



**COUNTY GOVERNMENT OF ISIOLO**

**FINANCE AND ECONOMIC PLANNING**

---

**2017 COUNTY BUDGET REVIEW**

**AND**

**OUTLOOK PAPER (CBROP)**

---

**SEPTEMBER 2017**

## FOREWORD

The 2017 County Budget Review and Outlook Paper (CBROP), is prepared under the new County Leadership. It provides an opportunity to review the 2016/17 budget performance and also form a basis for the revision of the 2017/18 budget in the context of the Supplementary Estimates. CBROP further provides the broad fiscal parameters for the next budget and medium term period. The law requires CBROP to present the fiscal outcome for the previous financial year and to state how this outcome affects the financial objectives contained in the 2017 County Fiscal Strategy Paper (CFSP).

The 2017 CBROP contains information that shows changes in the forecasts in the 2017/18 budget due to emerging expenditure pressure particularly from emergencies and unexpected expenditure streams in the current budget. It therefore plays a critical role in the revision and preparation of budget and management of public resources. To strengthen the budget preparation process, the County government will continue to embrace performance budgeting and deepen public financial reforms to increase efficiency and effectiveness in service delivery.

Further, fiscal discipline will seek to ensure that the county is able to work towards reducing absolute poverty levels by bringing relevant and essentials services closer to people. The poverty level in the county is currently estimated at 65.3 percent (Socio-Economic Atlas of Kenya, 2014) and this calls for an urgent need for intensive effort to continue reducing this figure through proper budgeting and planning of public financial resources for productive investment.

Therefore, new county government is committed to accelerate investments that are geared towards promoting the living standards of the residents of Isiolo in line with the expectations and commitments we made to them.

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



Mr. Mwenda Thiribi

CEC –Finance and Economic Planning.

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

## **ACKNOWLEDGEMENT**

This 2017 County Budget Review and Outlook Paper (CBROP), is prepared in accordance with the Public Finance Management (PFM) Act, 2012 and is the forth to be prepared under the County Administration. The document provides a review of the recent economic developments and actual fiscal performance of the Financial Year 2016/2017 in comparisons to the budget appropriations for the same year. It further provides an overview of how the actual performance of the Financial Year 2016/2017 affected our compliance with the Fiscal Responsibility Principles and the financial objectives as spelt in the PFM Act,2012 as well as information showing changes from the projections outlined in the February 2017 County Fiscal strategy paper (CFSP).

The preparation of the 2017 CBROP was a collaborative effort among various units. The spending units provided useful information through their budget execution for the Financial Year 2016/17. We are grateful for this. A core team from Finance and Economic Planning spent a significant amount of time putting together this CBROP.

I would like to take this opportunity to give my special thanks to Mr. Gabriel Manyinsa and Mr. Elijah Nduati for their dedication, sacrifice\_and commitment in drafting this document.

**Mr. Abdi Nassir**

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

## TABLE OF CONTENT

<b>ACKNOWLEDGEMENT</b> .....	iii
<b>TABLE OF CONTENT</b> .....	iv
<b>LIST OF TABLES</b> .....	v
<b>ABBREVIATIONS AND ACRONYMS</b> .....	vi
<b>EXECUTIVE SUMMARY</b> .....	ix
<b>I. INTRODUCTION</b> .....	1
A. Background .....	1
B. Objectives of the CBROP .....	1
C. Organization of the Document .....	1
<b>II. REVIEW OF FISCAL PERFORMANCE IN THE FINANCIAL YEAR 2016/17</b> .....	2
A. Development priorities for Financial year 2016/17 .....	2
B. Fiscal Performance Overview for Financial Year 2016/17 .....	2
i. Revenue performance .....	2
C. Implication of 2016/2017 Fiscal Performance on Financial Objectives .....	12
<b>III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK</b> .....	14
A. Overview .....	14
B. Implementation of the Financial Year 2017/18 Budget .....	16
<b>IV. MACROECONOMIC POLICIES AND OUTLOOK</b> .....	17
A. Overview .....	17
B. Medium Term Fiscal Framework .....	18
C. Risks to the Economic Outlook .....	24
<b>V. RESOURCES ALLOCATION FRAMEWORK</b> .....	25
A. Adjustment to 2017/18 Budget .....	25
B. Medium-Term Expenditure Framework .....	26
C. Fiscal Risks .....	31

## LIST OF TABLES

Table 1: Fiscal outturn in Financial Year 2016/17 .....	3
Table 2 Local Revenue Collection for Financial Years 2013/14 - 2016/17 .....	6
Table 3: Expenditure Performance .....	8
Table 4: Allocations for the Financial Year 2017/18.....	19
Table 5: Revenue Projections .....	22
Table 6: Total Projected Sector Expenditure Ceilings 2017/18.....	28

## ABBREVIATIONS AND ACRONYMS

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

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

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

1. The County Treasury shall prepare and submit CBROP to County Executive Committee for approval by 21<sup>st</sup> October of each financial year, a County Budget Review and Outlook Paper which shall include:
  - a) Actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
  - b) Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
  - c) Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest County Fiscal Strategy Paper; and
  - d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2. County Executive committee shall consider the County Budget Review and outlook Paper with a view of approving it with or without amendments, not later than fourteen days after its submission.
3. Not later than seven days after the CBROP has been approved by Executive committee, the County Treasury shall:
  - a) Submit the paper to the Budget and Appropriation Committee of the County Assembly to be laid before the County assembly; and
  - b) Publish and publicize the paper not later than fifteen days after laying the Paper before County Assembly.

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

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

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



## **EXECUTIVE SUMMARY**

This County Budget Review and Outlook Paper (CBROP), is prepared in accordance with the Public Finance Management (PFM) Act, 2012 and is the fifth under the devolved Administration. It presents a review of the Budget performance for Financial Year 2016/17 and how the budget adhered to the fiscal responsibility principles and financial objectives as set out in the PFM Act, 2012. The updated Macro-Economic and Fiscal forecasts therein also provides the basis to revision of the Financial Year 2017/18 budget in the context of Supplementary Estimates, as well as set out the broad fiscal parameters for the Financial Year 2017/18 budget and the medium term plan.

The Financial Year 2016/17 budget was below target due to shortfalls in revenue particularly internal revenues and. In the 2017/18 budget, efforts will be made to improve County own collection. It is appreciated that this is the fifth time the County is preparing a Budget Review and Outlook Paper. Under these circumstances, we remain steadfast in maintaining Macroeconomic Stability, even in the face of expenditure pressures associated with devolution of functions to the County and a swollen wage bill. The updated County Economic Outlook will be firmed up in the CFSP 2018 to reflect any changes in Economic and Financial conditions. In line with the County Treasury Circular No 1/2017, the 2018 CFSP will be submitted to County Assembly by 28<sup>th</sup> February 2017.

The PFMA, 2012 has set standards for compliance with the MTEF budgeting process. Therefore, it is expected that the financial year 2017/18 Sector budget ceilings will form the indicative baseline for Sector budget ceilings for the Financial Year 2018/19. However, the sector ceilings shall be modified to reflect the development goals and priorities of the County Government

There are risks to the medium term framework that include among others, insecurity, pressures on expenditures especially recurrent related expenditures, the drought that might disrupt economic activities especially for the pastoralists. The County Government will closely monitor the developments and undertake appropriate measures to safeguard stability should these risks materialize.

## **I. INTRODUCTION**

### **A. Background**

1. This County Budget Review and Outlook Paper (CBROP) is the fifth to be prepared by the County government of Isiolo. The CBROP contains a review of the fiscal performance of the Financial Year 2016/17.

### **B. Objectives of the CBROP**

2. The objective of CBROP is to provide a review of the fiscal performance in the Financial Year 2016/17 and how this impacts on the financial objectives and fiscal responsibility principles as set out in the County Fiscal Strategy Paper of February, 2017. This together with updated economic outlook that provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term expenditure framework. Details of the fiscal framework and the medium term policy priorities will be firmed up in the CFSP 2018.

### **C. Organization of the Document**

3. The rest of the paper is organized as follows: Section II provides a review of the fiscal performance for the Financial Year 2016/17 and its implications on the financial objectives set out in the 2017 CFSP submitted to the County Assembly in February 2017. This is followed in Section III by brief highlights of the recent economic developments. Section IV presents the macroeconomic policies and outlook. The proposed resources allocation framework is detailed in Section V while Section VI gives the conclusion.

## **II. REVIEW OF FISCAL PERFORMANCE IN THE FINANCIAL YEAR 2016/17**

### **A. Development priorities for Financial year 2016/17**

4. Prioritization of resource allocation was based on the County Integrated Development Plan 2013-2017, broad development policies of the County Government as well as the medium term priorities identified during the County-wide public consultative forums held at all the ten wards in February 2015.
5. In pursuit of the theme of the budget for financial year 2016/17, the development objectives stipulated in the 2016 CFSP identified the following key development priority areas that cover;
  - a. Promotion of Livestock and Crop Productivity;
  - b. Investment in both Surface and Underground water resources;
  - c. Provision of Reliable, Adequate and Quality Road Infrastructure Network;
  - d. Improvement of Access, Quality and Affordable Health Services;
  - e. Promotion of Tourism including opening of new Conservancies and new Game Reserves; and
  - f. Investment in Early Childhood Development, Youth and Women Empowerment, and Vocational and Technical Training.

### **B. Fiscal Performance Overview for Financial Year 2016/17**

#### **i. Revenue performance**

6. The fiscal performance was fair but faced numerous challenges in the implementation of the 2016/17 budget. First, Local revenue collection was weaker than projected, reflecting mainly lower-than-expected revenues; this was greatly attributed by continued declining income from the Tourism sector and continued leakages. In addition, there were pressures on other spending; reflecting to a large extent the need for higher debts-related outlays in response to previous years pending bills.

**Table 1: Fiscal outturn in Financial Year 2016/17**

	REVENUE BUDGET	APPROVED ESTIMATES 2015/16	ACTUALS 2015/16	2015/16 DEVIATION	% PERFORMANCE	APPROVED ESTIMATES 2016/17	ACTUALS 2016/17	2016/17 DEVIATION	% PERFORMANCE
<b>A</b>	<b>EXTERNAL REVENUE ESTIMATES</b>								
	<b>EQUITABLE SHARE</b>	<b>3,150,201,842</b>	<b>3,056,565,534</b>	<b>-93,636,308</b>	<b>-3%</b>	<b>3,298,073,210</b>	<b>3,298,073,210</b>	<b>-</b>	<b>100</b>
	General Provisions (Equitable Share)	3,150,201,842	3,056,565,534	-93,636,308	-3%	3,298,073,210	3,298,073,210	-	100
	<b>CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT</b>	<b>161,121,606</b>	<b>60,888,725</b>	<b>-100,232,881</b>	<b>-62%</b>	<b>172,115,898</b>	<b>74,424,350</b>	<b>-97,691,548</b>	<b>43</b>
	Funds Received from Road Maintenance Levy Fund	38,827,547	38,828,547	1,000	0%	50,674,874	50,674,873	-1	100
	Funds Received from Health Care Services Fund (User fee foregone)	3,340,178	3,340,178	-	0%	3,514,477	3,514,477	-	100
	Medical equipment	95,744,681	-	-95,744,681	-100%	95,744,681	-	-95,744,681	-
	Free Maternity Fund	23,209,200	18,720,000	-4,489,200	-19%	22,181,866	20,235,000	-1,946,866	91
	Supplement for Construction of County Headquarters	-	-	0		-	-	-	-
	conditional allocation for development of youth polytechnic	-	-	0		-	-	-	-
	<b>CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS</b>	<b>16,698,052</b>	<b>16,698,052</b>	<b>-</b>	<b>0%</b>	<b>26,232,373</b>	<b>26,232,373</b>	<b>-</b>	<b>100</b>
	Current Grants from Foreign Governments Danida	7,970,000	7,970,000	0	0%	3,985,000	3,985,000	-	100
	Kenya Devolution Support Programme (KDSP) World bank	-	-	0		-	-	-	-
	world bank loan to supplement financing of county health facilities	8,728,052	8,728,052	0	0%	22,247,373	22,247,373	-	100
	world bank loan for transforming health systems for universal care project	-	-	0		-	-	-	-
	<b>GROSS COUNTY EXTERNAL REVENUE ESTIMATES</b>	<b>3,328,021,500</b>	<b>3,134,152,311</b>	<b>-193,869,189</b>	<b>-6%</b>	<b>3,496,421,481</b>	<b>3,398,729,933</b>	<b>-97,691,548</b>	<b>97</b>
								-	-
<b>B</b>	<b>INTERNAL COUNTY OWN REVENUE ESTIMATES</b>							-	-
	<b>RECEIPTS FROM ADMINISTRATIVE FEES AND</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>-2,000,000</b>	<b>-</b>

	REVENUE BUDGET	APPROVED ESTIMATES 2015/16	ACTUALS 2015/16	2015/16 DEVIATION	% PERFORMANCE	APPROVED ESTIMATES 2016/17	ACTUALS 2016/17	2016/17 DEVIATION	% PERFORMANCE
	<b>CHARGES</b>								
	other land revenue (Plot Application/Transfer/Sub-Division)					2,000,000		-2,000,000	-
	<b>LAND RATES</b>	<b>70,200,000</b>	<b>14,131,202</b>	<b>-56,068,798</b>	<b>-3</b>	<b>70,200,000</b>	<b>9,863,425</b>	<b>-60,336,575</b>	<b>14</b>
	Land Rent & Rates - Current year	30,000,000		-30,000,000	-100%	30,000,000	9,863,425	-20,136,575	33
	Penalties Rent & Rates	200,000		-200,000	-100%	200,000		-200,000	-
	Land Rent & Rates – Arrears	40,000,000	14,131,202	-25,868,798	-65%	40,000,000		-40,000,000	-
	<b>CESSSES</b>	<b>18,000,000</b>	<b>13,545,207</b>	<b>-4,454,793</b>	<b>-1</b>	<b>18,000,000</b>	<b>6,551,520</b>	<b>-11,448,480</b>	<b>36</b>
	Livestock Auction	6,000,000	4,769,905	-1,230,095	-21%	6,000,000		-6,000,000	-
	Sand Cess	10,200,000	7,583,450	-2,616,550	-26%	10,200,000	5,655,000	-4,545,000	55
	Murrum	300,000	300,000	0	0%	300,000		-300,000	-
	other cess (Produce Cess/ Barter/Murrum/ Cheque Clearance)(included tractor) 2016/17	1,500,000	891,852	-608,148	-41%	1,500,000	896,520	-603,480	60
	<b>OTHER MISCELLANEOUS RECEIPTS</b>	<b>244,800,000</b>	<b>66,164,288</b>	<b>-178,635,712</b>	<b>-11</b>	<b>132,800,000</b>	<b>58,375,319</b>	<b>-74,424,681</b>	<b>44</b>
	Miraa Export	5,000,000	3,133,664	-1,866,336	-37%	5,000,000	4,514,128	-485,872	90
	Miscellaneous Charges			0		-	1,898,624	1,898,624	-
	S.B.P Fees/Promotion	6,500,000	5,326,815	-1,173,185	-18%	6,500,000	4,024,770	-2,475,230	62
	Liquor License	3,000,000	1,834,900	-1,165,100	-39%	3,000,000	716,440	-2,283,560	24
	Public Works /Other Charges	600,000	-	-600,000	-100%	600,000		-600,000	-
	Stand Premiums	1,500,000	375,200	-1,124,800	-75%	1,500,000		-1,500,000	-
	Clearance & Consents	500,000	395,000	-105,000	-21%	500,000		-500,000	-
	Plot Transfer Approval	2,000,000	4,617,500	2,617,500	131%	-		-	-
	Lease Extension	100,000	-	-100,000	-100%	100,000		-100,000	-
	Planning & Survey	8,500,000	15,000	-8,485,000	-100%	8,500,000		-8,500,000	-
	Livestock/Veterinary Inspection (meat)	2,000,000	482,563	-1,517,437	-76%	2,000,000		-2,000,000	-
	Weights and Measure	600,000	3,000	-597,000	-100%	600,000		-600,000	-
	tender documents	2,000,000	84,000	-1,916,000	-96%	2,000,000	-	-2,000,000	-
	Hides and skins	400,000	106,150	-293,850	-73%	400,000	-	-400,000	-
	Fisheries	500,000	-	-500,000	-100%	500,000	-	-500,000	-
	Public Health Charges	1,000,000	-	-1,000,000	-100%	1,000,000	-	-1,000,000	-
	impounding fees	600,000	3,000	-597,000	-100%	600,000		-600,000	-

	REVENUE BUDGET	APPROVED ESTIMATES 2015/16	ACTUALS 2015/16	2015/16 DEVIATION	% PERFORMANCE	APPROVED ESTIMATES 2016/17	ACTUALS 2016/17	2016/17 DEVIATION	% PERFORMANCE
	Certificate of Transport	-	28,910	28,910					-
	Movement permit	-	10,065	10,065					-
	Tractor Hire	-	201,815	201,815		-	-	-	-
	ATC			0		-	-	-	-
	Game Entrance & Royalties	210,000,000	49,546,706	-160,453,294	-76%	100,000,000	47,221,357	-52,778,643	47
	<b>MARKET/TRADE CENTRE FEE</b>	<b>500,000</b>	<b>207,160</b>	<b>-292,840</b>	<b>-1</b>	<b>500,000</b>	<b>155,670</b>	<b>-344,330</b>	<b>31</b>
	market stalls rent -Kiosks & Stalls	500,000	207,160	-292,840	-59%	500,000	155,670	-344,330	31
	<b>VEHICLE PARKING FEES</b>	<b>6,000,000</b>	<b>6,480,070</b>	<b>480,070</b>	<b>0</b>	<b>6,000,000</b>	<b>4,407,520</b>	<b>-1,592,480</b>	<b>73</b>
	street Parking Fees	6,000,000	6,480,070	480,070	8%	6,000,000	4,407,520	-1,592,480	73
	<b>HEALTH FACILITIES OPERATIONS SERVICE FEES</b>	<b>15,000,000</b>	<b>12,440,362</b>	<b>-2,559,638</b>	<b>0</b>	<b>15,000,000</b>	<b>8,567,912</b>	<b>-6,432,088</b>	<b>57</b>
	Hospital Cost Sharing	15,000,000	12,440,362	-2,559,638	-17%	15,000,000	8,567,912	-6,432,088	57
	<b>SLAUGHTER HOUSES ADMINISTRATION FEES</b>	<b>1,500,000</b>	<b>1,724,405</b>	<b>224,405</b>	<b>0</b>	<b>1,500,000</b>	<b>-</b>	<b>-1,500,000</b>	<b>-</b>
	Slaughter Fees	1,500,000	1,724,405	224,405	15%	1,500,000		-1,500,000	-
	<b>WATER SUPPLY ADMINISTRATION -METERED WATER CHARGE</b>	<b>3,000,000</b>	<b>1,406,410</b>	<b>-1,593,590</b>	<b>-1</b>	<b>3,000,000</b>	<b>1,163,723</b>	<b>-1,836,277</b>	<b>39</b>
	4%Water Levies IWASCO	3,000,000	1,406,410	-1,593,590	-53%	3,000,000	1,163,723	-1,836,277	39
	<b>TECHNICAL SERVICES FEES</b>	<b>1,000,000</b>	<b>174,696</b>	<b>-825,304</b>	<b>-1</b>	<b>1,000,000</b>	<b>75,390</b>	<b>-924,610</b>	<b>8</b>
	Building Plan Approvals	1,000,000	174,696	-825,304	-83%	1,000,000	75,390	-924,610	8
	<b>GROSS INTERNAL REVENUE ESTIMATES</b>	<b>360,000,000</b>	<b>116,273,800</b>	<b>-243,726,200</b>	<b>-16</b>	<b>250,000,000</b>	<b>89,160,479</b>	<b>-160,839,521</b>	<b>36</b>
	A.I.A	22,708,709	0	-22,708,709	-100%				-
	Balance B/F	24,648,652	24,648,652	0	0%				-
	<b>GROSS COUNTY REVENUE ESTIMATES</b>	<b>3,735,378,861</b>	<b>3,275,074,763</b>	<b>-460,304,098</b>	<b>-12%</b>	<b>3,746,421,481</b>	<b>3,487,890,412</b>	<b>-258,531,069</b>	<b>93</b>

*Source: county treasury*

## Internal Revenue

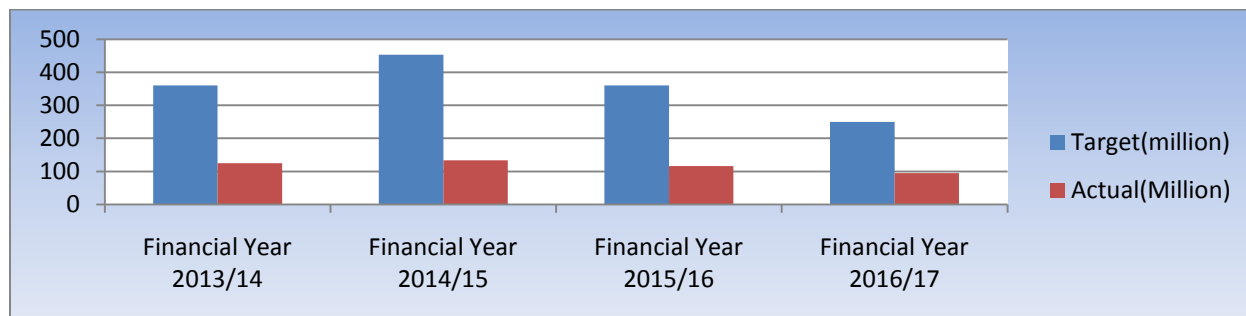
7. The cumulative revenue collection from local sources for the period between July 2016 and 30<sup>th</sup> June 2017 amounted to Kshs 89,160,479 compared to a target of Kshs. 250,000,000. This represented a negative deviation of 64.34 percent (Kshs. 160,839,521) in local revenue collection. The poor performance in revenues collection was largely below the revised target in almost all revenue categories largely on account of unrealistic revenue targets and leakages. Only revenues from plot application, transfer and subdivision and livestock veterinary recorded higher revenues than set targets. Lease extension, planning and survey recorded zero revenues returns. The tourism sector which was once our major revenue source continued to record low revenues at 31 percent of the target revenue and this was majorly due low tourists visits to our game reserves due to insecurity concerns in our parks during the period under consideration that continued to impact negatively to our tourism sector.
8. The County government needs to come up with new strategies of enhancing local revenue sources. This can be achieved by widening the internal revenue base through diversification of internal revenue streams and sealing leakages by scaling up secure revenue collection channels, enhanced enforcement, supervision and regular field spot checks of revenue clerks.

**Table 2 Local Revenue Collection for Financial Years 2013/14 - 2016/17**

Revenue Source	2013/14 Budgeted Millions	2013/14 Actual Millions	2014/15 Budgeted Millions	2014/15 Actual Millions	2015/16 Budgeted Millions	2015/16 Actual Millions	2016/17 Budgeted Millions	2016/17 Actual Millions
County Own Revenue Collection	360.	125.06	452.70	133.7	360	116.03	250	89.16

Source: County Treasury

**Figure 1: Local Revenue Collection for Financial Year 2013/14 - 2016/17 in Millions**



9. The local revenue recorded upward growth in the initial financial year 2014/15. The trend in the financial years 2015/16 and 2016/17 recorded a negative growth. This shows a risky

trend as the revenue targets are revised downwards the realised actual also reflects the same trend. It's therefore important for the county to take immediate actions and reforms in the local revenue management to reverse the declining trend that pose great danger to the budget implementation processes.

### **External Revenue**

10. By end of the Fiscal period 2016/17 the National Government, had released a total disbursements of Kshs. 3,398,729,933 whose breakdown are: Kshs. 3,298,073,210 from the equitable share, Proceeds from conditional grants from development partners totaling to Ksh. 26,232,373 (Danida Ksh 3,985,000 World Bank Kshs. 22,247,373), Ksh. 74,424,350 Conditional Grant from National Government Revenue Account (Kshs.50, 674,873 from Kenya Road Board Maintenance Fuel levy Fund. Kshs. 3,514,477 and Kshs. 20,235,000 from foregone user fees and free maternity respectfully. The deficit from external revenue was Ksh 95,744,681 Million and Kshs 1,946,866 Million from Medical Equipment allocation Ksh and Maternity.

#### **ii. Expenditure Performance**

11. Total cumulative expenditure for the period under review amounted to Kshs. 3,484.10 Million against an overall budget of Kshs. 3,746.41 Million. Representing an under spending of Kshs 262.31 Million (7 percent deviation from the revised budget). These under spending were attributed to unrealized internal revenue, external revenue from Medical Equipment allocation of Ksh 95.74 Million which was captured in the county budget but was not realized as it was cut at the source and delays by the national treasury to release World Bank funds to County Treasury also delayed payment of contractors. This shortfall affected both recurrent and development expenditures in line spending units leading to accumulation of pending bills. Table 3 below shows various County Departmental breakdown Expenditures performance i.e. targets vis-à-vis realized actual.



**Table 3: Expenditure Performance**

Department	Revised Budget Allocation (Kshs. Millions) 2015/16			Actual Expenditure (Kshs. Millions) 2015/16			Absorption rate (%) 2015/16			Revised Budget Allocation (Kshs. Millions) 2016/17			Actual Expenditure (Kshs. Millions) 2016/17			Absorption rate (%)		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
County Assembly	367.93	98	465.93	341.22	53.39	394.61	92.74	54.48	84.69	377.92	207.72	585.64	377.87	147.1	524.97	100%	71%	90%
Office of the Governor	232.38	128	360.38	210.58	116.53	327.11	90.62	91.04	90.77	213.13	161.42	374.54	206.79	158.74	365.54	97%	98%	98%
County Public Service Board	55.61	0	55.61	49.86	0	49.86	89.66		89.66	59.78	-	59.78	53.21	-	53.21	89%		89%
Office of the County Secretary	11.09	0	11.09	8.51	0	8.51	76.74		76.74	15.35	-	15.35	12.76	-	12.76	83%		83%
County treasury and Planning	283.34	265	548.34	273.53	154.32	427.85	96.54	58.23	78.03	335.02	137.86	472.87	314.29	131.2	445.48	94%	95%	94%
Lands Development	34.94	40.87	75.81	27.55	39.31	66.86	78.85	96.18	88.19	30.55	30.5	61.05	27.21	40.85	68.06	89%	134%	111%
Roads, Housing and Works	24.05	282	306.05	21.92	212.95	234.87	91.14	75.51	76.74	26.19	202.06	228.25	24.23	206.18	230.41	93%	102%	101%
Agriculture	49.69	19.36	69.05	45.09	16.28	61.37	90.74	84.09	88.88	59.36	25	84.36	53.71	18.09	71.8	90%	72%	85%
Livestock and Fisheries	109.44	91.5	200.94	83.53	87.32	170.85	76.32	95.43	85.03	78.09	99	177.09	75.83	100.07	175.9	97%	101%	99%
Cohesion and Intergovernmental relations	19.23	43.86	63.09	16.94	49.39	66.33	88.09	112.61	105.14	15.5	-	15.5	15.35	-	15.35	99%		99%
Education and Vocational training	132.82	42	174.82	132.7	28.33	161.03	99.91	67.45	92.11	149.79	77.85	227.64	144.53	71.5	216.02	96%	92%	95%
Sports, Youth Department	11.28	35.59	46.87	8.03	37.5	45.53	71.19	105.37	97.14	9.51	33	42.51	6.59	32.93	39.52	69%	100%	93%
Tourism, Culture	50.98	56.35	107.33	48.46	45.63	94.09	95.06	80.98	87.66	52.31	44	96.31	51.42	26.85	78.27	98%	61%	81%

Public Service Management and ICT	140.89	7.1	147.99	140.76	7.09	147.85	99.91	99.86	99.91	76.39	40	116.39	39.99	37.38	77.36	52%	93%	66%
Water and Irrigation	56.4	158.31	214.71	55.51	94.07	149.58	98.42	59.42	69.67	59.42	155.7	215.12	57.03	139.13	196.17	96%	89%	91%
Environment and Natural Resources	35.09	53.66	88.75	32.43	47.64	80.07	92.42	88.78	90.22	32.37	45.5	77.87	30.91	45.5	76.41	95%	100%	98%
Medical Services	339.14	63.97	403.11	324	64.18	388.18	95.54	100.33	96.3	373.69	41.58	415.28	365.23	26.61	391.85	98%	64%	94%
Public Health	277.8	36.03	313.83	264.55	28.4	292.95	95.23	78.82	93.35	318.27	99.3	417.57	304.54	82.03	386.57	96%	83%	93%
Trade, Industrialization	30.87	10.69	41.56	27.06	12.41	39.47	87.66	116.09	94.97	24.61	16.97	41.58	21.11	17.46	38.58	86%	103%	93%
Town Administration	16.13	24	40.13	15.24	23.91	39.15	94.48	99.63	97.56	9.71	12	21.71	7.85	12	19.85	81%	100%	91%
<b>Total</b>	<b>2,279.09</b>	<b>1,456.27</b>	<b>3,735.36</b>	<b>2,127.49</b>	<b>1,118.64</b>	<b>3,246.12</b>	<b>93.35</b>	<b>76.82</b>	<b>86.9</b>	<b>2,316.96</b>	<b>1,429.45</b>	<b>3,746.41</b>	<b>2,190.47</b>	<b>1,293.62</b>	<b>3,484.10</b>	95%	90%	93%

*Source: Isiolo County Treasury*

### **Cumulative Recurrent Expenditure**

12. Recurrent expenditure amounted to Kshs. 2,190.47 Million against an approved revised budget estimates of Kshs. 2,316.96 Million representing under spending on recurrent budget of Kshs. 126.49 Million (absorption rate of 95.00 percent) as shown in the table 4 above. The revised allocation for recurrent activities accounts for 61.01 percent and this conforms with PFM Act fiscal responsibility principle which requires that over the medium term, a maximum of seventy per cent of the County Government's budget shall be allocated to development activities.
13. Analysis of recurrent outlay indicates that on average all Departments accounted for over 70 percent absorption of the revised approved budget apart from youth, sport and gender; and administration, public service and ICT.

### **Cumulative Development Expenditure**

14. Development expenditure was Kshs 1,293.62 Million compared to an approved revised budget of Kshs. 1,429.45. This represented development budget under absorption of Kshs. 135.83 Million (Absorption rate of 90.5 percent as shown in the table 4 above. The revised allocation for development activities accounts for 38.16 percent and this conforms with PFM Act fiscal responsibility principle which requires that over the medium term, a minimum of thirty per cent of the County Government's budget shall be allocated to development activities.
15. Analysis of development outlay indicates that the Departments of Cohesion, youth sports and Gender, Trade and Enterprise Development and Town Administration accounted for the over expenditures against their revised budgets this was largely due delays of Supplementary Budget prior to approval by the County Assembly for more than three months leading to incurrence of commitments and continuity of spending by the above departments on initial approved budgets that we're not contemplated in the revised budget.

### **Challenges**

16. Local revenues streams have not corresponded well with projected targets. The collection was less than optimal revenue yield vis-a-vis potential.
17. In terms of spending, compensation of employees continued to claim the lion's share of County budgetary resources. In Financial Year 2016/17 for instance, the County devoted about of 35.62 percent of its actual realized revenue towards personnel-related spending and

this is expected to continue to rise in this year's budget due revised salary schemes and expected new recruitments for technical staff.

18. There is also a major concern on the pending payments. The bulk of this amount was pending accounts payable, most of it related to construction of buildings and civil works, and supply of goods and services.
19. Frequent labor strikes by health workers that interrupt the health sector service delivery and lack of effective monitoring and evaluation frameworks
20. Absence of internal audit committees

### **Remedies**

21. Some of the remedies to address these challenges include: Enhancing local revenue through enactment of the reviewed County Finance Bill to give effect to new revenue streams, Review of valuation roll and embarked on alternative sources for supporting the capital budget that include PPP and joint ventures; Tightening enforcement across all revenue sources;
22. Adherence to the law that requires alignment of Supplementary Budgets to exchequer issues, expenditure, and commitments to eliminate instances of over issues;
23. Executive Committee members responsible for finance and economic planning to designate a person responsible for administering each established County Funds in line with Section 116 of the PFM Act, 2012;
24. To strengthen the capacity of county government employees through proper training and recruitment of qualified staff.
25. Establish effective monitoring and evaluation units to enhance oversight and reporting on development projects;
26. Formulate clear strategies to address the labor issues in the Health Sector; and
27. Finally thorough Scrutiny and cleaning of the County payroll.

### **C. Implication of 2016/2017 Fiscal Performance on Financial Objectives**

28. The fiscal performance in the Financial Year 2017/16 is not in line with the outcomes in Financial Year 2016/17; as such it affected the financial objectives set out in the February 2016 CFSP and the Budget for Financial Year 2016/17 in the following ways:

- a) The macroeconomic assumptions underpinning the 2016/17 budget and the medium term period was slower than the envisaged real County Gross Domestic Product (GDP) growth and the significant increase in inflation rate;
- b) The base for revenue and expenditure projections changed, implying the need for adjustment in the fiscal aggregates for the current budget and the medium-term to reflect revisions in the macroeconomic projections as well as revenue performance for the first quarter of Financial Year 2017/18; and
- c) The pace of execution of the budget by sectors was awful as a result of capacity gaps due to sectors not adhering to budget provisions.

29. The baseline ceilings for departmental spending will be adjusted in line with the revised resource envelope under the updated macro framework in the 2016 CFSP and aligning of the revised county budget resource envelop to the County Revenue Allocation Bill 2016. In addition the revisions will take into account the performance in project execution in the Financial Year 2016/17 budget by County Departments and any identified one-off expenditures in the Financial Year 2016/17. The County Government will not deviate from the fiscal responsibility principles, but will make appropriate modification to the financial objectives to be contained in the County Fiscal Strategy Paper 2017 to reflect the changing fiscal environment.

30. Overall revenue collection in Financial Year 2016/17 was lower than projected, reflecting mainly lower-than-expected revenues realized. In this respect therefore, the fiscal outlook will focus on reforming the local revenue systems to enhance revenue yields, promote compliance, modernizing, simplifying County revenue tax laws through the revision finance act; and facilitate private sector growth and development. These reforms will lock in predictability and enhance compliance with the County revenue source systems.

## **Fiscal Responsibility Principles**

31. The County Government has adhered to the fiscal responsibility principles as set out in the statutes as follows:

- a. The County Government's development as a percent of total revised budget was 38.16 percent in Financial Year 2016/17 and is set to continue stabilizing above the 30 percent minimum threshold set out in the PFM law over the medium term period
- b. The law further requires that regulations shall be developed to set a ratio of County Government expenditures on wages and benefits for public officers to County Government revenue that shall not be exceeded. In the meantime, County Government needs to put in place measures aimed at containing the ever rising wage bill.
- c. The deviations, in the revision in revenues and expenditures are due to the macroeconomic assumptions contained in this CBROP, which will be firmed up in the context of the 2017 CFSP. The Government will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives contained in the latest CFSP to reflect the changed circumstances.

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

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

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

#### **A. Overview**

33. The County's performance is largely dependent on the formulation and implementation of prudent policies to guide service delivery. Further, the performance depends highly on the county's economic performance. Generally, the county operated under unstable macroeconomic environment especially on tourism sector which was adversely affected by insecurity concerns. Other challenges that affected development include pressures on recurrent related expenditures due to health personnel CBAs that brought revision of the county budget. But this is projected to improve in the coming years.
34. Going forward, the macroeconomic outlook remains favorable although risks remain. Some of the challenges include among others, insecurity, pressures on expenditures especially recurrent related expenditures, human resource capacity gaps that might disrupt economic activities, natural disasters like drought, floods and diseases, external risks particularly on the uncertainty in the market prices of livestock and agriculture products. The county government will therefore closely monitor the developments and undertake appropriate measures to safeguard macroeconomic stability.
35. The County Government Budget Statement for the fiscal year 2016/2017 highlighted the following priority areas:
- a. Promotion of Livestock and Crop Productivity;
  - b. Investment in both Surface and Underground water resources;
  - c. Provision of Reliable, Adequate and Quality Road Infrastructure Network;
  - d. Improvement of Access, Quality and Affordable Health Services;
  - e. Promotion of Tourism including opening of new Conservancies and new Game Reserves; and
  - f. Investment in Early Childhood Development, Youth and Women Empowerment, and Vocational and Technical Training.
  - g. Promoting pro-poor development initiatives, building resilience of the communities to adapt to the adverse effects of climate change
36. The three largest expenditure drivers in the Financial Year 2016/17 are Health Services Finance and Economic Planning, Roads and Public Works; Water and Irrigation; Agriculture Livestock, Veterinary and Fisheries.

37. Isiolo County's economy is however, heavily dependent on livestock production, commerce and tourism products. The County still is faced with acute shortage of health facilities such as dispensaries, clinics and health centers. The County government embarked on a comprehensive and deliberate strategy to improve healthcare by rehabilitation of health facilities, Equipping of the facilities with modern equipments, construction of new health facilities and providing adequate staffing to all health facilities.
38. The need for basic office space for the Sub-County and Ward administration as well as transport facilities has resulted in significant resources being allocated to the administration and public service management department. It is envisaged that dedicating significant resources to this sector will mitigate the critical need to support the operations of the devolved units up to village levels.
39. The County has also significantly invested in the Education sector, with budgetary provisions for construction of ECD classrooms per ward.
40. It is important to note that much consideration has been taken to ensure that the distribution of resources is sensitive to equity, as well as demographic distribution. As a result, both equity and efficiency have been one of the guiding principles in county resource allocations.



## **B. Implementation of the Financial Year 2017/18 Budget**

41. County spending entities have already commenced the implementation of the financial year 2017/18 Budget. So far, the implementation of the Financial Year 2017/18 budget is progressing well despite initial challenges of election turbulences experienced in the country during the first quarter of the financial year. Adequate measures have been taken to ensure that implementation of the budget is back on track and priority programmes are fully implemented. This includes directing departments to revise their annual work plans, cash flow plans and procurement plans. Implementation of priority programmes will be tracked and feedback given periodically.
42. Regarding internal revenue, the collection for the financial year 2017/18 is slightly below the target and therefore we expect that as time goes by it will bounce back to the set target. The revenue returns by end September 2017 was 33 million this shows that local revenue was below the targeted amount of Kshs 45.5 million for the first quarter. This therefore calls for re-evaluation of County Own Revenue collection strategies to contain leakages and improves efficiency in collection, implement austerity measures in expenditures, and revision of the budget in order to curb the widening of the current account deficit as it poses a serious threat to the implementation of County programmes.
43. The expenditure side recorded underperformance in both recurrent and development expenditures and this is caused by the fact that the budget for the financial year 2017/18 was enacted in July 2017, and the election heat experienced over the county delayed the commencement of implementation of the current budget. We expect higher absorption rate in the coming months once spending on capital projects picks up.

## IV. MACROECONOMIC POLICIES AND OUTLOOK

### A. Overview

44. The theme of the County Budget for the Financial Year 2017/18 is to promote sustainable social economic growth and development. In pursuit of the theme of the budget for financial year 2017/18, the County Government identified key development priority areas that will continue to affix 2017/18, budget theme. The broad macro-economic priorities that will affirm sustainable social economic growth and development are as outlined below:
- (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;
45. Investing in this priority areas will Support the accelerated growth in the outer years as issues suppressing growth are addressed which include: infrastructure development projects, removal of obstacles that includes access to health, water, education and Trade promotion. Expansion of activities in other sectors of the county will also continue funded as they contribute to the county growth.
46. Against this backdrop, the Macroeconomic Framework guiding the projections takes into account, the County Government's strategic objectives as outlined in the 2013-2017 CIDP,

second Medium Term Plan (MTP) for the period 2013-2017 of Vision 2030 and the broad development policies of the National Government.

## **B. Medium Term Fiscal Framework**

### **i. Fiscal Policy Objective**

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

### **ii. Debt and Deficit Financing Policy**

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

### **iii. Medium Term Fiscal Projections**

49. In the medium term, the overall budget deficit and current account deficit are projected to decline as the new government has taken measures to contain local revenue targets and also strictly adhering to budget lines.

### **iv. 2017/18 Budget Framework**

50. The allocation for the Financial Year 2017/18 is as shown in table 4 below;

**Table 4: Allocations for the Financial Year 2017/18**

Sector /sub sector	GROSS PRINTED RECURRENT	GROSS PRINTED CAPITAL	GROSS PRINTED TOTAL
	ESTIMATES	ESTIMATES	ESTIMATES
<b>COUNTY ASSEMBLY SERVICES</b>	<b>423,967,572</b>	<b>252,000,000</b>	<b>675,967,572</b>
COUNTY ASSEMBLY SERVICES	236,330,810	252,000,000	<b>488,330,810</b>
COUNTY ASSEMBLY SERVICE BAORD	187,636,762		<b>187,636,762</b>
<b>COUNTY EXECUTIVE</b>	<b>342,203,442</b>	<b>114,000,000</b>	<b>456,203,442</b>
OFFICE OF THE GOVERNOR AND DEPUTY	235,703,442	114,000,000	349,703,442
COUNTY PUBLIC SERVICE BOARD	82,000,000	-	82,000,000
COUNTY SECRETARY	24,500,000		24,500,000
DELIVERY UNIT	-	-	-
<b>FINANCE AND ECONOMIC PLANNING</b>	<b>347,213,559</b>	<b>240,000,000</b>	<b>587,213,559</b>
<b>LANDS, URBAN PLANNING,ROADS, HOUSING, AND PUBLIC WORKS</b>	<b>70,000,000</b>	<b>195,000,000</b>	<b>265,000,000</b>
LANDS, URBAN PLANNING	40,000,000	40,000,000	<b>80,000,000</b>
ROADS, HOUSING, AND PUBLIC WORKS	30,000,000	155,000,000	<b>185,000,000</b>
<b>AGRICULTURE,LIVESTOCK ANDFISHERIES DEVELOPMENT</b>	<b>165,000,000</b>	<b>150,000,000</b>	<b>315,000,000</b>
AGRICULTURE	70,000,000	50,000,000	<b>120,000,000</b>
LIVESTOCK ANDFISHERIES DEVELOPMENT	95,000,000	100,000,000	<b>195,000,000</b>
<b>COHESION,INTERGOVERNMENTAL RELATIONS,AID COORDINATION, DISASTER</b>	<b>20,000,000</b>	<b>10,000,000</b>	<b>30,000,000</b>
<b>EDUCATION, VOCATIONALTRAINING, YOUTH, SPORTS AND GENDER</b>	<b>180,000,000</b>	<b>127,335,580</b>	<b>307,335,580</b>
EDUCATION,VOCATIONALTRAINING	165,000,000	97,335,580	<b>262,335,580</b>
YOUTH,SPORTS AND GENDER	15,000,000	30,000,000	<b>45,000,000</b>
<b>TOURISM, CULTURE AND SOCIAL SERVICES</b>	<b>110,000,000</b>	<b>60,000,000</b>	<b>170,000,000</b>
<b>PUBLIC SERVICE MANAGEMENTAND ICT</b>	<b>85,000,000</b>	<b>20,000,000</b>	<b>105,000,000</b>
<b>WATER, IRRIGATION, ENERGY, ENVIRONMENT AND NATURAL RESOURCES</b>	<b>106,361,924</b>	<b>160,000,000</b>	<b>266,361,924</b>
WATER	66,361,924	130,000,000	<b>196,361,924</b>
ENERGY,ENVIRONMENT AND NATURAL RESOURCES	40,000,000	30,000,000	<b>70,000,000</b>
<b>3522000000 HEALTH SERVICES</b>		<b>183,000,000</b>	<b>1,014,237,707</b>

	831,237,707		
MEDICAL SERVICES	450,000,000	70,000,000	520,000,000
PUBLIC HEALTH	381,237,707	113,000,000	494,237,707
TRADE, INDUSTRIALIZATION, COOPERATIVE AND ENTERPRISES DEVELOPMENT	30,627,896	30,000,000	60,627,896
TOWN ADMINISTRATOR	9,770,250	20,000,000	29,770,250
TOTAL VOTED EXPENDITURE ... KShs.	2,721,382,350	1,561,335,580	4,282,717,930

**v. Outlook for the Financial Year 2017/18**

51. There is still some one-off expenditure in the budget for 2017/18 necessary in ensuring that the County government is fully operational and provide a stable administrative framework. Such expenditures include County Assembly Civil works, Construction of markets by Finance and Economic Planning Department, Isiolo abattoir, purchase of health equipments, water supply infrastructure and roads maintenance.
52. Such expenditures are mostly one-off and therefore may not need to be provided for in the future. As a result, the budget outlook for the Financial Year 2017/18 promotes a re-orientation of expenditure with a focus towards poverty reduction as well as secured sources of livelihood. In order to accomplish this, efforts must be taken to critically examine the respective allocations for each sector and single out expenditures that can be re-designated to key development priority areas.
53. In this regard, several measures shall be used to identify areas where savings can be made. However, it will be important to understand that some sectors will continue to require more resources to finance non-core type expenditures to execute their mandates effectively. Thus, expenditure reductions for items such as foreign travels, tuition fees, and feasibility studies, among others must be made where extravagant spending is identified. It is therefore important that these expenditures be reduced reasonably without crippling the targeted sectors or spending units and re-designating the resultant savings to the core areas in the Financial Year 2017/18.

**vi. 2017/18 Budget Framework**

54. **Revenue Projections:** The Financial Year 2017/18 revised budget projects total revenue of Kshs 4,340,282,474 up from Kshs3, 746,421,481 in the financial Year 2016/17 of revised

budget estimates. The 2017/18 projected revenue sources will be as indicated in the table 5 below. The internal revenue is also expected to improve as the prospected reforms on revenue administration are anticipated to cede positive results.

**Table 5: Revenue Projections**

ITEM	2015-16				2016-17				2017-18		2018-19	2018-20
	PRINTED ESTIMATES	ACTUALS	Deviation	%	PRINTED ESTIMATES	ACTUALS	DEVIATION	%	PRINTED ESTIMATES	REVISED ESTIMATES	PROJECTIONS	
<b>EXTERNAL REVENUE ESTIMATES</b>												
<b>EQUITABLE SHARE</b>	<b>3,150,201,842</b>	<b>3,056,565,534</b>	<b>(93,636,308)</b>	<b>-2.97%</b>	<b>3,298,073,210</b>	<b>3,298,073,210</b>	<b>-</b>	<b>0.00%</b>	<b>3,775,000,000</b>	<b>3,775,000,000</b>	<b>3,963,750,000</b>	<b>4,161,937,500</b>
General Provisions (Equitable Share)	3,150,201,842	3,056,565,534	(93,636,308)	-2.97%	3,298,073,210	3,298,073,210	-	0.00%	3,775,000,000	3,775,000,000	3,963,750,000	4,161,937,500
<b>CONDITIONAL ALLOCATIONS FROM NATIONAL GOVERNMENT REVENUE ACCOUNT</b>	<b>161,121,606</b>	<b>60,888,725</b>	<b>(100,232,881)</b>	<b>-62.21%</b>	<b>172,115,898</b>	<b>74,424,350</b>	<b>(97,691,548)</b>	<b>-56.76%</b>	<b>254,703,319</b>	<b>280,870,017</b>	<b>294,913,518</b>	<b>309,659,194</b>
Funds Received from Road Maintenance Levy Fund	38,827,547	38,828,547	1,000	0.00%	50,674,874	50,674,873	(1)	0.00%	130,230,858	130,230,858	136,742,401	143,579,521
Funds Received from Health Care Services Fund (User fee foregone)	3,340,178	3,340,178	-	0.00%	3,514,477	3,514,477	-	0.00%	3,472,461	3,472,461	3,646,084	3,828,388
Medical equipment	95,744,681	-	(95,744,681)	-100.00%	95,744,681	-	(95,744,681)	-100.00%	-	-	-	-
Free Maternity Fund	23,209,200	18,720,000	(4,489,200)	-19.34%	22,181,866	20,235,000	(1,946,866)	-8.78%	-	-	-	-
Supplement for Construction of County Headquarters	-	-	-	-	-	-	-	-	121,000,000	121,000,000	127,050,000	133,402,500
conditional allocation for development of youth polytechnic	-	-	-	-	-	-	-	-	26,166,698	26,166,698	27,475,033	28,848,785
<b>CONDITIONAL ALLOCATIONS FROM DEVELOPMENT PARTNERS</b>	<b>16,698,052</b>	<b>16,698,052</b>	<b>-</b>	<b>0.00%</b>	<b>26,232,373</b>	<b>26,232,373</b>	<b>-</b>	<b>0.00%</b>	<b>70,153,274</b>	<b>101,551,120</b>	<b>106,628,676</b>	<b>111,960,110</b>
Current Grants from Foreign Governments Danida	7,970,000	7,970,000	-	0.00%	3,985,000	3,985,000	-	0.00%	8,824,953	13,678,677	14,362,611	15,080,741
Kenya Devolution Support Programme (KDSP) World bank	-	-	-	-	-	-	-	-	36,113,321	36,113,321	37,918,987	39,814,936
world bank loan to supplement financing of county health facilities	8,728,052	8,728,052	-	0.00%	22,247,373	22,247,373	-	0.00%	25,215,000	12,607,500	13,237,875	13,899,769
world bank loan to supplement financing of county health facilities <b>B/f from 2016/17</b>									-	18,454,800	19,377,540	20,346,417
world bank loan for transforming health systems for universal care project	-	-	-	-	-	-	-	-	-	20,696,822	21,731,663	22,818,246
<b>GROSS COUNTY EXTERNAL REVENUE ESTIMATES</b>	<b>3,328,021,500</b>	<b>3,134,152,311</b>	<b>(193,869,189)</b>	<b>-5.83%</b>	<b>3,496,421,481</b>	<b>3,398,729,933</b>	<b>(97,691,548)</b>	<b>-2.79%</b>	<b>4,099,856,593</b>	<b>4,157,421,137</b>	<b>4,365,292,194</b>	<b>4,583,556,804</b>
											-	-
<b>INTERNAL COUNTY OWN REVENUE ESTIMATES</b>												
<b>RECEIPTS FROM ADMINISTRATIVE FEES AND CHARGES</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>2,000,000</b>	<b>-</b>	<b>(2,000,000)</b>	<b>-100.00%</b>	<b>3,240,000</b>	<b>3,240,000</b>	<b>3,402,000</b>	<b>3,572,100</b>
other land revenue (Plot Application/Transfer/Sub-Division)					2,000,000		(2,000,000)	-100.00%	3,240,000	3,240,000	3,402,000	3,572,100
<b>LAND RATES</b>	<b>70,200,000</b>	<b>14,131,202</b>	<b>(56,068,798)</b>	<b>-79.87%</b>	<b>70,200,000</b>	<b>9,863,425</b>	<b>(60,336,575)</b>	<b>-85.95%</b>	<b>18,597,075</b>	<b>18,597,075</b>	<b>19,526,929</b>	<b>20,503,275</b>
Land Rent & Rates - Current year	30,000,000		(30,000,000)	-100.00%	30,000,000	9,863,425	(20,136,575)	-67.12%	13,197,075	13,197,075	13,856,929	14,549,775
Penalties Rent & Rates	200,000		(200,000)	-100.00%	200,000		(200,000)	-100.00%	1,000,000	1,000,000	1,050,000	1,102,500
Land Rent & Rates - Arrears	40,000,000	14,131,202	(25,868,798)	-64.67%	40,000,000		(40,000,000)	-100.00%	4,400,000	4,400,000	4,620,000	4,851,000
<b>CESSSES</b>	<b>18,000,000</b>	<b>13,545,207</b>	<b>(4,454,793)</b>	<b>-24.75%</b>	<b>18,000,000</b>	<b>6,551,520</b>	<b>(11,448,480)</b>	<b>-63.60%</b>	<b>18,020,712</b>	<b>18,020,712</b>	<b>18,921,748</b>	<b>19,867,835</b>
Livestock Auction	6,000,000	4,769,905	(1,230,095)	-20.50%	6,000,000		(6,000,000)	-100.00%	4,808,175	4,808,175	5,048,584	5,301,013
Sand Cess	10,200,000	7,583,450	(2,616,550)	-25.65%	10,200,000	5,655,000	(4,545,000)	-44.56%	10,900,000	10,900,000	11,445,000	12,017,250

Murrum	300,000	300,000	-	0.00%	300,000		(300,000)	-100.00%			-	-
other cess (Produce Cess/Barter/Murrum/Cheque Clearance)(included tractor) 2016/17	1,500,000	891,852	(608,148)	-40.54%	1,500,000	896,520	(603,480)	-40.23%	2,312,537	2,312,537	2,428,164	2,549,572
<b>OTHER MISCELLANEOUS RECEIPTS</b>	<b>244,800,000</b>	<b>66,164,288</b>	<b>(178,635,712)</b>	<b>-72.97%</b>	<b>132,800,000</b>	<b>58,375,319</b>	<b>(74,424,681)</b>	<b>-56.04%</b>	<b>110,873,879</b>	<b>110,873,879</b>	<b>116,417,573</b>	<b>122,238,452</b>
Miraa Export	5,000,000	3,133,664	(1,866,336)	-37.33%	5,000,000	4,514,128	(485,872)	-9.72%	3,918,156	3,918,156	4,114,064	4,319,767
Miscellaneous Charges			-		-	1,898,624	1,898,624		1,500,000	1,500,000	1,575,000	1,653,750
S.B.P Fees/Promotion	6,500,000	5,326,815	(1,173,185)	-18.05%	6,500,000	4,024,770	(2,475,230)	-38.08%	5,998,001	5,998,001	6,297,901	6,612,796
Liquor License	3,000,000	1,834,900	(1,165,100)	-38.84%	3,000,000	716,440	(2,283,560)	-76.12%	800,000	800,000	840,000	882,000
Public Works /Other Charges	600,000	-	(600,000)	-100.00%	600,000		(600,000)	-100.00%	400,000	400,000	420,000	441,000
Stand Premiums	1,500,000	375,200	(1,124,800)	-74.99%	1,500,000		(1,500,000)	-100.00%	1,257,024	1,257,024	1,319,875	1,385,869
Clearance & Consents	500,000	395,000	(105,000)	-21.00%	500,000		(500,000)	-100.00%	279,946	279,946	293,943	308,640
Plot Transfer Approval	2,000,000	4,617,500	2,617,500	130.88%					2,590,717	2,590,717	2,720,253	2,856,265
Lease Extension	100,000	-	(100,000)	-100.00%	100,000		(100,000)	-100.00%	200,000	200,000	210,000	220,500
Planning & Survey	8,500,000	15,000	(8,485,000)	-99.82%	8,500,000		(8,500,000)	-100.00%	1,636,000	1,636,000	1,717,800	1,803,690
Livestock/Veterinary Inspection (meat)	2,000,000	482,563	(1,517,437)	-75.87%	2,000,000		(2,000,000)	-100.00%	1,864,000	1,864,000	1,957,200	2,055,060
Weights and Measure	600,000	3,000	(597,000)	-99.50%	600,000		(600,000)	-100.00%	500,000	500,000	525,000	551,250
tender documents	2,000,000	84,000	(1,916,000)	-95.80%	2,000,000		(2,000,000)	-100.00%			-	-
Hides and skins	400,000	106,150	(293,850)	-73.46%	400,000		(400,000)	-100.00%			-	-
Fisheries	500,000	-	(500,000)	-100.00%	500,000		(500,000)	-100.00%			-	-
Public Health Charges	1,000,000	-	(1,000,000)	-100.00%	1,000,000		(1,000,000)	-100.00%			-	-
impounding fees	600,000	3,000	(597,000)	-99.50%	600,000		(600,000)	-100.00%			-	-
Certificate of Transport	-	28,910	28,910								-	-
Movement permit	-	10,065	10,065								-	-
Tractors Hire	-	201,815	201,815		-	-	-		999,905	999,905	1,049,900	1,102,395
ATC			-		-	-	-		800,000	800,000	840,000	882,000
Game Entrance & Royalties	210,000,000	49,546,706	(160,453,294)	-76.41%	100,000,000	47,221,357	(52,778,643)	-52.78%	88,130,130	88,130,130	92,536,637	97,163,468
<b>MARKET/TRADE CENTRE FEE</b>	<b>500,000</b>	<b>207,160</b>	<b>(292,840)</b>	<b>-58.57%</b>	<b>500,000</b>	<b>155,670</b>	<b>(344,330)</b>	<b>-68.87%</b>	<b>1,521,746</b>	<b>1,521,746</b>	<b>1,597,833</b>	<b>1,677,725</b>
market stalls rent -Kiosks & Stalls	500,000	207,160	(292,840)	-58.57%	500,000	155,670	(344,330)	-68.87%	1,521,746	1,521,746	1,597,833	1,677,725
<b>VEHICLE PARKING FEES</b>	<b>6,000,000</b>	<b>6,480,070</b>	<b>480,070</b>	<b>8.00%</b>	<b>6,000,000</b>	<b>4,407,520</b>	<b>(1,592,480)</b>	<b>-26.54%</b>	<b>6,480,000</b>	<b>6,480,000</b>	<b>6,804,000</b>	<b>7,144,200</b>
street Parking Fees	6,000,000	6,480,070	480,070	8.00%	6,000,000	4,407,520	(1,592,480)	-26.54%	6,480,000	6,480,000	6,804,000	7,144,200
<b>HEALTH FACILITIES OPERATIONS SERVICE FEES</b>	<b>15,000,000</b>	<b>12,440,362</b>	<b>(2,559,638)</b>	<b>-17.06%</b>	<b>15,000,000</b>	<b>8,567,912</b>	<b>(6,432,088)</b>	<b>-42.88%</b>	<b>16,049,190</b>	<b>16,049,190</b>	<b>16,851,650</b>	<b>17,694,232</b>
Hospital Cost Sharing	15,000,000	12,440,362	(2,559,638)	-17.06%	15,000,000	8,567,912	(6,432,088)	-42.88%	16,049,190	16,049,190	16,851,650	17,694,232
<b>SLAUGHTER HOUSES ADMINISTRATION FEES</b>	<b>1,500,000</b>	<b>1,724,405</b>	<b>224,405</b>	<b>14.96%</b>	<b>1,500,000</b>	<b>-</b>	<b>(1,500,000)</b>	<b>-100.00%</b>	<b>1,993,353</b>	<b>1,993,353</b>	<b>2,093,021</b>	<b>2,197,672</b>
Slaughter Fees	1,500,000	1,724,405	224,405	14.96%	1,500,000		(1,500,000)	-100.00%	1,993,353	1,993,353	2,093,021	2,197,672
<b>WATER SUPPLY ADMINISTRATION - METERED WATER CHARGE</b>	<b>3,000,000</b>	<b>1,406,410</b>	<b>(1,593,590)</b>	<b>-53.12%</b>	<b>3,000,000</b>	<b>1,163,723</b>	<b>(1,836,277)</b>	<b>-61.21%</b>	<b>2,376,000</b>	<b>2,376,000</b>	<b>2,494,800</b>	<b>2,619,540</b>
4%Water Levies IWASCO	3,000,000	1,406,410	(1,593,590)	-53.12%	3,000,000	1,163,723	(1,836,277)	-61.21%	2,376,000	2,376,000	2,494,800	2,619,540
<b>TECHNICAL SERVICES FEES</b>	<b>1,000,000</b>	<b>174,696</b>	<b>(825,304)</b>	<b>-82.53%</b>	<b>1,000,000</b>	<b>75,390</b>	<b>(924,610)</b>	<b>-92.46%</b>	<b>3,709,382</b>	<b>3,709,382</b>	<b>3,894,851</b>	<b>4,089,594</b>
Building Plan Approvals	1,000,000	174,696	(825,304)	-82.53%	1,000,000	75,390	(924,610)	-92.46%	3,709,382	3,709,382	3,894,851	4,089,594
<b>GROSS INTERNAL REVENUE ESTIMATES</b>	<b>360,000,000</b>	<b>116,273,800</b>	<b>(243,726,200)</b>	<b>-67.70%</b>	<b>250,000,000</b>	<b>89,160,479</b>	<b>(160,839,521)</b>	<b>-64.34%</b>	<b>182,861,337</b>	<b>182,861,337</b>	<b>192,004,404</b>	<b>201,604,624</b>
A.I.A	22,708,709	-	(22,708,709)	-100.00%							-	-
Balance B/F from 2014/15	24,648,652	24,648,652	-	0.00%							-	-
<b>GROSS COUNTY REVENUE ESTIMATES</b>	<b>3,735,378,861</b>	<b>3,275,074,763</b>	<b>(460,304,098)</b>	<b>-12.32%</b>	<b>3,746,421,481</b>	<b>3,487,890,412</b>	<b>(258,531,069)</b>	<b>-6.90%</b>	<b>4,282,717,930</b>	<b>4,340,282,474</b>	<b>4,557,296,598</b>	<b>4,785,161,428</b>

Source: County Treasury



**55. Expenditure Forecasts:** In Financial year 2017/18, overall expenditure is projected at Kshs 4,340,282,474 up from the approved budget estimates of Kshs 4,282,717,930. In the Financial Year 2017/18.

**I. Recurrent expenditures** will amount to Kshs 2,765,692,084 (63.54 percent of total expenditure) compared with Kshs 2,721,382,350 (63.72 percent of total expenditure) in the Financial Year Approved budget 2017/18. Expenditure ceilings on goods and services for sectors are based on funding allocation in the Financial Year 2016/17 budget as the baseline. The ceilings will be reduced to take into account one-off expenditures and then an adjustment factor will be applied to take into account the general increase in prices and acquisition of new assets for the new government. The wage bill is expected to stabilize at around 37 percent of total expenditure in the MTEF period 2016/17-2018/19 period.

**II. Development expenditure** is projected at Kshs 1,574,590,390 (36.28 percent of total expenditure). Compared with Kshs 1,561,335,580 (36.46percent of total expenditure) in the Financial Year 2017/18 Approved Budget. The ceiling for development expenditures will decrease in nominal terms as the 2017/18 budget is expected to be a balanced budget unlike the previous budgets with huge deficits.

### **C. Risks to the Economic Outlook**

56. Internally, public expenditure pressures particularly wage related recurrent expenditures, local revenue shortfalls that continue to pose a fiscal risk. In addition, the revenue leakages, adverse weather conditions, impact of insecurity on tourism, the 2017, August Elections disrupted so many economic activities and this slowed the implementation of the 2017/18 programmes.

57. In the event, the above risks materialize; we shall revise again the macro framework and the Medium Term Sector Ceilings in the 2017/18 Budget.

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

## V. RESOURCES ALLOCATION FRAMEWORK

### A. Adjustment to 2017/18 Budget

59. Resource allocation and utilization in this Financial Year and in the medium term period is guided by the emerging priorities, County plans and the principles of PFMA, 2012 to ensure effective and efficient utilization of public resources. The sector allocations were informed by the County development goals as well as the people's aspirations as captured in the County Integrated Development Plan, 2013-17 and Public Consultation Forums' reports. The County goals are aligned to the goals and the objectives of the Second Medium Term Plan of Kenya's Vision 2030.
60. Considering the tight fiscal position and the assumptions underpinning the medium term fiscal framework for Financial Year 2017/18, we must contain expenditures by adhering to the fiscal responsibilities outlined in the Public Finance Management Act, 2012. The fiscal framework for Financial Year 2017/18 that aims at striking an appropriate balance between support for growth and continued fiscal discipline. The County will therefore continue to address deficits sustainability issues by putting emphasis on efficiency and effectiveness of public spending and improving its own revenue performance.
61. County Departments/entities have just commenced in the implementation of the Financial Year 2017/18 Budget. As we consider making any adjustments to the Financial Year 2017/18 Budget, we need to contain additional/supplementary funding to areas of emergency in nature. Frequent changes in the budget during implementation stage are not in line with best practice. Such changes may be construed to mean that budgets are not credible. That is, budgets are not being planned well, implemented as planned or there are cases of policy reversal by the County Government.
62. The risks to the 2017/18 budget include a continued weak revenue collection performance and the medium term expenditure pressures with respect to the rising wage bill that is crowding out resources for essential services and economic development. In addition, implementation pace of development programmes continues to be a source of concern especially with regard to the delays due to recent political turbulences over the country. The risks will be monitored closely and measures to reduce the risks include:
- a) County Public Service Board is tasked to hire personnel who add value to the County.

- b) County Government has put on hold approval of any policy and proposed legislation, which establishes new county sector entities with personnel and wage implications. All such establishments are delayed until a comprehensive restructuring of the County Government is done in accordance with the Constitution;
- c) On the revenue side, the County Treasury has instituted corrective measures to reverse the decline in revenue collection from local sources, enhanced compliance audit of large outstanding property tax payers, initiated automation of highly potential but leaking revenue sources, and has instituted collection of other sources of taxes such as liquor licenses, car park fees, royalties, advertisement and rental charges; and
- d) All devolved entities collecting revenue are instructed to deposit them to the County revenue fund account as soon as those revenues are realized.

63. Expenditure increments will be continuously informed by the core needs identified through public consultation forums. In this regard, “high impact” areas or chronically neglected areas identified will receive additional funding. Further, the most important areas of public spending will include construction of the recent burnt Isiolo market, construction of fire station and purchase of fire engine, equipping of Isiolo and Garbatula with oxygen plants, rural water improvement, provision of livestock vaccines and infrastructure, value addition and extension services. The revenue sources of the county are critically low and savings must be made and the non-core spending areas to be used to fund these urgent programs.

### **B. Medium-Term Expenditure Framework**

64. In view of the limited resources, we will continue to adjust non-priority expenditures to cater for the priority expenditures in all sectors. The County integrated development plan (2013-2017) and its annual development plan 2016 will continue to guide resource allocations.
65. The priority sectors, including Health, Water, Roads and Infrastructure, Livestock will continue to receive adequate resources. Health sector is already receiving a significant share of resources in the budget and we require them to utilize the allocated resources more efficiently to generate fiscal space to accommodate strategic interventions in the sector. Livestock and Water sector will receive increasing share of resources to boost productivity with a view to deal with value addition and threats in food security in the county. Other priority programmes includes empowering of youth by putting in place a transformative

technical and vocational education system through construction of two polytechnics. Resources earmarked for these interventions are ring fenced over the medium term.

66. With the County Government's commitment in improving physical infrastructure countywide, the share of resources going to Roads, Housing and Public Works sector will continue to rise steadily over the medium term period. Other priority sectors such as Education, Sports, Youth and culture will also continue to receive adequate resources.

67. Dazzling the above medium-term expenditure framework, the table below provides the tentative projected baseline ceilings for the Financial Year 2017/18 – 2019/20 MTEF period classified by sector.

**Table 6: Total Projected Sector Expenditure Ceilings 2017/18**

Vote Code Title	Gross Approved Estimates 2017/18	CBROP Gross Projected Estimates 2017/18	Change	Overall% Change	Projections	
			2017/18	2017/18	2018-19	2019-20
<b>3511000000 COUNTY ASSEMBLY SERVICES</b>	<b>675,967,572</b>	<b>545,967,572</b>	<b>130,000,000</b>	<b>-19.23%</b>	<b>457,981,322</b>	<b>480,880,388</b>
Recurrent	423,967,572	388,553,640	-35,413,932	-8.35%	407,981,322	428,380,388
Development	252,000,000	157,413,932	-94,586,068	-37.53%	50,000,000	52,500,000
<b>3512000000 COUNTY EXECUTIVE</b>	<b>456,203,442</b>	<b>690,653,442</b>	<b>234,450,000</b>	<b>51.39%</b>	<b>633,000,000</b>	<b>664,650,000</b>
Recurrent	342,203,442	402,653,442	60,450,000	17.66%	423,000,000	444,150,000
Development	114,000,000	288,000,000	174,000,000	152.63%	210,000,000	220,500,000
<b>3513000000 FINANCE AND ECONOMIC PLANNING</b>	<b>587,213,559</b>	<b>578,001,160</b>	<b>-9,212,399</b>	<b>-1.57%</b>	<b>721,000,000</b>	<b>757,050,000</b>
Recurrent	347,213,559	318,501,160	-28,712,399	-8.27%	334,000,000	350,700,000
Development	240,000,000	259,500,000	19,500,000	8.13%	387,000,000	406,350,000
<b>3514000000 LANDS, URBAN PLANNING, ROADS, HOUSING, AND PUBLIC WORKS</b>	<b>265,000,000</b>	<b>208,155,672</b>	<b>-56,844,328</b>	<b>-21.45%</b>	<b>326,071,055</b>	<b>342,374,607</b>
Recurrent	70,000,000	62,924,814	-7,075,186	-10.11%	66,071,055	69,374,607
Development	195,000,000	145,230,858	-49,769,142	-25.52%	260,000,000	273,000,000
<b>3515000000 AGRICULTURE, LIVESTOCK AND FISHERIES DEVELOPMENT</b>	<b>315,000,000</b>	<b>271,792,829</b>	<b>-43,207,171</b>	<b>-13.72%</b>	<b>305,000,000</b>	<b>320,250,000</b>
Recurrent	165,000,000	151,235,749	-13,764,251	-8.34%	165,000,000	173,250,000
Development	150,000,000	120,557,080	-29,442,920	-19.63%	140,000,000	147,000,000
<b>3517000000 COHESION, INTERGOVERNMENTAL RELATIONS, AID COORDINATION, DISASTER</b>	<b>30,000,000</b>	<b>94,325,000</b>	<b>64,325,000</b>	<b>214.42%</b>	<b>80,244,221</b>	<b>84,256,432</b>
Recurrent	20,000,000	62,325,000	42,325,000	211.63%	60,000,000	63,000,000
Development	10,000,000	32,000,000	22,000,000	220.00%	20,244,221	21,256,432

<b>3518000000 EDUCATION, VOCATIONAL TRAINING, YOUTH, SPORTS AND GENDER</b>	<b>307,335,580</b>	<b>230,451,698</b>	<b>-76,883,882</b>	<b>-25.02%</b>	<b>264,000,000</b>	<b>277,200,000</b>
Recurrent	180,000,000	141,285,000	-38,715,000	-21.51%	170,000,000	178,500,000
Development	127,335,580	89,166,698	-38,168,882	-29.98%	94,000,000	98,700,000
<b>3519000000 TOURISM, CULTURE AND SOCIAL SERVICES</b>	<b>170,000,000</b>	<b>161,012,250</b>	<b>-8,987,750</b>	<b>-5.29%</b>	<b>175,000,000</b>	<b>183,750,000</b>
Recurrent	110,000,000	129,012,250	19,012,250	17.28%	135,000,000	141,750,000
Development	60,000,000	32,000,000	-28,000,000	-46.67%	40,000,000	42,000,000
<b>3520000000 PUBLIC SERVICE MANAGEMENT AND ICT</b>	<b>105,000,000</b>	<b>94,953,060</b>	<b>-10,046,940</b>	<b>-9.57%</b>	<b>98,000,000</b>	<b>102,900,000</b>
Recurrent	85,000,000	74,953,060	-10,046,940	-11.82%	78,000,000	81,900,000
Development	20,000,000	20,000,000	0	0.00%	20,000,000	21,000,000
<b>3521000000 WATER, IRRIGATION, ENERGY, ENVIRONMENT AND NATURAL RESOURCES</b>	<b>266,361,924</b>	<b>229,639,305</b>	<b>-36,722,619</b>	<b>-13.79%</b>	<b>239,000,000</b>	<b>250,950,000</b>
Recurrent	106,361,924	94,614,305	-11,747,619	-11.04%	99,000,000	103,950,000
Development	160,000,000	135,025,000	-24,975,000	-15.61%	140,000,000	147,000,000
<b>3522000000 HEALTH SERVICES</b>	<b>1,014,237,707</b>	<b>1,097,834,464</b>	<b>83,596,757</b>	<b>8.24%</b>	<b>1,120,000,000</b>	<b>1,176,000,000</b>
Recurrent	831,237,707	905,137,642	73,899,935	8.89%	950,000,000	997,500,000
Development	183,000,000	192,696,822	9,696,822	5.30%	170,000,000	178,500,000
<b>3523000000 TRADE, INDUSTRIALIZATION, COOPERATIVE AND ENTERPRISES DEVELOPMENT</b>	<b>60,627,896</b>	<b>46,517,896</b>	<b>-14,110,000</b>	<b>-23.27%</b>	<b>66,000,000</b>	<b>69,300,000</b>
Recurrent	30,627,896	23,517,896	-7,110,000	-23.21%	26,000,000	27,300,000
Development	30,000,000	23,000,000	-7,000,000	-23.33%	40,000,000	42,000,000
<b>3524000000 TOWN ADMINISTRATOR</b>	<b>29,770,250</b>	<b>90,978,126</b>	<b>61,207,876</b>	<b>205.60%</b>	<b>72,000,000</b>	<b>75,600,000</b>
Recurrent	9,770,250	10,978,126	1,207,876	12.36%	12,000,000	12,600,000
Development	20,000,000	80,000,000	60,000,000	300.00%	60,000,000	63,000,000
<b>TOTAL VOTED EXPENDITURE ...</b>	<b>4,282,717,930</b>	<b>4,340,282,474</b>	<b>57,564,544</b>	<b>1.34%</b>	<b>4,557,296,598</b>	<b>4,785,161,428</b>

<b>Kshs.</b>						
--------------	--	--	--	--	--	--

### **C. Fiscal Risks**

68. Despite the optimism, risks do remain. The county economy is still vulnerable to exogenous shocks as the current macroeconomic instability threatens the county economic stability. The macroeconomic management and performance of most of the sectors under the National Government have a ripple effect on how the County will perform.
69. The risks to the 2017/18 Financial Year's budget include challenges in revenue performance as the county continues to put structures in place, seal leakages and expand the revenue base. The current process of County restructuring, recruitment and rationalization of staff is expected to exert pressure on wage expenditures.
70. Adjustments to the 2017/18 budget will also take into account actual performance of expenditure and absorption capacity for the remainder of the Financial Year. Because of the resource constraints faced, the County Government will rationalize expenditures by cutting those that are non-priority. These may include slowing down or reprioritizing development expenditures and also dropping non key recurrent expenditures.



## CONCLUSION AND WAY FORWARD

71. The fiscal outlook for the 2017/18-2019/20 MTEF period presented in this CBROP is developed by taking into account the key policy challenges facing the county economy. It is therefore marked by moderate growth in overall expenditure, taking into account the economic outlook and the need to maintain fiscal discipline in all levels of the county government for maximum return from public resources. The policies, therefore, are broadly in line with the fiscal responsibility principles outlined in the PFM law.
72. Going forward, the set of policies outlined in this CBROP reflect the changing circumstances and are broadly in line with the County integrated development plan 2013-17. They ensure continuity in resource allocation based on prioritized programs that have been earmarked by the County to accelerate growth, Food security, employment creation and poverty reduction.
73. The policies and sector ceilings will guide all county spending units in preparation of the Financial Year 2018/19 budget. As budgetary resources are scarce, it is critical that County Sector Working Groups (CSWGs) prioritize their programmes within the available ceilings to ensure that use of public funds is in line with county government priorities. There is also need to ensure that current resources are being utilized efficiently and effectively before more funding is considered for programmes. CSWGs needs to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans
74. The 2018 County Fiscal Strategy paper (CFSP) will be finalized by the February 2018 deadline as per the budget calendar.