Surplus, carried forward from FY 2017/2018 to the FY 2018/2019.

**Table 3: Approved Estimates and Expenditures Analysis for FY 2017/2018**

Department		CFSP 2017/2018 Ceilings (a)	Final Approved Estimates (b)	Actual Expenditure 2017/2018 (c)	Deviati on from CFSP (b-a)	Deviation from approved estimates (c-b)	Absorptio n rate (c/b*100)
Office of the governor and the deputy governor	<b>Sub-Total</b>	<b>563,220,935</b>	<b>563,220,935</b>	<b>511,763,124</b>	<b>0</b>	<b>-51,457,811</b>	<b>90.86</b>
	Rec	489,687,521	489,687,521	418,377,747	0	-71,309,774	85.44
	Dev	73,533,414	73,533,414	93,385,377	0	19,851,963	127.00
Special programs	<b>Sub-Total</b>	<b>325,903,320</b>	<b>325,903,320</b>	<b>279,103,275</b>	<b>0</b>	<b>-46,800,045</b>	<b>85.64</b>
	Rec	285,532,963	285,532,963	215,972,565	0	-69,560,398	75.64
	Dev	40,370,357	40,370,357	63,130,710	0	22,760,353	156.38
County public service board	<b>Sub-Total</b>	<b>65,195,069</b>	<b>65,195,069</b>	<b>50,830,415</b>	<b>0</b>	<b>-14,364,654</b>	<b>77.97</b>
	Rec	65,195,069	65,195,069	50,830,415	0	-14,364,654	77.97
	Dev	0	0	0	0	0	0.00
Education and vocational training	<b>Sub-Total</b>	<b>610,645,507</b>	<b>610,645,507</b>	<b>451,801,452</b>	<b>0</b>	<b>-158,844,055</b>	<b>73.99</b>
	Rec	363,394,594	363,394,594	232,231,356	0	-131,163,238	63.91
	Dev	247,250,913	247,250,913	219,570,096	0	-27,680,817	88.80
youth, sports, gender, culture and social services	<b>Sub-Total</b>	<b>58,360,230</b>	<b>58,360,230</b>	<b>16,467,157</b>	<b>0</b>	<b>-41,893,073</b>	<b>28.22</b>
	Rec	24,767,755	24,767,755	16,467,157	0	-8,300,598	66.49
	Dev	33,592,475	33,592,475	0	0	-33,592,475	0.00
Medical services, public health	<b>Sub-Total</b>	<b>1,230,055,175</b>	<b>1,230,055,175</b>	<b>1,099,299,999</b>	<b>0</b>	<b>-130,755,176</b>	<b>89.37</b>

and sanitation	Rec	905,100,563	905,100,563	864,393,494	0	-40,707,069	95.50
	Dev	324,954,612	324,954,612	234,906,505	0	-90,048,107	72.29
Agriculture, livestock, fisheries, veterinary	<b>Sub-Total</b>	<b>636,760,375</b>	<b>636,760,375</b>	<b>406,507,132</b>	<b>0</b>	<b>-230,253,243</b>	<b>63.84</b>
	Rec	294,262,276	294,262,276	211,703,583	0	-82,558,693	71.94
	Dev	342,498,099	342,498,099	194,803,549	0	-147,694,550	56.88
Water, irrigation environment and Natural resources	<b>Sub-Total</b>	<b>640,264,849</b>	<b>640,264,849</b>	<b>101,796,821</b>	<b>0</b>	<b>-538,468,028</b>	<b>15.90</b>
	Rec	178,588,130	178,588,130	101,796,821	0	-76,791,309	57.00
	Dev	461,676,719	461,676,719	0	0	-461,676,719	0.00
Roads, transport, public works, housing and urban development	<b>Sub-Total</b>	<b>758,641,629</b>	<b>758,641,629</b>	<b>513,911,398</b>	<b>0</b>	<b>-244,730,231</b>	<b>67.74</b>
	Rec	115,741,986	115,741,986	55,257,406	0	-60,484,580	47.74
	Dev	642,899,643	642,899,643	458,653,992	0	-184,245,651	71.34
Public service, administration and citizen participation	<b>Sub-Total</b>						<b>0.00</b>
	Rec						
	Dev						
Trade, tourism & wildlife and cooperative development	<b>Sub-Total</b>	<b>207,523,640</b>	<b>207,523,640</b>	<b>13,293,089</b>	<b>0</b>	<b>-194,230,551</b>	<b>6.41</b>
	Rec	51,523,640	51,523,640	12,043,089	0	-39,480,551	23.37
	Dev	156,000,000	156,000,000	1,250,000	0	-154,750,000	0.80
Finance and economic planning	<b>Sub-Total</b>	<b>286,239,460</b>	<b>286,239,460</b>	<b>352,466,894</b>	<b>0</b>	<b>66,227,434</b>	<b>123.14</b>
	Rec	266,239,460	266,239,460	284,915,165	0	18,675,705	107.01
	Dev	20,000,000	20,000,000	67,551,729	0	47,551,729	337.76

Lands and physical planning	<b>Sub-Total</b>	<b>59,260,839</b>	<b>59,260,839</b>	<b>0</b>		<b>-59,260,839</b>	<b>0.00</b>
	Rec	41,712,839	41,712,839			-41,712,839	0.00
	Dev	17,548,000	17,548,000			-17,548,000	0.00
County assembly	<b>Sub-Total</b>	<b>552,495,177</b>	<b>645,224,386</b>	<b>471,585,978</b>		<b>-173,638,408</b>	<b>73.09</b>
	Rec	454,495,177	454,495,177	454,195,177		-300,000	99.93
	Dev	98,000,000	190,729,209	17,390,801		-173,338,408	9.12
	<b>Total Rec</b>	<b>3,536,241,973</b>	<b>3,536,241,973</b>	<b>2,918,183,975</b>	<b>0</b>	<b>-618,057,998</b>	<b>82.52</b>
	<b>Total Dev</b>	<b>2,458,324,232</b>	<b>2,551,053,441</b>	<b>1,350,642,759</b>	<b>0</b>	<b>-1,200,410,682</b>	<b>52.94</b>
	<b>GRAND TOTAL</b>	<b>5,994,566,205</b>	<b>6,087,295,414</b>	<b>4,268,826,734</b>	<b>0</b>	<b>-1,818,468,680</b>	<b>70.13</b>

**NB:** The department of Public Service, Administration & Citizen participation in newly established in FY 2018/19

**Source:** Tana River County Treasury

16. From the above tabulation, it is observed that the highest allocation of development funds during the financial year under review were the departments of Roads & Public Works and the Health & Sanitation department amounting to Kshs. 610,538,186 and Kshs. 578,615,260 respectively while the office of the governor, departments of finance and special programs had exceeded the approved ceiling on the development estimates with a higher absorption rate of 127%, 337% and 156% respectively having spent Ksh 93,385,337, Kshs 67,551,729 and Kshs. 63,130,710 in that order.

### **Implication of 2017/2018 Implementation**

#### **Fiscal Performance on the Fiscal Responsibilities and Financial Objectives Contained in the CFSP of 2017**

17. The performance of the county is dependent on the country's economic performance as well as formulation and implementation of prudent policies by the county government.

### **Recent Development**

18. In the FY 2017/2018 the allocation for major development amounted to Ksh 2,458,324,232. The allocation was distributed amongst various departments to implement major program aimed at sprouting economic activities within the county.
19. The largest amount of the development budget in the FY 2017/2018 was spent on roads and public works. The department played a key role in provision of necessary infrastructure and related services for economic advancement. Significant funds were committed in construction of roads, construction of bridges, construction of non-residential buildings (County Headquarter and KMTC halls) as well as purchase of plant and equipment.
20. One of the main development challenges in the county is accessibility to clean water and to address this, the department embarked on a mission to construct water pans, drill boreholes as well as maintaining the existing supply and reservation systems. In addition, a strategy to improve water storage was implemented through supplying of water storage tanks to affected areas.
21. The department of Health and Sanitation committed significant funds into refurbishment of Non-residential buildings and construction of buildings (modern maternity wings at every sub-county facility). The department also embarked on comprehensive strategy to improve

the health care systems through immunization, child health, screening for communicable conditions, antenatal care among others. Other key achievements include provision of medicine in public hospitals and dressing & other pharmaceutical medical items.

22. Agriculture being the highest contributor to the county economy, significant efforts was made to boost the sector through purchase and distribution of high valued satisfied seeds, pesticides, fertilizers and tractors. In addition, the department also engaged in empowering farming communities through capacity building to improve their farming skills to enhance productivity. However, strategies to ensure value addition of both agriculture and livestock products need to be put in place. As such strategies can result to agriculture sector creating new sources of revenue and job creation.
23. To improve the retention rate in EYE the department of Education and Vocational Training established a school feeding and bursary programs. In addition, the department put in place measures to address the rate of unemployment among the youths through provision of best employable skill training and equipping of vocational training centers with modern tools and equipment.
24. The department of trade, tourism and industry has identified new tourist sites aiming at increased numbers of local tourist which has multiplier effect on the economy. In addition, construction/rehabilitation of fresh produce market was executed to promote small business enterprise development.
25. During the FY 2017/18 there were several non-core expenditures which were necessary to ensure effective and efficient execution of administrative services. They included construction and refurbishment of offices, purchase of furniture, computers and other office equipment's.
26. Poor performance on collection of county own revenue for the financial year 2017/18 had implications on the resource envelope indicating some of the budgeted expenditure were not implemented and the bases for revenue projected for FY 2018/2019 might be adversely affected. The current revenue trend has been taken into consideration and necessitated the mapping of own revenue sources.

## **SECTION III: Recent Economic Developments and its Outlook**

### **Overview**

27. The economy remained resilient in 2017 and grew by 4.9 percent compared with a revised growth of 5.9 percent in 2016, supported by the strong performance in the nonagricultural sector relative to the decline in the agricultural sector. In the first quarter of 2018, the economy recovered and grew by 5.7 percent compared to a growth of 4.8 percent in the same quarter in 2017. This growth was mainly attributed to improved weather conditions and regain in business and consumer confidence following political stability in the country and is reflected in the increased activities in both the agricultural and non-agricultural sectors of the economy.
28. The overall inflation fell to 4.0 percent in August 2018 from 8.0 percent in August 2017, thereby remaining within the 5.0 percent medium term target set by Government. This decline reflected lower prices of key food items such as carrots, loose maize grain, loose maize flour, tomatoes, cabbages, and beans. However, energy prices continued to exert upward pressure on overall inflation due to higher fuel and electricity prices. In the twelve month to August 2018, the average annual inflation rate was at 4.7 percent compared to 8.3 percent in the same period in 2017. Kenya's rate of inflation compares favorably with the rest of sub-Saharan African countries and especially its peers such as Nigeria and Ghana whose inflation rates were 11.2 percent and 9.9 percent, respectively in August 2018
29. The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate strengthened to Ksh 100.6 in August 2018 from Ksh 103.6 in August 2017. Against the Euro and the Sterling pound, the Shilling also strengthened to Ksh 116.2 and Ksh 129.7 in August 2018 from Ksh 122.2 and Ksh 134.2 in August 2017, respectively. The Kenya Shilling exchange rate has continued to display relatively less volatility, compared to most Sub-Saharan African currencies. This stability reflected strong inflows from tea and horticulture exports, strong diaspora remittances and tourism receipts.



## **Interest Rates**

30. Short term interest rates have remained fairly low and stable. The Central Bank Rate was reduced to 9.0 percent on 30th July 2018 from 9.5 percent in March 2018 in order to support economic activity. The interbank rate remained low at 6.8 percent in August 2018 from 8.1 percent in August 2017 due to ample liquidity in the money market. The 91-day Treasury bill rate declined to 7.6 percent in August 2018 compared to 8.2 percent in August 2017 while over the same period, the 182 day and the 364-day Treasury bills averaged 9.0 percent and 10.0 percent from 10.3 percent and 10.9 percent, respectively.
31. The lending rates declined to 13.3 percent in May 2018 from 13.7 percent in May 2017 while the average commercial banks' deposit rate increased to 8.1 percent in May 2018 from 7.4 percent in May 2017. As a result, the interest rate spread narrowed to 5.2 percent from 6.3 percent over the same period.
32. The County generally operated under a stable macroeconomic environment

## **Economic Risks**

33. Despite slow economic growth in Tana River County, the economy of Tana River is prone to both macro-economic and micro-economic risks.
- a. Macro-economic risks include;**
- i. Sluggish growth in advanced economies that weigh on Kenya's export activities and the tourism sector. Such an impact will have a ripple effect on the County's economy seeing as 99% of the County's revenue comes from the National Government.
  - ii. Continued depreciation of the Kenya shilling against its major exchange partners, especially the US dollar had a negative effect on the Consumer price index inflation leading to increased inflation and increased interest rates.
  - iii. The effects of the public debt are likely to contribute to the sluggish growth of the economy and have a negative trend on revenue collections to fund government expenditures.
- b. Micro-economic risks include;**
34. Agriculture and livestock production in the county has been affected by extreme and unreliable weather. These factors have worsened the food insecurity situation in the county.

Our county suffered major loses since pastoralist is a major economic activity and was adversely affected by the prolonged draught.

35. Accessibility to key areas of the county has been a challenge due dilapidated road network. The main roads of Garsen – Hola, Hola - Garissa which fall under the jurisdiction of the national government are being reconstructed. The poor roads cause delays in deliveries and increase in transport costs that are in turn transferred to the consumer, with prices varying upward to 20% on some products as compared to recommended retail prices in other areas.
36. The current county administration will undertake appropriate measures to put the county economy on the growth path.

#### **SECTION IV: RESOURCE ALLOCATION FRAMEWORK**

37. This section sets out how the county government of Tana River intends to live within its means. It establishes the resource envelope or total revenue it expects, it also allocates this budget resources across government departments and agencies by setting expenditure limits of ceilings for each county department/agency.
38. In order to ensure effective utilization of public finances, resource allocation will be guided by the following;
- i. PFMA, 2012
  - ii. Ongoing projects
  - iii. Emerging priorities
  - iv. County Integrated Development Plan (CIDP II)
  - v. Medium term plan III (2018 - 2022)

#### **Adjustment to the 2018/2019 FY budget**

39. Adjustments expected in the 2018/2019 budget estimates will be based on the actual performance of the expenditure thus far and the absorption capacity in the remainder of the financial year. Due to the resource constraint, the county will rationalize expenditures by considering emerging needs such as:
- i) Recruitment based on the departmental staff establishment reports
  - ii) The occurrence of natural disasters such as severe drought and floods

iii) The downward revision of revenue allocated to counties as equitable share by the National Assembly

40. The Tana River county treasury have prepared the 2018/2019 FY Budget taking into consideration all the recommendations announced by his Excellency the Governor and the will of the people of Tana River county as expressed during the public participations held. The County treasury has also realigned the Budget Estimates to cater for the priorities of the new administration. It has also considered the restructuring of County Government departments under the new administration that include: having Public Service, Administration and Citizen Participation as a full department; Having the Housing and Urban Development domiciled under the Department of Roads & Public works; and separating the department of Lands and Physical Planning separated from the larger Agriculture department/subsector.
41. There was a significant increase in own source revenue in the FY 2017/2018. The county treasury managed to collect 44M representing 73% compared to 47.22% which was realized in the FY 2016/2017. The county treasury has underperformed in collection of own source revenue (OSR) against a target of 60 million in the previous 2 financial years. The county treasury intends to roll out reforms in the revenue collections and administration that may aim at expanding its revenue base and complemented with improvement in revenue collections through automation prompting the county treasury to maintain OSR target at 60million.
42. The county treasury appropriated monies to offset the pending bills captured by the assumption of the office committee amounting to approximately Kshs 1.7Billion. This was accompanied by a special audit to ensure that only vendors/contractors who have genuinely rendered their services will be paid. The county managed to offset some of the pending bills in the F/Y 2017/18 and will endeavor to clear the remainder during this financial year. Currently the county treasury intended to have consultative sessions with procurement department to explain why the county committed without consulting the accounting officers thus over-committing the county government. The county treasury in the FY 2016/17 did not manage to review the current wage bill with the aim of checking the authenticity of both contractual and permanent staff, their statutory deductions with a view of filling the gaps in the staff establishment in the subsequent financial years we hope that this will be addressed

in this FY 2018/19. However, all county departments will be required to optimally use their existing human resources to discharge their respective mandate. The county treasury will endeavor to incorporate the development priorities of the new administration in the remaining part of the implementation of the current financial year's budget.

### **The Medium Term Expenditure Framework**

43. This subsection explains adjustment that will be made to the budget over the immediate and the following two years. The county will continue to implement the medium term expenditure framework (MTEF) through policies, projects, and programs set out in the annual development plans, county fiscal strategy papers anchored in the respective county integrated development plans.
44. During FY 2018/19 the County will focus on building foundations for increasing the Own Source Revenue collections through resource mapping, civic education of the general public on the importance of OSR, and automation of revenue collection. With increased sources and capacity, the County will look to increase OSR targets in subsequent financial years. Focus will also be geared toward departments with high revenue potential such as Trade, Tourism & Wildlife as well as the Agriculture and Livestock departments through industrialization by setting up processing plants and value addition for commodities such as milk, honey and mangoes.
45. The County will continue to invest in infrastructure, quality and affordable universal health care, education, urban planning and development, good governance among others so as to consolidate the gains made for the last four years. The table below provides projected baseline ceilings and the 2017/2018 to 2020/2021 MTEF by sector.

Table 4: Medium Term Expenditure Ceilings 2018/19 to 2020/21						% Share of Total Expenditure			
DEPARTMENT / SECTOR		Final Approved Estimates	Ceilings	Projections		Final Approved Estimates	Ceilings	Projections	
				2017/18	2018/19			2019/20	2020/21
Office Of The Governor and The Deputy Governor	<b>Sub-Total</b>	<b>563,220,935</b>	<b>490,808,909</b>	<b>515,349,354</b>	<b>541,116,822</b>	<b>10.54</b>	<b>8.82</b>	<b>8.82</b>	<b>8.82</b>
	Rec	489,687,521	490,808,909	515,349,354	541,116,822	9.16	8.82	8.82	8.82
	PE. Gross	258,404,900	225,140,276	236,397,290	248,217,154	4.83	4.05	4.05	4.05
	OM. Gross	231,282,621	265,668,633	278,952,065	292,899,668	4.33	4.77	4.77	4.77
	Dev.Gross	73,533,414	0	0	0	1.38	0.00	0.00	0.00
Special Programs	<b>Sub-Total</b>	<b>325,903,320</b>	<b>72,539,766</b>	<b>76,166,754</b>	<b>79,975,092</b>	<b>6.1</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>
	Rec	285,532,963	62,539,766	65,666,754	68,950,092	5.34	1.12	1.12	1.12
	PE. Gross	9,681,720	9,875,354	10,369,122	10,887,578	0.18	0.18	0.18	0.18
	OM. Gross	275,851,243	52,664,412	55,297,633	58,062,514	5.16	0.95	0.95	0.95
	Dev.Gross	40,370,357	10,000,000	10,500,000	11,025,000	0.76	0.18	0.18	0.18
Education and Vocational Training	<b>Sub-Total</b>	<b>610,645,507</b>	<b>685,276,353</b>	<b>719,540,171</b>	<b>755,517,179</b>	<b>11.42</b>	<b>12.31</b>	<b>12.31</b>	<b>12.31</b>
	Rec	363,394,594	465,286,353	488,550,671	512,978,204	6.8	8.36	8.36	8.36
	PE. Gross	76,744,192	132,544,000	139,171,200	146,129,760	1.44	2.38	2.38	2.38
	OM. Gross	286,650,402	332,742,353	349,379,471	366,848,444	5.36	5.98	5.98	5.98
	Dev.Gross	247,250,913	219,990,000	230,989,500	242,538,975	4.63	3.95	3.95	3.95
Youth, Sports,	<b>SUB-TOTAL</b>	<b>58,360,230</b>	<b>191,361,844</b>	<b>200,929,936</b>	<b>210,976,433</b>	<b>1.09</b>	<b>3.44</b>	<b>3.44</b>	<b>3.44</b>

gender, Culture and Social Services	Rec	24,767,755	98,861,844	103,804,936	108,995,183	0.46	1.78	1.78	1.78
	PE. Gross	5,305,640	28,438,200	29,860,110	31,353,116	0.1	0.51	0.51	0.51
	OM. Gross	19,462,115	70,423,644	73,944,826	77,642,068	0.36	1.27	1.27	1.27
	Dev.Gross	33,592,475	92,500,000	97,125,000	101,981,250	0.63	1.66	1.66	1.66
Medical Services, Public Health and Sanitation	<b>Sub-Total</b>	<b>1,030,523,359</b>	<b>1,462,107,060</b>	<b>1,535,212,413</b>	<b>1,611,973,034</b>	<b>23.01</b>	<b>26.27</b>	<b>26.27</b>	<b>26.27</b>
	Rec	905,100,563	1,261,307,060	1,324,372,413	1,390,591,034	16.93	22.67	22.67	22.67
	PE. Gross	746,730,304	638,304,461	670,219,684	703,730,668	13.97	11.47	11.47	11.47
	OM. Gross	158,370,259	623,002,599	654,152,729	686,860,365	2.96	11.20	11.20	11.20
	Dev.Gross	324,954,612	200,800,000	210,840,000	221,382,000	6.08	3.61	3.61	3.61
Agriculture, Livestock, Veterinary Services & Fisheries	<b>Sub-Total</b>	<b>636,760,375</b>	<b>722,994,380</b>	<b>759,144,099</b>	<b>797,101,304</b>	<b>11.91</b>	<b>12.99</b>	<b>12.99</b>	<b>12.99</b>
	Rec	294,262,276	390,734,957	410,271,705	430,785,290	5.5	7.02	7.02	7.02
	PE. Gross	85,033,880	86,454,920	90,777,666	95,316,549	1.59	1.55	1.55	1.55
	OM. Gross	209,228,396	304,280,037	319,494,039	335,468,741	3.91	5.47	5.47	5.47
	Dev.Gross	342,498,099	332,259,423	348,872,394	366,316,014	6.41	5.97	5.97	5.97
Water, Irrigation Environment and Natural Resources	<b>Sub-Total</b>	<b>640,264,849</b>	<b>371,662,036</b>	<b>390,245,138</b>	<b>409,757,395</b>	<b>11.98</b>	<b>6.68</b>	<b>6.68</b>	<b>6.68</b>
	Rec	178,588,130	109,262,036	114,725,138	120,461,395	3.34	1.96	1.96	1.96
	PE. Gross	25,641,120	43,475,880	45,649,674	47,932,158	0.48	0.78	0.78	0.78
	OM. Gross	152,947,010	60,786,156	63,825,464	67,016,737	2.86	1.09	1.09	1.09
	Dev.Gross	461,676,719	262,400,000	275,520,000	289,296,000	8.64	4.72	4.72	4.72
Roads, Transport,	<b>Sub-Total</b>	<b>758,641,629</b>	<b>641,677,734</b>	<b>673,761,621</b>	<b>707,449,702</b>	<b>14.19</b>	<b>11.53</b>	<b>11.53</b>	<b>11.53</b>

Public Works, Housing And Urban Development	Rec	115,741,986	113,545,700	119,222,985	125,184,134	2.17	2.04	2.04	2.04
	PE. Gross	18,966,360	19,345,687	20,312,971	21,328,620	0.35	0.35	0.35	0.35
	OM. Gross	96,775,626	94,200,013	98,910,014	103,855,514	1.81	1.69	1.69	1.69
	Dev.Gross	642,899,643	528,132,034	554,538,636	582,265,567	12.03	9.49	9.49	9.49
Public Service, Administration and Citizen Participation	<b>Sub-Total</b>		<b>487,144,375</b>	<b>511,501,594</b>	<b>537,076,673</b>	-	<b>8.75</b>	<b>8.75</b>	<b>8.75</b>
	Rec	-	420,644,375	441,676,594	463,760,423	-	7.56	7.56	7.56
	PE. Gross	-	74,496,088	78,220,892	82,131,937	-	1.34	1.34	1.34
	OM. Gross	-	346,148,287	363,455,701	381,628,486	-	6.22	6.22	6.22
	Dev.Gross	-	66,500,000	69,825,000	73,316,250	-	1.20	1.20	1.20
Finance and Economic Planning	<b>Sub-Total</b>	<b>286,239,460</b>	<b>460,311,761</b>	<b>483,327,349</b>	<b>507,493,717</b>	<b>5.35</b>	<b>8.27</b>	<b>8.27</b>	<b>8.27</b>
	Rec	266,239,460	410,311,761	430,827,349	452,368,717	4.98	7.37	7.37	7.37
	PE. Gross	69,710,931	85,694,211	89,978,922	94,477,868	1.3	1.54	1.54	1.54
	OM. Gross	196,528,529	324,617,550	340,848,428	357,890,849	3.68	5.83	5.83	5.83
	Dev.Gross	20,000,000	50,000,000	52,500,000	55,125,000	0.37	0.90	0.90	0.90
Trade, Tourism & Wildlife And Cooperative Development	<b>Sub-Total</b>	<b>207,523,640</b>	<b>324,198,330</b>	<b>340,408,247</b>	<b>357,428,659</b>	<b>3.88</b>	<b>5.83</b>	<b>5.83</b>	<b>5.83</b>
	Rec	51,523,640	164,198,330	172,408,247	181,028,659	0.96	2.95	2.95	2.95
	PE. Gross	13,902,560	21,102,561	22,157,689	23,265,574	0.26	0.38	0.38	0.38



	OM. Gross	37,621,080	143,095,769	150,250,557	157,763,085	0.7	2.57	2.57	2.57
	Dev.Gross	156,000,000	160,000,000	168,000,000	176,400,000	2.92	2.88	2.88	2.88
Lands and Physical Planning	<b>Sub-Total</b>	<b>59,260,839</b>	<b>96,147,115</b>	<b>100,954,471</b>	<b>106,002,194</b>	<b>1.11</b>	<b>1.73</b>	<b>1.73</b>	<b>1.73</b>
	Rec	41,712,839	16,147,115	16,954,471	17,802,194	0.78	0.29	0.29	0.29
	PE. Gross	1,222,020	5,749,860	6,037,353	6,339,221	0.02	0.10	0.10	0.10
	OM. Gross	40,490,819	10,397,255	10,917,118	11,462,974	0.76	0.19	0.19	0.19
	Dev.Gross	17,548,000	80,000,000	84,000,000	88,200,000	0.33	1.44	1.44	1.44
	<b>Sub-Total</b>	<b>552,495,177</b>	<b>556,000,000</b>	<b>583,800,000</b>	<b>612,990,000</b>	<b>1.83</b>	<b>9.99</b>	<b>9.99</b>	<b>9.99</b>
County Assembly	Rec	-	456,000,000	<b>478,800,000</b>	<b>502,740,000</b>	-	8.19	8.19	8.19
	PE. Gross		252,586,902	<b>265,216,247</b>	<b>278,477,059</b>	-	4.54	4.54	4.54
	OM. Gross		203,413,098	<b>213,583,753</b>	<b>224,262,941</b>	-	3.66	3.66	3.66
	Dev.Gross	98,000,000	100,000,000	<b>105,000,000</b>	<b>110,250,000</b>	1.83	<b>1.80</b>	1.80	1.80
	<b>Bal Bf d.</b>	-		<b>0</b>	<b>0</b>		0.00	0.00	0.00
<b>Bal Bf r.</b>			<b>0</b>	<b>0</b>		0.00	0.00	0.00	
<b>Conditional Grants</b>	<b>Sub-Total</b>	<b>389,634,389</b>	<b>918,365,832</b>	<b>964,284,124</b>	<b>1,012,498,330</b>		<b>16.50</b>	<b>16.50</b>	<b>16.50</b>
	<b>Sub-Total</b>		<b>556,000,000</b>	<b>583,800,000</b>	<b>612,990,000</b>		<b>9.99</b>	<b>9.99</b>	<b>9.99</b>
	OM.Gross	1,734,690,233	2,831,439,806	2,973,011,796	3,121,662,386	32.45	50.88	50.88	50.88

	Dev.Gross	2,360,324,232	2,102,581,457	2,207,710,530	2,318,096,056	44.16	37.78	37.78	37.78
	PE. Gross	1,347,056,563	1,623,208,400	1,704,368,820	1,789,587,261	25.2	29.17	29.17	29.17
		<b>5,345,400,000</b>	<b>5,564,661,068</b>	<b>5,842,894,121</b>	<b>6,135,038,827</b>	<b>57.65</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>TOTAL</b>		<b>5,795,034,389</b>	<b>6,557,229,663</b>	<b>6,885,091,146</b>	<b>7,229,345,703</b>				

### **Proposed 2018/2019 Budget Framework**

46. The 2018/2019 budget framework is guided by the updated medium term macro-fiscal framework outlined in the table above.

### **Revenue Outlook**

47. The resource envelope comprised of a total of Ksh6,885,091,146 which comprises of Equitable share of revenue raised nationally of Ksh5,842,894,121 (projected to grow 5% from the current 5.5 billion) and conditional grants projected to amount to Ksh964 Million. Meanwhile the county treasury is projecting to collect Ksh78 Million as OSR. However, these estimates shall be firmed up by the Budget Policy Statement (BPS), County Allocation of Revenue Act 2019 and approved policies by the County Executive Committee.

### **Expenditure Outlook**

48. The total expenditure is estimated at Ksh6.88 Billion comprising of recurrent expenditure which is estimated at 70percent and development estimated at 30 percent. The county wage bill shall be managed prudently so as to remain below 35 percent as stipulated in the fiscal responsibility principles of the Public Finance Management Act, 2012.

49. Over the medium term the county intends to live within its means and therefore shall endeavor to operate a balanced budget.

### **Section V: Conclusion and Way Forward**

50. The County is yet to make progress in addressing some of the challenges previously identified as affecting budget implementation; so far, the county government of Tana River is yet to fully implement the procurement plan and spending within the budget appropriation. The county has not also appointed members of the Audit committee as provided in the PFM Act.

51. Despite the progress made, the following challenges continue to hamper effective budget implementation;

- i. Delay in submission of budget implementation/performance and expenditure reports by departments to the County Treasury.
- ii. In most cases, submitted reports are not in the desired prescribed formats.

- iii. Low collection of Own Source Revenue for the last 3 years has led to budget deficits.
- iv. The County is yet to operationalize the County Budget and Economic Forum as required
- v. under Section 137 of the PFM Act, 2012.
- vi. Off-budget, off-plan expenditures.
- vii. Non Appointment of the receiver of revenue as per the provisions of the PFM Act Sec. 157 by the CEC finance and planning.

52. The County should implement the following recommendations in order to improve budget execution;

- i. The county Government (departments) should adhere to Section 166 of the PFMA. 2012 in submission of quarterly reports in the desired format.
- ii. The County Government should devise strategies to enhance local revenue collection, mainly through automation of revenue collection and civic education on the importance of OSR to the public through the proposed 2018 Finance Bill.
- iii. The county should spend within its means and avoid any leakages.
- iv. Having constituted the CBEF as required by Section 137 of the PFMA, 2012, the County should continue to actively engage the forum on budgetary issues to fully capture the aspirations of the people of Tana River as well as the administration's development agenda.

## Annex I: Projected.

CATEGORY	FY 2017/2018	FY 2018/2019	FY 19/20
Hides & skins	500,000	500,000	986,500
Charcoal	1,230,000	1,230,000	0
Fish	200,000	200,000	1,000,000
Fruits	2,800,000	2,800,000	3,286,500
Rice & paddy	600,000	600,000	1,086,500
Ghee & milk	200,000	200,000	686,500
Crocodile eggs	1,800,000	1,800,000	2,286,500
Maize	2,500,000	2,500,000	2,986,500
Export	3,800,000	3,800,000	4,286,500
Miraa	800,000	800,000	1,286,500
Gypsum	6,200,000	6,200,000	6,800,000
Others	1,000,000	1,000,000	1,486,500
Plot rent	1,500,000	1,500,000	2,500,000
plot registration fees	300,000	300,000	786,500
plot transfer fees	500,000	500,000	986,500
land application fees	700,000	700,000	1,186,500
land lease fees	3,200,000	3,200,000	3,686,500
Area rates	-	-	0
Application fees	500,000	500,000	986,500
permit fees	6,000,000	6,000,000	6,486,500
<b>A.I.A (Health facilities)</b>	10,000,000	10,000,000	10,486,500
Bus park fees	700,000	700,000	1,186,500
Grazing fees	450,000	450,000	936,500
Market Fees	1,500,000	1,500,000	1,986,500
Slaughter Fees	1,200,000	1,200,000	1,686,500
Auction fees	2,500,000	2,500,000	2,986,500
water charges	-	-	0
Daily Advertising Fees	20,000	20,000	506,500

Conservancy fees	80,000	80,000	566,500
Dev application fee	800,000	800,000	1,286,500
Plan application. Fees	300,000	300,000	786,500
Penalty on Building Plans	400,000	400,000	886,500
Renewal / Extension of Lease	180,000	180,000	666,500
Survey Fees	50,000	50,000	536,500
Plot Sub-letting/Plot Sub-division	1,500,000	1,500,000	1,986,500
PPI Forms	400,000	400,000	886,500
Interest from bank(savings)	500,000	500,000	986,500
Inspection Fee	2,200,000	2,200,000	2,686,500
Consent to mining	2,890,000	2,890,000	4,152,000
<b>TOTAL</b>	<b>60,000,000</b>	<b>60,000,000</b>	<b>78,000,000</b>