

REPUBLIC OF KENYA

MANDERA COUNTY GOVERNMENT



**OFFICE OF THE COUNTY EXECUTIVE COMMITTEE
FINANCE AND ECONOMIC PLANNING**

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

AUGUST, 2021

ABBREVIATIONS

| | |
|---------------|--|
| CBROP | County Budget Review and Outlook Paper |
| CFSP | County Fiscal Strategy Paper |
| FY | Financial Year |
| PFMA | Public Financial Management Act |
| CIDP | County Integrated Development Plan |
| CRA | Commission on Revenue Allocation |
| GDP | Gross Domestic Product |
| IFMIS | Integrated Financial Management and Information System |
| SME | Small and Medium Enterprise |
| MTEF | Medium Term Expenditure Framework |
| SRC | Salaries and Remuneration Commission |
| CPSB | County Public Service Board |
| KDSP | Kenya Devolution Support Program |
| PPP | Public Private Partnership |
| OSR | Own Source Revenue |
| SWG | Sector Working Groups |
| KSHS | Kenya Shillings |
| COB | Controller of Budget |
| BPS | Budget Policy Statement |
| DANIDA | Danish International Development Agency |
| KCSAP | Kenya Climate Smart Agriculture Project |
| ASDSP | Agriculture Sector Development Support Project |
| KUSP | Kenya Urban Support Project |

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FOREWORD

This County Budget Review Outlook Paper (CBROP) was prepared as required by section 118 of the Public Finance Management Act, 2012. It reviews the actual fiscal performance of the financial year 2020/2021 and makes comparisons to the budget appropriations of the same year. It also provides the recent economic developments and the updated economic and financial forecast with sufficient information to show changes from the forecast in the County Fiscal Strategy Paper (CFSP) of February, 2021.

In reviewing the fiscal performance, this paper analyzes the performance of County Own generated revenue in the FY 2020/2021. It has included the total revenue collected and made comparison to the budgeted revenue for the same year. In addition, possible causes of the underperformance in the local revenue are also highlighted. The paper also provides ministerial expenditures for both recurrent and development for the year under review. A comparison of actual performance against targets for FY 2020/2021 is provided. The preparation of this CBROP will be an important tool that will help in the formulation of 2022/2023 budget and will also provide foundation for the 2022 CFSP.

Through proper planning, Mandera County Government intends to achieve maximum fiscal discipline that ensures proper management of public resources and delivery of expected output. To ensure transparency and accountability, the County Executive will involve and relay budget performance and management reports to all county stakeholders as required by the constitution of Kenya, 2010 and Public Finance Management Act, 2012.

The FY 2020/2021 was faced with several challenges such as the increased spread of the COVID-19 pandemic and enforcement of stiff containment measures, high debt burden at the National level, late disbursement of funds by the National Government, increased terrorism activities and insecurity challenges in the County as well as persistent droughts and heavy floods that caused destruction of homes, deaths, agricultural output and infrastructure. Nevertheless, the County's fiscal performance for the FY 2020/2021 was largely satisfactory compared to the previous financial years.

Sulekha H. Harun

Executive Committee Member - Finance and Economic Planning

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

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

- 1) A County Treasury shall;
 - a) prepare a County Budget Review and Outlook Paper (CBROP) in respect of the county for each financial year; and
 - b) Submit the paper to the County Executive Committee by 30th September of that year.
- 2) In preparing the County Budget Review and Outlook Paper, the County Treasury shall specify:
 - a) the details of actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
 - b) the updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
 - c) information on
 - (i) any changes in the forecasts compared with the CFSP or;
 - (ii) how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the CFSP for that year; and
 - d) reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- 3) The County Executive Committee shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the CBROP is approved by County Executive Committee, the County Treasury shall:
 - (a) arrange for the CBROP to be laid before the County Assembly; and
 - (b) as soon as practicable after having done so, publish and publicize the paper.

Responsibility Principles in the Public Financial Management Law

In line with the Constitution, the new Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources.

The PFM law (Section 107(b)) states that:

- i. The county government's recurrent expenditure shall not exceed the county government's total revenue
- ii. Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure
- iii. 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.
- iv. 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.
- v. Public debt and obligations shall be maintained at a sustainable level as approved by County Government (CG)
- vi. Fiscal risks shall be managed prudently
- vii. 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

CHAPTER ONE: INTRODUCTION

1.1 Introduction

This year's Budget Review and outlook paper (CBROP) is the eighth to be prepared by Mandera County in line with the Public Finance Management Act, 2012 section 118. The CBROP is one of the planning documents that a county must prepare by law. It is supposed to link planning, policy formulation and budgetary allocations.

The PFM Act 2012 requires every County to prepare a CBROP by 30th September of every financial year and submit the same to the County Executive Committee. Upon consideration by the County executive committee, the CBROP must be submitted to the County assembly by the 21st October for consideration and approval. As per the requirement of the PFM Act, this CBROP contains a review of the fiscal performance of the FY 2020/2021.

The main goal of this CBROP is to provide a review of the previous year fiscal performance and how this impacts on the financial objectives and fiscal responsibility principles set out in the PFM Act, 2012. This together with the updated macroeconomic outlook provides a basis for revision of the current budget in the context of supplementary estimates and the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium term policy priorities will be provided in the County Fiscal Strategy Paper which will be ready early next year in line with section 117 of PFM Act 2012.

1.2 Objective of the CBROP

As a planning documents, CBROP endeavors to address several objectives. Key among them is

- a. Provide a review of the County Fiscal performance in the financial year 2020/2021 compared to the appropriation of that year and how this had an effect on the Economic performance of the county.
- b. Provide an updated economic and financial forecast with sufficient information to show any Changes from the most recent forecasts which may have been provided in fiscal documents like the CFSP.
- c. Reasons for any deviations from the financial objectives in the CFSP with the proposals to address the deviation.

1.3 The structure of the CBROP

The CBROP has five chapters. Chapter one includes introduction and objectives of CBROP. Chapter two provides a review of the fiscal performance in FY 2020/2021 and its implications on the financial objectives. This is followed by brief highlights of the recent economic development, updated macroeconomic outlook and County specific outlook in chapter three. Chapter four provides the resources allocation framework while chapter five gives the conclusions and recommendations.

CHAPTER TWO

REVIEW OF FISCAL PERFORMANCE IN THE FINANCIAL YEAR 2019/2020

2.0 Overview

This chapter discusses the 2020/2021 budget performance and its implementation. It provides comparisons between actual budget performances against the targeted results. This will be useful in providing a basis for setting out broad fiscal parameters for subsequent budgets as well as a way forward for Mandera County.

2.0 Fiscal Performance

The County Government's mandate as stipulated by the Constitution of Kenya is discharged by Departments through implementation of projects and programs. These projects and programs are allocated funds through County Budgeting process.

In the FY 2020/2021 the County had a Budget Resource Envelope of Kshs. 13,211,360,847 of which Kshs. 7,573,664,620 (57%) was allocated for recurrent expenditure and Kshs. 5,637,696,228 (43%) was allocated for development expenditure. The allocation to development was in line with Fiscal Responsibility requirements in the PFM Act, 2012 (section 107) requiring that at least 30% of the County Budget be dedicated for development activities. The County Budget revenues were made up of transfers from the Equitable Share, National Government Conditional Grants, Donor Funding, Own Source Revenues (OSRs) and Unspent Balances carried forward from the 2019/2020 Financial Year.

The County's fiscal performance for the FY 2020/2021 was mostly satisfactory despite existence of numerous challenges occasioned by factors such as fund delays and local revenue underperformance. The County Government in its FY 2020/2021 budget anticipated a local collection of Kshs. 200,037,792 which was about 2% of the County's annual budget. But only Kshs. 143,313,898 was realized at the end of the financial year. On other revenue streams, the equitable share of revenue allocated by Commission on Revenue Allocation accounted for Kshs. 10,222,950,000 (77%). Other notable components of the County's revenue included unutilized funds from the previous financial year and Conditional grants.

During the financial year 2020/2021, cumulative revenues received by Mandera County Government from the National Government releases, Conditional Grants, unspent balances in FY2019/2020 and County own revenue sources amounted to Kshs. 12,302,477,724.

The Controller of Budget approved withdrawal of Kshs. 10,222,950,000 from the County Revenue Fund (CRF) account, which was 100% of the approved allocations. This amount represented an increase of 9% from Kshs. 9,343,776,300 received in the FY 2019/2020 and was meant to fund both development and recurrent expenditures.

The County received Kshs. 1,057,040,126 as Conditional Grants. This comprised of Kshs. 29,070,000 from DANIDA Funding for Health sector, Kshs. 144,346,590 from World Bank – THUSCP, Kshs. 25,474,920 from Abolishment of user fees in health centres and dispensaries (Ministry of Health), Kshs. 186,844,646 from Kenya Devolution Support Program, Kshs. 238,632,573 from Kenya Climate Smart Agriculture Project (KCSAP), Kshs. 96,377,846 from Kenya Urban Support Programme and Kshs. 15,049,894 from Youth Polytechnics Support Allocation. Transfers of Kshs. 304,694,480 and Kshs. 16,549,177 were received for Fuel Levy Fund (State Department of Infrastructure) and Agriculture Sector Development Support Project (ASDSP) respectively.

The fiscal performance for FY 2020/2021 was promising despite a number of limitations which included;

- a) Delays in disbursement of funds from the National Government thereby delaying implementation of planned County programs.
- b) Under performance of the local revenue. The County collected only Kshs.143,313,898 instead of the budgeted Kshs. 200,037,792. This represents 72% performance. Though this is way below the revenue target as per the budget, it's the highest amount the County has ever collected in 8 years of devolution.
- c) Frequent IFMIS breakdowns impacting negatively on the County's absorption of funds. This was mostly caused by network interruptions and internet downtimes.
- d) Increased security challenges Countywide which negatively affected many sectors of the County's operations and economy.
- e) The adverse effects of the Covid-19 pandemic.

2.1 Revenue Performance

The following table shows revenue analysis for the FY 2020/2021 as realized from local sources and the equitable share from National Government with deviations.

Table 1: Revenue Analysis

| No | Revenue Stream | FY2020/2021 Annual Targeted Revenue (Kshs.) | FY 2020/2021 Actual Revenue (Kshs.) | Variance (Kshs.) | Percentage |
|----|--|---|--|------------------|------------|
| | | A | B | C=A-B | |
| 1 | Equitable share of Revenue | 10,222,950,000 | 10,222,950,000 | - | 0% |
| 2 | Local Revenue Collections | 200,037,792 | 143,313,898 | 56,723,894 | 28% |
| 3 | On-Going Development Projects funds b/f from 2017/2018 - 2021/2020 | 883,762,901 | 879,173,700 | 4,589,201 | 1% |
| 5 | Road Maintenance Fuel Levy (Conditional Grant) | 304,694,480 | 304,694,480 | - | 0% |
| 6 | Road Maintenance Fuel Levy (Conditional Grant) B/F from 19/20 - Fund Released | 160,026,064 | - | 160,026,064 | 100% |
| 7 | Development of youth Polytechnics | 15,049,894 | 15,049,894 | - | 0% |
| 8 | Sweden -Agricultural Sector Development Support Program (ASDSP) II - Co Funding | 2,500,000 | 2,000,000 | 500,000 | 20% |
| 9 | Grant of Kshs 5 billion for Covid- 19 Responses among the 47 Counties – Mandera Share | 91,323,000 | - | 91,323,000 | 100% |
| 10 | Medical Staff Allowances | 31,845,000 | - | 31,845,000 | 100% |
| 11 | Foregone user fees in Health Facilities in rural Area (Conditional Grant) | 25,474,920 | 25,474,920 | - | 0% |
| 12 | World Bank/Japan Funding for Health sector - Transforming Health care - Universal Health | 144,609,161 | 144,346,590 | 262,571 | 0% |
| 13 | DANIDA Funding for Health sector - Transforming Health | 29,070,000 | 29,070,000 | - | 0% |

| | | | | | |
|----|---|-------------|-------------|-------------|------|
| | care - Universal Health | | | | |
| 14 | World Bank/Japan Funding for Health sector - Transforming Health care - Universal Health 2017/2018 - Amount in SPA | 9,604,002 | - | 9,604,002 | 100% |
| 15 | World Bank/Japan Funding for Health sector - Transforming Health care - Universal Health b/f 2018/2019. Amount not yet released | 14,826,792 | - | 14,826,792 | 100% |
| 16 | Kenya Devolution support Program (KDSP) B/F (from 17/2018) - Amount n SPA | 4,295,329 | - | 4,295,329 | 100% |
| 17 | DANIDA Funding for Health sector - Transforming Health care - Universal Health – Covid-19 Support | 11,305,000 | - | 11,305,000 | 100% |
| 18 | Kenya Devolution Support Program - Level I | 45,000,000 | 45,000,000 | - | 0% |
| 19 | Kenya Devolution Support Program for 2018/2019 funds to be released in 2020/2021 | 58,673,488 | - | 58,673,488 | 100% |
| 20 | Kenya Urban Development Support Program | 175,819,500 | 46,311,274 | 129,508,226 | 74% |
| 21 | Kenya Climate smart Agriculture Project (NEDI) | 324,000,000 | 238,632,573 | 85,367,427 | 26% |
| 22 | Sweden -Agricultural Sector Development Support Program (ASDSP) II | 14,548,048 | 14,549,177 | - 1,129 | 0% |
| 23 | Kenya Climate Smart Agriculture Project (NEDI) - Conditional Grant B/F - amount yet to be released | 49,173,647 | - | 49,173,647 | 100% |
| 24 | Agricultural Sector Development Support Program (ASDSP) (Conditional Grant) B/F - Amount in SPA | 6,387,012 | - | 6,387,012 | 100% |
| 25 | Kenya Devolution Support Program b/f - | 84,075,528 | - | 84,075,528 | 100% |

| | Amount in SPA - Malbe and Lafey Hospital | | | | |
|--------------------|---|--------------------------|--------------------------|-----------------------|-----------|
| 26 | Kenya Devolution Support Program | 143,000,000 | 141,844,646 | 1,155,354 | 1% |
| 27 | Kenya Urban Development Support Program b/f from 2019/2020 (50,066,573 not Released while 79,242,718 not yet released) | 129,309,291 | 50,066,573 | 79,242,718 | 61% |
| 28 | Kenya Devolution Support Program - Level I b/f from 2019/2020 | 30,000,000 | - | 30,000,000 | 100% |
| Grand Total | | 13,211,360,847.44 | 12,302,477,724.25 | 908,883,123.19 | 7% |

Source: County Treasury, Mandera

By the end of June 2021, some of the projected revenues had been achieved with the exception of own Source revenues, Kenya Urban Development Support Program and Kenya Climate Smart Agriculture Project (NEDI).

An analysis of the table indicates that the County generated a total of Kshs. 143.31 million from own revenue sources in FY 2020/2021 deviating from the budgeted amount by 28%. This amount, however, represented an increase of Kshs. 18.35 million compared to that realized in FY 2019/2020. The slight improvement in internal revenue is attributed to strict oversight, County Revenue Department director's recruitment and strengthening of the revenue department.

During the reporting period, receipts for equitable share grant was fully realized while Kenya Urban Development Support Program had 76% deviations from target. Kenya Climate Smart Agriculture Project (NEDI) also had marginally over 26% deviations from the targets. These sources of revenue performed below expectations and hence have impacted negatively on the budget implementation process.

The rest of the revenue source has shown decent performance. The fiscal performance for the FY 2020/2021 was, therefore, considered a great success. The following challenges were, however, notable:

1. Low local revenue performance continued to be major headache for the County Government though an improvement in collection has been observed. Local revenue underperformed by a massive 28%.
2. Incidences of insecurity such as frequent terror activities along the major highways have scaled down County's economic prospects.
3. Delayed disbursement of funds from the National Government had negatively affected County's budget execution efforts.
4. The COVID-19 menace caused adverse effects to the course of revenue collection and project implementations. Most traders in Mandera County closed their businesses for months and failed to recover from the devastating effects of the pandemic even after reopening of the economy.
5. The heavy droughts and floods resulted in destruction of homes, deaths, agricultural output and infrastructure.

Table 2: FY 2020/2021 Monthly Local Revenue Collections

| FY 2020/2021 Total monthly local revenue collection for Mandera County Government | | |
|--|--------------------------------|--------------------------------------|
| Month | Amount Collected (Kshs) | Cumulative Collections (Kshs) |
| Jul-20 | 12,366,919 | 12,366,919 |
| Aug-20 | 12,393,420 | 24,760,339 |
| Sep-20 | 13,318,836 | 38,079,175 |
| October | 10,671,280 | 48,750,455 |
| Nov-20 | 10,190,489 | 58,940,944 |
| Dec-20 | 11,213,076 | 70,154,020 |
| Jan-21 | 12,002,126 | 82,156,146 |
| Feb-21 | 12,580,587 | 94,736,733 |
| Mar-21 | 13,407,992 | 108,144,725 |
| Apr-21 | 10,218,320 | 118,363,045 |
| May-21 | 9,467,196 | 127,830,241 |
| Jun-21 | 15,483,657 | 143,313,898 |
| Total Collections for FY 2020/2021 | | 143,313,898 |

Source: Revenue Directorate, Mandera County Government

The highest County OSR collection was realized in the month of June 2021 amounting to Kshs. 15,483,657, while the least collection was in the month of May 2021 amounting to Kshs. 9,467,196.

The table 3 summarizes comparisons between actual local revenue collections in FY 2019/2020 and what was realized in the FY 2020/2021.

Table 3: FY 2020/2021 Revenue Collection by Streams**ACTUAL COUNTY OWN GENERATED RECEIPTS**

| OSR collections as at June 30, 2021 | 2019/20 FY Revenue Perf – Actual | 2020/21 FY Revenue Perf – Actual |
|---|---|---|
| Sub-Revenue Source | Kshs. | Kshs. |
| Land rents | 33,999,995 | 32,613,102 |
| Plot Transfers/Sub-Divisions/ Application Fees | 11,795,148 | 14,536,900 |
| Building plan | - | 1,123,800 |
| Miraa Movements | 6,843,700 | 12,641,585 |
| Single Business Permit | 12,043,890 | 13,755,110 |
| Markets stalls | 3,700,870 | 6,698,907 |
| Market Gates | 308,250 | 240,371 |
| Market Shades | 1,075,480 | 1,694,100 |
| Bus park/Taxis/Parking | 725,469 | 1,279,574 |
| Income from Quarries/Natural Resources | 611,840 | 1,018,687 |
| Barriers | 5,809,701 | 4,603,919 |
| Livestock Market Auction | 2,395,975 | 3,986,140 |
| Livestock Movement | 4,931,720 | 4,487,777 |
| Slaughter fees and Charges | 6,771,711 | 6,446,830 |
| Produce Cess | 411,624 | 1,301,157 |
| Agriculture Mechanization/Hire of Equipment | 623,000 | 444,000 |
| Income from Sale of Tenders documents | 689,500 | 530,000 |
| Rental income | - | 1,609,950 |
| Tender | 3,201,008 | 1,715,000 |
| Public Health | 1,635,770 | 1,659,041 |
| Hospital collection | 21,577,484 | 28,024,398 |
| Income from Water Management | 5,809,701 | 2,903,550 |
| Grand Total | 124,961,836 | 143,313,898 |

Source: Revenue Directorate, Mandera County Government

During the year under review, the total expected revenue from all sources for the county revenue sources was Kshs. 13,211,360,847. Out of this amount, the budgeted amount from local collections was Kshs. 200,037,792 (2%). Despite this budgeted figure, only Kshs. 143,313,898 was realized at the end of financial year. This represented a revenue shortfall of Kshs. 56,723,894 (28% deviation from the approved target). The revenue collection increased remarkably by Kshs. 18,352,062 compared to FY 2019/2020.

An analysis of local revenue performance shows the County's top performing streams included

Land rates, Hospital collections, Land Transfers, Single Business Permits, Miraa Movements, Market stalls, Slaughter fees charges, and barriers. Notable nosedive in revenue collection was on income from sale of Tender documents, Agriculture Mechanization Services and market gates.

As shown above, the County's local collection has underperformed for the year under review. The following factors were chiefly responsible for the poor performance:

- Closure of quarries, sand and blast sites due to terrorism threats.
- Frequent closure of the Kenya Somalia boarder due to insecurity.
- Lack of enforcement capacity.
- Poor infrastructure that makes the cost of doing business very high. This means few businesses survive in ourCounty.
- Persistent devastating droughts and heavy floods experienced in the month of April and May that has negativelyimpacted the economic powers of the communities.
- General insecurity that discourages investment in the County.
- Inadequate legislation frameworks to prosecute defaulters.
- The adverse effects of the COVID-19 pandemic.

Concerted effort and focused strategies should be employed by the County Treasury to bridge the gap in attainment of own revenue targets and other revenue sources to avert possibilities of pending bills and incomplete development projects. The County should leverage on the automated revenue collection covering all the streams to eliminate possibility of leakages. The revenue enforcement units should be empowered to ensure all identified sources of revenue are covered and paid to the County Government. Further, revenue collection personnel should be rotated to ensure that no one person is at a specific revenue collection point for a pro-longed period of time.

2.2 Expenditure Performance

The County Government's approved supplementary budget for FY 2020/2021 was Kshs. 13,211,360,847. A total of Kshs. 11,676,235,615.35 was spent on both development and recurrent activities. This absorption accounted for 88% of the total approved supplementary

budget. The recurrent expenditure for the year was Kshs. 7,240,366,695.35 against a target of Kshs. 7,561,494,620. The recurrent budget absorption was 96%, which was similar to what was recorded in FY 2019/2020. Development expenditure recorded an absorption rate of 79%, which was a decrease from 80% attained in FY 2019/2020. The actual expenditure on development programmes amounted to Kshs. 4,435,868,920.00 against a budgeted figure of Kshs. 5,649,866,228.

The overall budget execution status for both the development and the recurrent votes was satisfactory for the FY 2020/2021.

Table 4: Total Expenditure

| Expense Category | Annual Budget (Kshs.) | Total Expenditure (Kshs.) | Variance (Kshs.) | Absorption Rate(%) |
|------------------|-----------------------|---------------------------|-------------------------|--------------------|
| Recurrent | 7,561,494,620 | 7,240,366,695.35 | 321,127,924.31 | 96% |
| Development | 5,649,866,228 | 4,435,868,920.00 | 1,213,997,307.78 | 79% |
| Total | 13,211,360,847 | 11,676,235,615.35 | 1,535,125,232.09 | 88% |

Source: County Treasury, Mandera County

The variance of Kshs. 1,535,125,232.09 led to lower absorption of both recurrent (96%) and development expenditure (79%) by the County Departments. In particular, underperformance by the development vote was occasioned late releases of funds from the National Treasury.

2.2.1 Recurrent Expenditure

As stated earlier, the County performed well in the execution of the recurrent budget for the FY 2020/2021. The County had a total recurrent budget of Kshs. 7,561,494,620. Except the Ministry of Public Service Management and Devolved Units and the County Assembly, all other Ministries were able to absorb above 97% of their recurrent budget within the financial year. Five Ministries recorded the highest overall absorption rate at 100%. These included the Ministry of Lands, Housing Developments, and Physical Planning, the Ministry of Water, Energy, Environment, Natural Resources Tourism, the Ministry of Trade, Investments, Industrialization, and Cooperative Development, the Ministry of Finance & Economic Planning and ICT and Ministry of Gender, Youth and Social Services. These were followed by the Ministry of Agriculture, Livestock and Fisheries and the Ministry of Education, Culture and Sports which recorded an absorption rate of 99%. The Ministry of Water, Energy, Environment, Natural Resources Tourism and Wildlife, the Ministry of Health Services and

the County Public Service board recorded an absorption rates at 98% each. The County Assembly and the Ministry of Public Service Management and Devolved Units were the lowest spenders of recurrent budget in the year at an absorption rate of 93% and 86% respectively.

The table that follows shows a tabulated analysis of County's recurrent expenditure for FY 2020/2021.

Table 5: Recurrent Expenditure by Ministries

The table below represents total recurrent expenditure for the FY 2020/2021 per ministry as at 30th June, 2021.

| Ministry/Sector | FY 2020/2021 Approved Budget Kshs) | FY 2020/2021 Actual Expenditure (Kshs) | % |
|--|------------------------------------|--|------------|
| County Assembly | 755,834,897.00 | 699,437,011.50 | 93% |
| Ministry of Agriculture, Livestock and Fisheries | 252,636,058.91 | 251,136,064.40 | 99% |
| Ministry of Education, Culture and Sports | 316,864,180.45 | 313,071,597.43 | 99% |
| Ministry of Gender, Youth and Social Services | 81,131,629.65 | 81,131,629.10 | 100% |
| Ministry of Finance & Economic Planning and ICT | 599,927,603.31 | 599,927,603.39 | 100% |
| Ministry of Health Services | 2,014,520,853.04 | 1,975,975,173.86 | 98% |
| Ministry of Trade, Investments, Industrialization, and Cooperative Development | 55,369,440.86 | 55,369,440.00 | 100% |
| Lands, Housing Developments and Physical Planning | 485,652,595.62 | 485,652,193.30 | 100% |
| Office of the Governor and Deputy Governor | 466,713,497.80 | 454,228,580.89 | 97% |
| County Public Service Board | 70,079,319.49 | 68,949,070.55 | 98% |
| Ministry of Public Service Management and Devolved Units | 1,425,748,931.70 | 1,225,495,475.02 | 86% |
| Public Works Roads and Transport | 143,737,399.33 | 141,040,491.39 | 98% |
| Ministry of Water, Energy, Environment, Natural Resources Tourism and Wildlife | 893,278,212.49 | 888,952,364.52 | 100% |
| Grand Total | 7,561,494,619.66 | 7,240,366,695.35 | 96% |

Source: County Treasury, Mandera County Government

2.2.2 Development Expenditure

In the FY 2020/2021, the County's gross development budget was Kshs. 5,649,866,228. An expenditure of Kshs. 4,435,868,920.00 representing 79% of the development vote was utilized during the financial year. Only one Ministry was able to exhaust its entire development vote. The Ministry of Public Service Management and Devolved Units recorded the highest overall absorption rate at

100% followed by the Ministry of Water, Energy, Environment, Natural Resources Tourism and Wildlife at 96%. The Ministry of Lands, Housing Developments and Physical Planning and the Ministry of Gender, Youth and Social Services recorded the third and fourth highest absorption rates at 89% and 85% respectively. Three Ministries recorded an absorption below 50%. The County Public Service Board was the worst performer recording only 17%. The Ministry of Finance & Economic Planning and ICT and the County Assembly recorded slightly better at 43% and 47% respectively.

Table 6: Ministerial Development Expenditure

| Ministry/Sector | FY 2020/2021 Approved Budget (Kshs) | FY 2020/2021 Actual Expenditure (Kshs) | % |
|--|-------------------------------------|--|------------|
| County Assembly | 221,218,667.00 | 104,482,511.65 | 47% |
| Ministry of Agriculture, Livestock and Fisheries | 846,287,062.78 | 543,230,898.60 | 64% |
| Ministry of Education, Culture and Sports | 325,603,708.00 | 270,754,189.00 | 83% |
| Ministry of Gender, Youth and Social Services | 126,507,348.00 | 107,007,348.00 | 85% |
| Ministry of Finance & Economic Planning and ICT | 36,825,600.00 | 15,825,600.00 | 43% |
| Ministry of Health Services | 766,561,360.08 | 549,145,457.32 | 72% |
| Ministry of Trade, Investments, Industrialization, and Cooperative Development | 95,957,580.50 | 72,257,580.50 | 75% |
| Lands, Housing Developments and Physical Planning | 167,821,407.95 | 148,610,874.45 | 89% |
| County Public Service Board | 12,000,000.00 | 2,000,000.00 | 17% |
| Ministry of Public Service Management and Devolved Units | 111,371,471.40 | 111,371,471.40 | 100% |
| Public Works Roads and Transport | 1,293,661,970.86 | 927,817,368.82 | 72% |
| Ministry of Water, Energy, Environment, Natural Resources Tourism and Wildlife | 1,646,050,051.21 | 1,583,365,620.26 | 96% |
| Grand Total | 5,649,866,227.78 | 4,435,868,920.00 | 79% |

Source: County Treasury, Mandera County Government

Table 7: List of Development Projects with the Highest Expenditure in FY 2020/2021

Table 7 provides a summary of development projects with the highest expenditure in the financial year.

| S/N o. | Project Name | Department | Location of the Project | Annual Budget Allocation (Kshs.) | Exchequer Issues (Kshs.) | Actual Expenditure (Kshs.) | Absorption (%) | Implementation Status |
|--------|-------------------------------|------------|-------------------------|----------------------------------|--------------------------|----------------------------|----------------|-----------------------|
| 1 | Drilling And Equipping Of New | Water | Mandera | 135,000,000 | 135,000,000 | 135,000,000.00 | 100% | Complete |

| | | | | | | | | |
|----|---|----------------------------|--------------|-------------|-------------|----------------|------|-----------|
| | Boreholes Throughout The County | | | | | | | |
| 2 | Under Provision For Mandera Teachers Training College | Education | Mandera East | 125,500,000 | 125,500,000 | 125,500,000.00 | 100% | Complete |
| 3 | On-Going Construction Of The Regional Livestock Market | Livestock | Mdr East | 120,002,155 | 99,841,670 | 99,841,670.00 | 83% | Ongoing |
| 4 | Proposed Completion Of Governor's Residence | Public Works | Mandera East | 81,120,492 | 81,120,492 | 81,120,492.00 | 100% | Ongoing |
| 5 | Proposed Erection And Completion Of Modern Slaughter House (Phase 2) In Mandera East Sub County | Livestock | Mdr East | 67,446,320 | | 67,446,319.88 | 100% | Completed |
| 6 | Maintenance and Expansion Of Solar Street Lights, Security High Mast | Water | Mandera East | 65,983,242 | 65,983,242 | 65,983,241.70 | 100% | Complete |
| 7 | Supply, Delivery and Installation Of Boreholes Maintenance And Materials | Water | Mandera | 55,000,000 | 55,000,000 | 55,000,000.00 | 100% | Complete |
| 8 | Construction Of Kutulo (Malbe) Water Pan Irrigation Projects | Irrigation | Kutulo | 52,092,828 | | 52,000,000.00 | 100% | Ongoing |
| 9 | Construction Of Water And Sewerage Infrastructure at MCRH | Water | Mandera East | 51,180,917 | 51,180,917 | 51,180,916.88 | 100% | Complete |
| 10 | Proposed Construction Of 50No Vulnerable Housing Unit and Toilets Lot1 In | Gender And Social Services | Mandera East | 51,000,000 | 51,000,000 | 51,000,000.00 | 100% | Complete |

| | | | | | | | | |
|----|--|-------------------|------------------|-------------|------------|---------------|------|------------|
| | Mandera County | | | | | | | |
| 11 | Kenya Urban Development Support Program B/F From 2019/2020 (Conditional Grant) | Lands | Mandera | 129,309,291 | 50,066,573 | 50,066,572.70 | 39% | Incomplete |
| 12 | Construction Of Box Culvert/Celled Drifts On Khalalio Road At Hareri (RMLF) | Roads & Transport | Mandera North | 40,000,000 | 40,000,000 | 40,000,000.00 | 100% | On-Going |
| 13 | Construction Of Dandu - Ires Teno - Gagaba - Sake - RMLF | Roads & Transport | Mandera West | 40,000,000 | 40,000,000 | 40,000,000.00 | 100% | On-Going |
| 14 | Final Balance For County Hotel - Rest House | Public Works | Mandera East | 40,645,500 | 40,000,000 | 40,000,000.00 | 98% | Ongoing |
| 15 | Kutulo-Kutayu Road-RMLF | Roads & Transport | Mandera South | 49,000,000 | 39,759,000 | 39,759,000.00 | 81% | Complete |
| 16 | Solar Street Lighting - Elwak | Water | Elwak Sub-County | 39,327,845 | 39,327,845 | 39,327,844.50 | 100% | Complete |
| 17 | Light Grading and Gravelling of Road at Khalafow Village | Roads & Transport | Banissa | 39,320,000 | 39,000,000 | 39,000,000.00 | 99% | Complete |
| 18 | Construction Of Murutho, - Malka Mari Road RMLF | Roads & Transport | Banissa | 40,000,000 | 38,818,008 | 38,818,008.00 | 97% | Complete |
| 19 | Construction Of Asahbito - Shirshir - Gofa Road-RMLF | Roads & Transport | Mandera North | 41,000,000 | 35,171,200 | 35,171,200.00 | 86% | Complete |
| 20 | Proposed Water Supply For Koromey Farms Irrigation Infrastructure | Irrigation | Mdr East | 108,000,000 | | 35,000,000.00 | 32% | Ongoing |
| 21 | Under Provision Of Banisa Dam Expansion | Water | Banissa | 31,576,452 | 31,576,452 | 31,576,452.00 | 100% | Complete |

| | | | | | | | | |
|----|--|-----------------------------------|------------------------------|------------|------------|---------------|------|------------|
| 22 | Construction Of Bur John - Malka Mari Road - RMLF | Roads & Transport | Banissa | 30,000,000 | 29,773,836 | 29,773,836.00 | 99% | Complete |
| 23 | Construction Of Box Culvert On Takaba-Banisa Road In Mandera West | Roads & Transport | Mandera West | 27,535,592 | 27,535,592 | 27,535,592.00 | 100% | Complete |
| 24 | Security Wall and Fencing of Government Offices | Public Works | Mandera East | 26,500,000 | 26,500,000 | 26,500,000.00 | 100% | Ongoing |
| 25 | Drilling And Equipping Of Ashabito Borehole, Ires Suki, Omar Jilaow And Libhiya Borehole | Water | Mandera North | 26,040,159 | 26,040,159 | 26,040,159.00 | 100% | Complete |
| 26 | Construction Of Rhamu Sub County Head Quarters | Public Service And Devolved Units | Mandera North Subcounty | 25,000,000 | 25,000,000 | 25,000,000.00 | 100% | Incomplete |
| 27 | Opening Of Access Road In Neboi, Barwaqo, Tawakal And Shafshafey-RMLF | Roads & Transport | Mandera East | 24,694,480 | 24,694,480 | 24,694,480.00 | 100% | Complete |
| 28 | Proposed Construction Of Deputy Governor's Residence | Public Works | Mandera East | 41,385,495 | 24,000,000 | 24,000,000.00 | 58% | Ongoing |
| 29 | Proposed Chain-link Fencing And Gate House | Public Service And Devolved Units | Kutulo Subcounty Headquarter | 23,103,200 | 23,103,200 | 23,103,200.00 | 100% | Complete |
| 30 | Electricity Connection To The New County Government Installation | Water | Mandera East | 22,692,694 | 22,692,694 | 22,692,694.00 | 100% | Complete |
| 31 | Construction Of Borehole 11, Falama - El Ram Road-RMLF | Roads & Transport | Mandera South | 40,000,000 | 39,769,846 | 19,884,000.00 | 50% | On-Going |
| 32 | Construction Of 30,000M3 | Water | Mandera West | 19,300,000 | 19,300,000 | 19,300,000.00 | 100% | Ongoing |

| | | | | | | | | |
|----|---|-------------------|------------------|------------|------------|---------------|------|----------|
| | Gagaba Earth Pan | | | | | | | |
| 33 | Construction Of 60,000M3 Earth Pan At Gagaba | Water | Mandera | 19,300,000 | 19,300,000 | 19,300,000.00 | 100% | Complete |
| 34 | Construction Of Box Culvert On Khalilio Road In Mandera East | Roads & Transport | Mandera East | 19,157,736 | 19,157,736 | 19,157,736.00 | 100% | Complete |
| 35 | Under Provision For Kutayu - Boji Garse Road | Roads & Transport | Mandera South | 19,000,000 | 19,000,000 | 19,000,000.00 | 100% | Complete |
| 36 | Purchase Of 1 Crane For Municipality Owned Borehole | Water | Mandera | 18,000,000 | 18,000,000 | 18,000,000.00 | 100% | Complete |
| 37 | Solar Installation For Municipality & MADWASCO | Water | Mandera East | 18,000,000 | 18,000,000 | 18,000,000.00 | 100% | Complete |
| 38 | Provision For Repair And Rehabilitation Services For Gensets, Boreholes, Purchase And Delivery Of Spare Parts And Maintenance Of Water Facilities | Water | Mandera | 17,400,000 | 17,400,000 | 17,400,000.00 | 100% | Complete |
| 39 | Construction Of 60,000M3 Laaga Dusota Earth Pan | Water | Mandera West | 31,000,000 | 16,000,000 | 16,000,000.00 | 52% | Ongoing |
| 40 | Construction Of 60,000M3 Earth Pan Laaga Duusoota | Water | Mandera West | 16,000,000 | 16,000,000 | 16,000,000.00 | 100% | Complete |
| 41 | Proposed Paved Parking And Drainage System At Elwak SME Market | Trade | Elwak Sub-County | 15,620,137 | 15,620,137 | 15,620,137.20 | 100% | Complete |

| | | | | | | | | |
|----|--|-----------------------------------|-------------------|------------|------------|---------------|------|----------|
| 42 | Proposed Construction Of 15No Vulnerable Housing Unit And Toilets Lot2 In Mandera County | Gender And Social Services | Mandera East | 15,300,000 | 15,300,000 | 15,300,000.00 | 100% | Complete |
| 43 | Proposed Construction Of 15No Vulnerable Housing Unit And Toilets Lot3 In Mandera County | Gender And Social Services | Mandera East | 15,300,000 | 15,300,000 | 15,300,000.00 | 100% | Complete |
| 44 | Under Provision For Kutulo Market | Trade | Kutulo Sub-County | 15,081,360 | 15,081,360 | 15,081,360.30 | 100% | Complete |
| 45 | Development Of Youth Polytechnics (Conditional Grant) | Education | Mandera | 15,049,894 | 15,049,894 | 15,049,894.00 | 100% | Complete |
| 46 | Proposed Fencing Of Bp1 And Kamor Cemetery In Mandera East Sub-County | Public Service And Devolved Units | Mandera East | 15,000,000 | 15,000,000 | 15,000,000.00 | 100% | Complete |
| 47 | Proposed Construction Of 60,000M3 Earthpan At Kopi | Water | Mandera West | 15,000,000 | 15,000,000 | 15,000,000.00 | 100% | Ongoing |
| 48 | Expansion And Reconstruction Of Slaughter House In Elwak | Livestock | Elwak | 15,000,000 | | 15,000,000.00 | 100% | Ongoing |
| 49 | Re-Channeling Of Lag Warera Seasonal River, Gabions In Takaba | Roads & Transport | Mandera West | 15,000,000 | 15,000,000 | 15,000,000.00 | 100% | Complete |
| 50 | Construction Of 60,000M3 Earth Pan At Kopi | Water | Mandera | 15,000,000 | 15,000,000 | 15,000,000.00 | 100% | Complete |
| 51 | Final Balance For County HQs | Public Works | Mandera East | 13,500,000 | 13,500,000 | 13,500,000.00 | 100% | Ongoing |

| | | | | | | | | |
|----|--|-------------|---------------------------|------------|------------|---------------|------|------------|
| 52 | Proposed Construction Market In Gither | Trade | Gither, Takaba Sub-County | 15,000,000 | 13,500,000 | 13,500,000.00 | 90% | Incomplete |
| 53 | Solar Street Lighting At Lagsure | Water | Mandera West | 12,100,000 | 12,100,000 | 12,100,000.00 | 100% | Complete |
| 54 | Repair Works In Elwak Water Compound, Operationalization Works Of Elwak Soft Water Projects And Installation Of 16 Cwps. | Water | Elwak Sub-County | 12,098,750 | 12,098,750 | 12,098,750.00 | 100% | Complete |
| 55 | Sala Farms Agricultural Improvement | Agriculture | Mdr East | 17,000,000 | | 12,000,000.00 | 71% | Delivered |
| 56 | Construction Of 10000M3 Qorgowla Earthpan | Water | Mandera | 12,000,000 | 12,000,000 | 12,000,000.00 | 100% | Complete |
| 57 | 20,000M3 Earth Pan At Dambala Gale In Banisa Sub-County | Water | Banissa | 11,500,000 | 11,500,000 | 11,500,000.00 | 100% | Complete |
| 58 | Construction Of Koticha Tiyale Earth Pan 10,000M3 | Water | Mandera | 11,000,000 | 11,000,000 | 11,000,000.00 | 100% | Complete |
| 59 | Completion Of Esp Market Mandera Town | Trade | Mandera East | 10,800,000 | 10,800,000 | 10,800,000.00 | 100% | Complete |
| 60 | Construction Of 30,000M3 Earth Pan At Dirib Boji | Water | Mandera West | 10,000,260 | 10,000,260 | 10,000,260.00 | 100% | Complete |
| 61 | Construction Of 30,000M3 Garse Bor Earth Pan | Water | Banisa | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Ongoing |
| 62 | Construction Of 30,000M3 Bulla Madina Earth Pan | Water | Mandera West | 15,000,000 | 10,000,000 | 10,000,000.00 | 67% | Ongoing |
| 63 | Construction Of 30,000M3 Komor Qufa Earth Pan | Water | Banisa | 15,000,000 | 10,000,000 | 10,000,000.00 | 67% | Ongoing |
| 64 | Proposed Construction Of 60,000M3 Qordobo | Water | Mandera West | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |

| | | | | | | | | |
|----|---|-------|---------------|------------|------------|---------------|------|----------|
| | Saglan Earthpan | | | | | | | |
| 65 | Proposed Construction Of Water Infrastructure At The New County Headquarters In Mandera East Sub County | Water | Mandera East | 15,000,000 | 10,000,000 | 10,000,000.00 | 67% | Ongoing |
| 66 | Dandu Water Reticulation Systems In Dandu | Water | Mandera West | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 67 | Provision For Construction Of Water And Sewerage Infrastructure At The New County HQs | Water | Mandera East | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 68 | Construction Of 30,000M3 At Garse Bor In Banisa Sub-County | Water | Banissa | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 69 | Construction Of 30,000M3 Earth Pan At Komor Qufa | Water | Mandera East | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 70 | Construction Of 30,000M3 Earth Pan At Bula Madina In Mandera West | Water | Mandera West | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 71 | Construction Of 20,000M3 Earth Pan At Soroba In Banisa Sub-County. | Water | Banissa | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 72 | Expansion And Disilting Of Loqo Earth Pan | Water | Mandera | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 73 | Khalafow Water Supply Systems | Water | Mandera North | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 74 | Water Pan At Kobe | Water | Mandera | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 75 | Expansion And Disilting By 20,000M3 Of Laga Goljo | Water | Mandera West | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |

| | | | | | | | | |
|----|---|-------------------|------------------|------------|------------|---------------|------|----------|
| | Earth Pan | | | | | | | |
| 76 | Construction Of 20,000M3 Sotowes Water Pan | Water | Mandera West | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 77 | Chain Linking Fencing Of Islamic And Secular University Land | Education | Mandera East | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 78 | Digitalization Of Land Records In All The Sub Counties | Lands | Mandera | 10,000,000 | 10,000,000 | 10,000,000.00 | 100% | Complete |
| 79 | Construction Of 150M3 Elevated Tank At Elwak Bulla Wajir Idp | Water | Elwak Sub-County | 9,900,000 | 9,900,000 | 9,900,000.00 | 100% | Complete |
| 80 | Under Provision For Proposed Renovations & Alteration Works, Office Partitioning, Installation Of ACs, Cabro Works, Box Vulvert, Drainage System & External Works At County Treasury Offices In Mandera East 779049 Youth | Finance | Mandera East | 9,525,600 | 9,525,600 | 9,525,600.00 | 100% | Complete |
| 81 | Drilling, Equipping And Civil Works For Wachile Borehole | Water | Mandera West | 9,500,000 | 9,500,000 | 9,500,000.00 | 100% | Complete |
| 82 | Construction Of Drift On Lagsure At Kiliwehiri | Roads & Transport | Banissa | 9,000,000 | | 9,000,000.00 | 100% | Complete |
| 83 | Dry Drilling Of 1 No Banisa And 2 No Takaba Borehole- | Water | Mandera West | 9,000,000 | 9,000,000 | 9,000,000.00 | 100% | Complete |

| | | | | | | | | |
|----|---|------------|------------------|-----------|-----------|--------------|------|-----------|
| | Liability | | | | | | | |
| 84 | Upgrading And Improvement Of Water Supply And Distribution System In Elwak Bulla Afya | Water | Elwak Sub-County | 8,166,080 | 8,166,080 | 8,166,080.00 | 100% | Complete |
| 85 | Repair Of Solar Street Lighting In Lafey | Water | Lafey Sub-County | 8,000,000 | 8,000,000 | 8,000,000.00 | 100% | Complete |
| 86 | Construction Of 18,000M3 Earth Pan At Qordobo Lakole | Water | Mandera West | 8,000,000 | 8,000,000 | 8,000,000.00 | 100% | Complete |
| 87 | Construction Of 40,000 With Irrigation Infrastructure Pan At Tarama | Irrigation | Banisa | 7,000,000 | | 7,000,000.00 | 100% | Completed |
| 88 | Chain Link Fencing, Solar Lighting And Water Connections To Lafey Slaughter House | Livestock | Lafey | 7,000,000 | | 7,000,000.00 | 100% | Completed |
| 89 | Livestock Resilience Program Office - Balance | Livestock | Mdr East | 6,933,238 | | 6,933,238.20 | 100% | Completed |
| 90 | Completion And Operationalization Of Elwak, Lafey And Rhamu Library | Education | Mandera North | 6,700,000 | 6,700,000 | 6,700,000.00 | 100% | Complete |
| 91 | Disilting Of Egu Furqan Earth Pan In Elwak South | Water | Elwak Sub-County | 6,400,639 | 6,400,639 | 6,400,639.43 | 100% | Complete |
| 92 | Proposed Expansion And Desilting Of Egu Furqan Earthpan In Mandera South Sub County | Water | Mandera South | 6,400,639 | 6,394,752 | 6,394,752.00 | 100% | Ongoing |

| | | | | | | | | |
|----|---|-------------------|--------------|-----------|-----------|--------------|------|----------|
| 93 | Opening Up Access Roads To KMTC And MTTC Area | Roads & Transport | Mandera East | 6,300,000 | 6,300,000 | 6,300,000.00 | 100% | Complete |
| 94 | Operationalization Of County Central Stores | Finance | Mandera East | 6,300,000 | 6,300,000 | 6,300,000.00 | 100% | Complete |
| 95 | Construction Of 20,000M3 Earth Pan Guba-Sowle | Water | Banissa | 6,012,829 | 6,012,829 | 6,012,829.00 | 100% | Complete |

Source: County Treasury, Mandera County Government

2.3 Implication of FY 2020/2021 fiscal performance on fiscal responsibility principles and financial objectives contained in the 2020 CFSP

Fiscal responsibility is essential to creating a better, stronger and more prosperous administrative and financial management system in the Mandera County Government.

During the period under review, the County had planned to collect revenue amounting to Kshs. 13,211,360,847. At the close of the financial year, the County had received revenues amounting to Kshs. 12,302,477,724. This represented a revenue deficit of 7% (Kshs. 908,883,124) from the FY 2020/2021 approved supplementary target. This implies that the baseline ceilings for subsequent budgets ought to be adjusted considering the under-performance in revenue collection in the FY 2020/2021. Consequently, this may affect the financial performance objectives stipulated in CFSP 2020.

The review of budget for FY 2020/2021 reveals that revenue underperformance was in both local revenue collection and external revenue. Therefore, the overall revenue performance in FY 2020/2021 points to the need for enhancement of local revenue collection measures and the National Government transfers as determined by the Commission for Revenue Allocation (CRA) is consistent in future.

Additional implications borders on the capacity of the County Government to implement its budget in the FY2021/2022 and in the subsequent years. In view of the foregoing, appropriate measures have been applied in the context of this CBROP, taking into account the budget outturn for FY 2020/2021. The County Treasury will work closely with the revenue agencies to improve local revenue collection.

Continuing in Fiscal Discipline and Responsibility Principles

In line with the Constitution of Kenya 2010 and PFM Act 2012 Mandera County Government has adhered to the fiscal responsibilities as set out in the law as follows;

- i. Over the medium term a minimum of 30 percent of the County Government's budget shall be allocated to the development expenditure. In the fiscal year under review the County allocated Kshs. 5,649,866,228 which was 48% the County total approved supplementary budget for the FY 2020/2021.
- ii. The County Government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly. The County expenditure on wages and salaries is about 23% which is below 35% set in the 2015 County Government regulations.
- iii. The County debt shall be maintained at a sustainable level as approved by County Assembly and the County Government's recurrent expenditure shall not exceed the County Government's total revenue. During the period under review, the County Government did not borrow and when the regulations are set in place that allow County Governments to borrow, all the borrowings will be for financing of development projects only.
- iv. 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. The County Government has continued to adopt a more rational approach in revenues and expenditure forecasts based on acute environment and potential of the County to expand its revenue base.
- v. Fiscal risks shall be managed prudently. The County Treasury has considered all possible risks and provided for unforeseen emergencies and disaster in the budget in the tune of Kshs. 100 million in the financial year under review.
- vi. In line with the provisions of the PFM Act, 2012, a finance bill was prepared through a participatory, consultative and all-encompassing approach, and later submitted to the County Assembly for consideration and approval. Public participation in the process guarantees that the beneficiaries and stakeholders understands the charges thus minimizing the chances of resistance from the rates and fees payers.

Summary of the General Challenges affecting fiscal performance

Mandera County faces a number of Fiscal challenges including;

- Cash flow challenges from the National Government
- Swelling wage bill
- Erratic IFMIS connectivity challenges
- Accrued pending Bill
- Staff capacity gaps
- Late approval of budget
- Insecurity/Terrorism Threats

CHAPTER THREE

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Introduction

Mandera County Government operates within the dynamics of the national and global macroeconomic environment. The impact of global and national economic variability influences directly and indirectly the County fiscal decisions and operations. Any change in the national economic and financial trends have a huge impact on the County government's expenditure trends in the long run. Economic instabilities will lead to adverse national expenditure trends thereby negatively affecting the county government's development agenda. Further, Economic growth, measured quantitatively as the Gross Domestic Product (GDP) of a country is a parameter that influences National Government transfers to the Counties given the positive correlation between growth and national revenue performance. Exchange rate fluctuations also affect the County processes with currency depreciation making our imports more expensive. This greatly affects the manufacturing sector since it mostly depends on imported raw materials and intermediate goods in its industrial processes, leading to a slowdown in the county's industrialization. Interest rates affect the cost of local borrowing while inflation changes the costs of goods and services and may affect their affordability as per existing plans.

3.2 Global and Regional Economic Development

The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures devastated global economies. This CBROP is been prepared against a background of a projected global economic recovery amidst uncertainty relating to new Covid-19 mutations particularly the Delta variant that could require broader reinstatement of containment measures. Global growth in 2021 is projected at 6.0 percent from a contraction of 3.2 percent in 2020 (WEO July 2021). However, economic prospects vary across countries with the emerging markets and developing economies expected to pick up slowly compared to advanced economies given different country policy responses to the pandemic. The projected recovery in advanced economies, particularly the United States, reflect the anticipated legislation of additional fiscal support in the second half of 2021 and broader vaccinations coverage across the group.

The Sub-Saharan African region has not been spared by the negative impact of the pandemic with the region estimated to have contracted by 2.6 percent in 2020 from a growth of 3.2 percent in 2019.

Economic growth in the Sub-Saharan African region is projected at 3.4 percent in 2021 from a contraction of 1.8 percent in 2020 due to improved exports and commodity prices, and the rollout of vaccination programmes. This growth is also supported by a recovery in both private consumption and investment as economies reopen. However, the recent increase in infection rates in Sub-Saharan Africa are expected to weigh down the regions recovery in 2022.

3.2.1 Domestic Economic Development

The Kenyan economy has been battered by the COVID-19 pandemic. Prior to the outbreak of the Covid-19 pandemic, Kenya's economy was strong and resilient despite the challenging global environment. The broad-based economic growth for 2018 and 2019 averaged 5.9 percent outperforming the 5.5 percent for the previous 5 years (2013 to 2017) and the average growth rate of 4.7 percent in the period 2008 to 2012. In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities. As a result, the economy slowed down in FY 2020/2021. Looking ahead, the economy is projected to recover and grow by above 6.0 percent over the medium term.

The agriculture sector recorded an improved growth of 6.4 percent in the third quarter of 2020 compared to a growth of 3.6 percent in the corresponding quarter of 2019. The sector's performance was supported by a notable increase in tea production, exports of fruits and sugarcane production. The Services and Industry sectors were adversely affected by the Covid-19 pandemic. As a result, the sectors contracted by an average of 2.1 percent in the first three quarters of 2020 down from an average growth of 6.1 percent in a similar period in 2019.

Inflation Rate

Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/- 2.5 percent since end 2017 demonstrating prudent monetary policies. The year-on-year inflation rate increased in July 2021 but remained but remained within the target range at 6.4 per cent from 4.4 per cent in July 2020, mainly on account of higher food and fuel prices. Core inflation (Non-Food-Non-Fuel) contribution to inflation remained low at 0.7 percentage points in January 2021 from 0.5 percentage points in January 2020 reflecting muted demand pressures in the economy on account of prudent monetary policies. The contribution of core inflation to overall inflation rose marginally to 1.0

percentage points in July 2021 from 0.6 percentage points in June 2020, reflecting a pick-up in economic activities. Kenya's rate of inflation compares favourably with the rest of Sub-Saharan Africa countries. In July 2021, Kenya recorded a lower inflation rate than Burundi, Ghana, Nigeria, Zambia and Ethiopia.

Kenya Shilling Exchange Rate

The foreign exchange market has largely remained stable but was partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 Pandemic. In this regard, the Kenya Shilling to the dollar exchanged at Ksh 108.1 in July 2021 compared to Ksh 107.3 in July 2020. Like most Sub-Saharan African currencies, the Kenya Shilling has remained relatively stable weakening by only 1.3 percent against the US Dollar. This stability in the Kenya Shilling was supported by increased remittances, favourable horticultural exports and adequate foreign exchange reserves.

Interest Rates

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent in July, 2021 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by Covid-19 Pandemic. The interbank rate remained low but increased slightly to 3.3 percent in July 2021 from 2.1 percent in July 2020 in line with the easing of the monetary policy and adequate liquidity in the money market. The improved liquidity in the money market has resulted in stable commercial bank rates.

Money and Credit

Growth in broad money supply, M3, improved by 6.3 percent in the year to June 2021 compared to a growth of 9.1 percent in June 2020. The improved growth in M3 was attributed to an increase in the Net Domestic Assets (NDA) particularly improvement in net credit flows to the government and the private sector.

Balance of Payments

The overall balance of payments position improved to a surplus of USD 1,970 million (2.0 percent of GDP) in the year to May 2021 from a surplus of USD 210.5 million (0.2 percent of GDP) in the year to May 2020. This was mainly due to reduced payments on imports, and improved export earnings despite lower receipts from services. An improvement in the current account balance was also recorded in the

year under review. The current account deficit was at USD 5,361.8 million (5.4 percent of GDP) in May 2021 from USD 5,137.5 million (5.2 percent of GDP) in May 2020. The improvement in the current account balance was mainly due to the improvement in the merchandise account balance, the net primary income balance and the net secondary income balance. The balance in the merchandise account improved by USD 425.9 million to a deficit of USD 9,265.8 million in the year to May 2021 on account of a decline in imports and a marginal increase in exports. In the year to May 2021, exports grew by 5.5 percent primarily driven by increased receipts from exports of horticulture and manufactured goods. On the other hand, imports declined by 0.5 percent in the year to May 2021 mainly reflecting lower imports of oil products due to relatively low international oil prices.

Foreign Exchange Reserves

The banking system's foreign exchange holdings remained strong at USD 12,745.4 million in May 2021 from USD 13,805.7 million in May 2020. The official foreign exchange reserves held by the Central Bank was at USD 7,871.6 million (4.8 months of import cover) in May 2021 compared with USD 9,738.3 million (5.9 months of import cover) in May 2020. This fulfils the requirement to maintain reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to USD 4,873.8 in May 2021 from USD 4,067.3 million in May 2020.

Nairobi Securities Exchange

Activity in the capital markets increased in July 2021 compared to July 2020, with equity share prices declining as shown by the NSE 20 Share Index. The NSE 20 Share Index stood at 1,974 points by end of July 2021 compared to 1,804 points by end July 2020. Consequently, market capitalization also increased to Ksh 2,766 billion from Ksh 2,034 billion over the same period indicating increased trading activities.

3.3 Global and National Macro-Economic Outlook

3.3.1 Global Growth Outlook

The outbreak and the rapid spread of the Covid-19 Pandemic coupled with the ensuing containment measures have devastated global economies disrupting businesses and livelihoods. As a result, global economy is estimated to have contracted in the FY 2020/2021. The global economic recovery continues to strengthen, largely supported by gradual reopening of the economies, relaxation of Covid-19 restrictions particularly in the major economies, ongoing deployment of vaccines, and strong policy

measures. Nonetheless, the outlook from global growth remains highly uncertain, due to the resurgence of infections, the reintroduction of containment measures, and the uneven pace of vaccinations across the globe. As such, global growth is projected to grow at 6.0 percent in 2021, moderating to 4.9 percent in 2022 from the contraction of 3.2 percent in 2020.

Global growth is projected to moderate to 3.4 percent over the medium term reflecting projected damage to supply potential and forces that preceded the pandemic, including slowed labour force growth due to aging population in advanced economies and some emerging market economies. The emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium term losses.

The Sub-Saharan African region has not been spared the negative effects of the pandemic with the region estimated to have contracted by 1.8 percent in 2020. Consistent with the forecast in the other regions, economic growth in the Sub-Saharan Africa region is expected to recover to 3.4 percent in 2021 and 4.1 percent in 2022 from a contraction of 2.6 percent in 2020 as most of the economies in the region recover from the adverse effects of the Covid-19 Pandemic following reopening of economies. However, per capita output is not expected to return to the 2019 levels until after 2022.

3.3.2 Domestic Growth Outlook

Like the rest of the world, the Kenyan economy has not been spared from the negative impact of the Pandemic in FY 2020/2021. The Pandemic and the resultant containment measures have adversely affected businesses and economic activities. As such, economic growth is estimated to have slowed down in FY 2020/2021. However, growth is expected to rebound to 6.2 percent in FY 2021/2022 and above 6.0 percent over the medium term.

This growth outlook will be supported by a stable macroeconomic environment, turn around in trade as economies recover from Covid-19 Pandemic, expected favourable weather that will support agricultural output, ongoing investments in strategic priorities of the Government under the “Big Four” Agenda, the ongoing public investments in infrastructure projects, the Economic Stimulus Programme and the implementation of the Post Covid-19 Economic Recovery Strategy. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018- 2022) of the Vision 2030.

3.3.3 Monetary Policy Outlook

The main objective of monetary policy, over the medium terms, will be to maintain stable prices. Overall inflation is expected to remain within the target range in the short run despite the disruptions occasioned by the COVID-19 pandemic. The Central Bank of Kenya will continue to monitor developments in the money and foreign exchange market and take appropriate measures in the event of adverse shocks.

3.3.4 External Sector Outlook

The Kenya Shilling is expected to remain stable in 2021 on account of a stable current account deficit. The current account deficit is expected to widen from 5.1% of GDP in 2020 to 5.2% in 2021.

3.3.5 Fiscal Policy Outlook

Fiscal policy over the medium-term aims at enhancing revenue mobilization, expenditure rationalization and strengthening management of public debt to minimize cost and risks of the portfolio, while accessing external concessional funding to finance development projects. This is geared towards economic recovery to support sustained, rapid and inclusive economic growth, safeguard livelihoods and continue the fiscal consolidation programme to create fiscal space for the implementation of the “Big Four” Agenda.

3.4 County Specific Outlook

The major economic activities in the County include livestock farming, small-scale trade and quarrying. Nomadic pastoralism is the backbone of Mandera County with camels, goats, sheep and cattle being the main type of livestock reared. The region’s vast pasture land has allowed this activity to be viable. But long droughts in the region and rampant diseases pose a threat to the livestock year in year out affecting livestock production. This further worsened the food insecurity situation in the county, thus forcing the county to inject resources in the Agriculture and Livestock sector.

The County’s poor roads cause delays in deliveries of commodities and increase in transport costs that are in turn transferred to the consumer, with prices varying upward to 50% on some products as compared to recommended retail prices in other areas. Improvement of infrastructure within the County, in conjunction with the National Government will enable other productive sectors to thrive. Investment in Trade, Industrialization and Cooperative sector will help in the creation of employment in the

informal sector. The construction of major roads cutting across the County will ease movement and transportation of goods and services; this will open up the County for trade and development. To this effect the county has invested in road construction which has greatly improved accessibility to market places as well as movement of human capital to all parts of the county.

The County government has made significant investments in roads, health and water structures. The outbreak of the Covid-19 pandemic clearly restated the role of health in economic development. Healthcare system has improved tremendously through provision of medical supplies, construction of maternities and dispensaries. Construction and equipping of additional boreholes has improved water accessibility for both human and animals. The County Government has also expanded agricultural growth through the supply of pump sets, construction of canals, provision free certified seeds and fertilizers to improve productivity. Livestock development and value addition to livestock products continued through improved access to livestock markets such as construction and repairs of existing livestock markets, provision of livestock feeds, improved animal health and general disease control. To avoid overreliance on rain fed agriculture and ensure food sustainability, the county government is committed to investing in water and irrigation programmes.

In an endeavour to uplift the lives of the vulnerable members, the county provided cash transfers and housing to vulnerable families in every sub-county of Mandera. In addition, all the emerging incidences on disasters were timely reported and responded to during the financial year.

The economy of Mandera County for the FY 2020/2021 is likely to be suppressed due to restrained activities in retail trade. In order to remain resilient, the County government has operationalized Covid-19 Emergency Response Fund and will also focus on implementing interventions towards post-Covid-19 recovery. The county government will continue undertaking appropriate measures to put the county economy on an improved growth path in the medium term.

3.5 Medium Term Fiscal Framework

The Government of Kenya has adopted a policy of expenditure prioritization with a view to achieving the transformative development agenda which is anchored on provision of coreservices, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies, implementation of the constitution, creation of employment opportunities and improving the general welfare of the people.

The County Government is committed to fiscal discipline in order to promote productive sector growth

and overall economic growth. In this regard, expenditure management and revenue administration reforms have been implemented with ministries expected to adopt the culture of doing more with less that is available with a view to promote sustainability and affordability. Sustainability, affordability and strict prioritization are therefore expected to be the norm rather than an exception in the county.

Mandera County Government Administration has been working to implement the CIDP II (2018-2022) in place which is inclusive of the “Big four” agenda, the Governor’s Transformative agenda, the County’s Flagship Projects, the County residents’ aspirations among Other Departmental Projects and initiatives in order to achieve the issues affecting the Mandera County residents as stipulated in the current CIDP, and at the same time revive the County’s Economy.

Some of the key areas covered under the Big Four Agenda include:

- a) Enhancing Food and Nutrition Security to all Kenyans by 2022 - Under this cluster, the objective is to ensure all citizens enjoy food security and improved nutrition by 2022.
- b) Providing Universal Health Coverage and Guaranteeing Quality and Affordable Healthcare to all Kenyans - Under this cluster, the relevant MDAs will be implementing identified interventions with the objective of expanding Universal Health Coverage.
- c) Provision of Affordable and Decent Housing for all Kenyans – Under this cluster, the Government intends to provide decent and affordable housing by constructing at least five hundred thousand (500,000) housing units by 2022.
- d) Supporting value addition and raising the manufacturing sector share of GDP to 15 percent by 2022 -Under this cluster, the objective is to increase the share of manufacturing sector to GDP to 15percent by 2022.

For the County Government, all the development programs will revolve around the national policy although emphasis will be placed on the funding of devolved functions which is the core business of the County Government. The following areas will receive the greatest attention in the 2021/2022 budget:

- Creation of key infrastructural facilities and public works necessary for stimulating Countywide economic growth.
- Provision of water and food security
- Enhanced good governance, transparency and accountability in the delivery of public goods and service.

- Promotion of social economic development and stability.
- Promotion of trade and commerce to spur economic growth and development.
- Promotion of environmental protection and proper and prudent use of land resource.
- Completion of all ongoing projects and payment of all pending liabilities.

3.6 Risks to the Economic Outlook

The County Government has a good prospect of performing better in the following financial year. However, the following factors pose considerable risks to the realization of the County's noble objectives:

- Risks from the global outlook relate to a surge of the Covid-19 virus (including from new variants) and required lockdowns, voluntary social distancing and its effect on consumption, the ability of laid off workers securing employment in other sectors, rising operating cost to make work places more hygienic and safe, reconfiguration of disrupted global supply chains, extent of cross-border spill overs occasioned by weaker external demand and funding shortfalls.
- Weaker external demand, reduced tourist arrivals and containment measures to curb further spread of Covid-19 Pandemic.
- Exposure to risks arising from public expenditure pressures, particularly wage and security related recurrent expenditures and the erratic weather associated shocks that could have negative impact on energy generation and agricultural output leading to higher inflation that could slow down growth.
- Overreliance by Counties on equitable share of revenue hence exposing them to fiscal shocks occasioned by revenue underperformance at the national level
- Delayed disbursement of funds from the exchequer is another fiscal risk that the county might run into. Delayed disbursement resulting from disagreements on revenue sharing formula and division of revenue leads to late owing of obligation by the county and might lead to interest charges by the county suppliers and service providers. This increases the county's operating costs and leads further to accumulation of pending bills. It negatively affects service delivery, budget absorption and delays submission of statutory deductions.
- There is risk of decreased funding for County Governments due to the austerity measures adopted from time to time by National Government due to biting cash crunches.

- Insecurity that hampers the smooth operations of county programs/projects and scares away investors and skilled manpower. Terrorism acts pose a threat to a country's economic growth and development trajectories as it leads to destruction of property, loss of lives, inhibited foreign investment and diversion of public funds to help counter the same. Most of these attacks are usually instigated by the Al-Shabaab who has been noted to frequently use ambushes and IEDs to target Kenyan security forces, other civil servants and Government vehicles in the County.
- Technological risks i.e. Frequent IFMIS breakdowns and challenges that slow down the county's ability to absorb funds in a timely manner.
- Frequent boarder closures. The closure of Kenya-Somalia boarder from time to time may disrupt movement of goods and services thereby leading to low own source revenue collections for the county.
- Existence of pending liabilities that will consume large amount of funds.
- Political disturbances from the county assembly and frequent litigations from members of public have the potential to delay timely implementation of projects. Litigations and court injunctions can also derail timely execution of the Budget. These litigations can arise from county's processes especially procurement where perceived unfair competition may land the county in a court of law. Orders to repeat the whole procurement process will expose the county to disadvantages of time value of money, increase operation costs and lose valuable time in delivering the Budget.
- Persistent drought and other calamities that lead to deviation of resources. Mandera County is prone to both natural and human inflicted hazards. Losses resulting from these disasters can be economic, environmental and social, reducing the coping abilities of the affected population and increase vulnerability to recurring disasters. Once a disaster occurs the Government is always obligated to prevent social welfare reduction by incurring cost of returning the citizen's welfare to normalcy. This in turn has fiscal implications. Recurrent droughts and floods lead to stresses on health, fragile ecosystem and water system, famine and displacement. The expansion of informal settlements as a result of high population growth in urban areas is also at risk of water scarcity, flooding and heat.
- Financial integrity.

3.7 Measures to Mitigate on the Risks

The County Government is continually monitoring these risks and will employ the following monetary

and fiscal policy measures to mitigate on the risks to the outlook and preserve macroeconomic stability and strengthen resilience in the County economy;

- Enhancing Own Source Revenue collection to reduce over reliance on National Government Funding and disbursements. The County will enhance the capacity of the Directorate of Revenue to ensure efficiency in revenue collection;
- Timely initiation of the the procurement processes for development projects;
- Civic education- building the capacities for communities to understand the roles played by both the National and County Government to avoid scenarios where the residents demand the County Government starts planning and financing of functions under the National Government or vice versa;
- Proper Coordination with the National Government Departments in execution of concurrent functions;
- Improving the ease of doing business in the County and creating conducive social and economic environment in the County to attract private investments while also encouraging innovation, growth and expansion of economic and employment opportunities;
- Investment in staff capacity development, retention and productivity;
- Developing of supportive systems and frameworks e.g. M&E, Revenue Collection, and Investment Promotion;
- The County will apply the spirit of the Public Procurement and Disposal Act, 2015 which explicitly outlines how procurement should be conducted to the procurement risks.
- Preach peace to all political leaders and champion unity of purpose;
- Pursue reforms that will improve the country's security and create a conducive business environment that will consistently attract foreign investment. Notable reforms continue to be undertaken and encompass the development of counter-terrorism strategies that entail cooperation among all the security agencies, enhanced training of security personnel, the adoption and use of technology by the security agencies in detecting crime, collaboration with the local communities on matters concerning security, acquisition of modern security equipment and awareness creation among Kenyans with regard to terrorism and crime acts.
- Focus on developing the County Infrastructure mainly the roads, energy, public works and physical planning.
- Mainstreaming of crosscutting issues especially on youth, women and persons with disability on development matters.
- Value addition for agricultural produce, horticulture and floriculture.
- Improved marketing channels for agricultural produce.
- Strengthening the Agricultural Mechanization Station to offer mechanization services.
- Increase subsidies for agricultural inputs especially certified seeds and fertilizer.
- Development of a comprehensive County land use policy.

- Lobbying with the National Treasury for timely and adequate release of funds.
- In an effort to build public trust and both domestic and international investor`s confidence in corporate body operating in the country, the Government will continue to enhance good corporate governance.
- Strict adherence to the provisions of the law and existing legal frameworks
- The Public Finance Management Act, 2012 section 110 provides for establishment of an emergency fund to allow for forward budgeting and appropriation for funds for emergencies or amendment of the budget through a supplementary. The Budget will always be cognizant of natural calamities like floods and famine which may befall the county and force the county to rework its budget to accommodate the situation. This will divert funds from strategic areas and affect smooth implementation of the programmes in the Budget.
- Strengthen emergency response system including medical services to reduce the spread of pandemic, fire, floods, locusts and other natural catastrophes.

CHAPTER FOUR

RESOURCE ALLOCATION FRAMEWORK

4.1 Introduction

Mandera County Government's medium term expenditure framework (MTEF) will continue to focus expenditure on priority sectors by reducing non-priority expenditures. All proposed projects will be evaluated to ensure their appropriateness in addressing the County's core objectives and aspirations. The second Mandera County Integrated Development Plan (2018-2022) will be used to guide identification of investment programmes and projects by departments as well as guaranteeing regional distribution balance in terms of development projects. Therefore, it is imperative to note that the only projects and programmes to be funded in the MTEF are those captured in the CIDP II. But for year on year basis and including the following financial year, the resource allocation will be based on the Annual Development Plans.

In terms of proposed allocations for FY 2022/2023, the health, social sectors, early childhood education, and vocational training will receive adequate resources. These sectors are already receiving a significant share of resources in the budget and are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate and achieve their strategic objectives.

On improving infrastructure, the County Government will continue to commit a substantial share of resources targeting physical infrastructures, such as roads, energy, water and irrigation. The funding to these sectors will increase interconnectivity, communication, reliable and affordable energy, as well as increased access to clean water for domestic use and irrigation projects.

The National Government has already started an integrated water and sewage project which will solve perennial water shortages in Mandera town and its environs. This project is funded by African Development Bank (ADB) and has progressed well in the financial year under review. Once it is complete, this project is envisioned to turn Mandera into a modern municipality with immense opportunities for growth and development.

Further, the County Government will invest heavily in projects under Departments of Roads & Public Works, Lands, Housing & Physical Planning, Culture, Sports & Youth Development, Trade and Cooperative Development. The County Government will in particular ensure that all the ongoing projects under these sectors are fast tracked and completed.

4.2 Summary of the Resource Allocation Criteria

The allocation of resources to projects is based on;

- (i.) Pending Bills should be a first charge in terms of PFMA regulations 41(2) and H.E The President directives;
- (ii.) Completion and operationalization of ongoing projects;
- (iii.) High impact/flagship projects should be given priority;
- (iv.) Development of key infrastructure facilities and public works Countywide to stimulate growth, create employment and reduce poverty;
- (v.) Targeted Socio-Economic Sector enablers;
- (vi.) Agriculture sector to create stable incomes and reduces poverty;
- (vii.) Programmes geared towards Economic recovery from the effects of COVID 19;
- (viii.) Linkage of the programmes with the Objectives of the Second CIDP;
- (ix.) Degree to which a programmes addresses Core Poverty Interventions and the National Big Four Agenda;
- (x.) Degree to which the programmes is addressing the Core Mandate of the Department;
- (xi.) Enhancing Governance, Transparency and Accountability in the delivery of public goods and service;
- (xii.) Cost effectiveness and sustainability of the Programmes; and
- (xiii.) Programmes that communities/stakeholders have identified and recognized as important through public participation fora.

4.3 Revenue Outlook

In the FY 2022/2023, Mandera County expects a total resource envelope of about 13.5 billion. The County's main source of revenue has been the equitable share from National Government and this will continue to be the case in the coming Financial Year. The County expects an increase in its equitable share for FY 2022/2023 due to larger audited National Government budget accounts. Other principal sources of revenue for the County include Conditional Grants from the World Bank,

DANIDA, Youth Polytechnics Support Grant, Ministry of Health through the User Fees foregone and local revenue receipts.

The County Treasury will continue to focus extensively on establishing structural reforms aimed at rationalization of revenue collection procedures, harmonization of local revenue policies as well as decentralization of local revenue collections to the ward level. These measures have already yielded results as evidenced by increased collections for the FY 2020/2021 as compared to the previous financial years. We, therefore, anticipate a local revenue collection over 200 million for FY 2022/2023. The National Treasury has directed Counties to maintain a balanced budget. To realize this, the County will continue to explore long term and innovative revenue raising measures such as public private partnerships (PPP) to achieve its development objectives in the face of limited resources.

Finally, the proposed budget for FY 2022/2023 will be rolled out on the background of updated medium term framework and outlook with expenditure ceilings for the ministries being provided in the 2022 County Fiscal Strategy Paper to be released in February 2022.

4.4 Medium-Term Expenditure Framework

Mandera County Government has prioritized key strategic interventions across all departments to accelerate economic growth for social economic transformation and prosperity. The main areas being boosting agriculture productivity, improved access to quality health care and clean water, expanding access to affordable energy access, empowering youth and promoting education and facilitating infrastructural development.

Using the lessons learnt in the previous phase of devolution the county will allocate resources to key result areas that will spur economic growth and development. There is a national directive by the president that government entities cannot engage in a new project unless all ongoing projects are completed and fully paid. Mandera County Government will continue heeding to this call and ensure priority is given to ongoing projects over new investment programs. The county will also adopt reforms in its budget expenditure management and deepen financial management reforms. A lot of capacity building on public finance has already taken place through the KDSP in the previous financial years. This has sensitized key officials on key areas such as budgeting and procurement.

Key infrastructural projects such as the County headquarter, the tarmacking of Mandera town roads and the Mandera water system by ADB are expected to complete in the near future and elevate the County's economic prospects. The County with its new reforms and automation of local revenue collections expects to avoid big revenue shortfalls that lead to budgets deficits.

Despite the positive outlook in the medium term, there are risks to the County's medium term expenditure framework such as insecurity, limited resources, long droughts, funds delays, the Covid-19 pandemic, and political disturbances in the forthcoming 2022 General Elections. The County will monitor these risks and will adopt appropriate measures to safeguard the economic welfare and stability of the population.

CHAPTER FIVE

CONCLUSION AND NEXT STEPS

The 2021 CBROP has highlighted the key County Government policies and objectives that will underpin the creation of the FY 2021/2022 budget. The fiscal framework discussed is also in line with the tone of the CIDP II, the sectorial objectives, the ADP and the fiscal responsibility principles outlined in the 2012 PFM law.

The FY 2022/23 and the Medium Term Budget is being prepared against the backdrop of a slowdown in the growth of the global economy. The Pandemic and the associated containment measures has led to contraction of the global economy disrupting businesses including international trade and leading to loss of livelihoods for millions of people globally. Kenya has not been spared, Mandera being one of the worst hit Counties. The Pandemic and the containment measures have not only disrupted our ways of lives and livelihoods, but to a greater extent our businesses.

Nonetheless, the growth outlook is positive. The economy is projected to grow by 5.0% in 2021 and 5.9% in 2022. The rebound assumes that economic activity will normalize due to a full reopening of the economy, the Economic Recovery Strategy being successfully implemented, and Kenya capitalizing on an expected improvement in external liquidity and benefiting from initiatives to meet its external financing needs. The external initiatives could include debt refinancing, restructuring and debt service relief, and additional concessional loans. Inflation is projected to remain within the Central Bank of Kenya's target range of 2.5% to 7.5%, and fiscal and current account deficits are forecast to narrow as a result of improved revenue collection and exports.

Downside risks to the outlook could emanate from delays in the full reopening of the economy, failure to secure external financing to execute the budget, a slowdown in global growth, and disruptive social conditions during the run-up to the 2022 elections.

Given the tight resource constraints amidst significant revenue shortfalls occasioned by the adverse effects of the Covid-19 Pandemic, Mandera County Government will continue to ensure proper prioritization of public expenditures to the most impactful programmes with highest welfare benefits to its citizens. As such, the creation of the FY 2022/2023 budget will be broad based and consultative. To achieve this, the accounting officers have already been advised through budget circular issued in

this month of August 2021 to form Sector Working Groups (SWGs). The SWGs will do a detailed and careful costing of various programs and projects and ensure the key priorities of every sector are articulated in the coming budget. These SWGs is the only vehicle through which county ministries can bid for resources and justify allocations.

The 2022 CFSP which will be issued mid-February next year will provide a more updated fiscal framework and will add more flesh to the information already provided in this CBROP. Further, the CFSP will give a clear budget ceiling to every sector. This will enable SWGs to prioritize their projects and come up with a balanced budget that accommodates their priority programs.