



REPUBLIC OF KENYA

MANDERACOUNTY GOVERNMENT

THE COUNTY TREASURY

MEDIUM TERM

COUNTY FISCAL STRATEGY PAPER

FEBRUARY 2020

COUNTY VISION AND MISSION

VISION STATEMENT

Regionally competitive and self- reliant county

MISSION STATEMENT

To strategically position ourselves as a county guided by innovative competitiveness in order to achieve Progressive, Wealthy, Healthy, Cohesive and Secure County

ABBREVIATIONS

BPS	Budget Policy Statement
CBROP	County Budget Review and Outlook Paper
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
FY	Financial Year
GDP	Gross Domestic Product
ICT	Information Communication Technology
ADP	Annual Development Plan
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NDA	Net Domestic Assets
NFA	Net Foreign Assets
PFMA	Public Finance Management Act
PPP	Public Private Partnership
TVET	Technical Vocational Education and Training

FOREWORD

The 2020 Mandera County Fiscal Strategy Paper (CFSP) is the third in the County's plan period 2018-2022. This paper highlights the legal framework underlying the fiscal responsibility for the County Government while reviewing the recent economic development. It specifies the strategic priorities and policy goals that will guide the County government in preparing its budget for the Financial Year 2020/2021.

This CFSP builds on the gains made in key sectors at early stages of the second-generation County Integrated Development Plan (2018-2022). In this respect, the policy goals, priority programs and fiscal framework are aligned to support achievement of the objectives of CIDP II, Medium Term Plan III and ultimately the Vision 2030. The County government will certainly augment economic transformation by strengthening the government's service delivery and performance management system, supported by solid planning and budgeting. In terms of programmes, the focus will be on agricultural productivity and food security, institutional strengthening and capacity building, enhanced resilience, adaptive capacity and access to clean and safe household water, skills development, business incubation and innovation support services. In addition, priority will be given to development enablers such infrastructure development, capacity building etc.

To enhance revenues, the County government will implement the following initiatives: finalization of revenue management system by undertaking systems integration, acquisition of ICT infrastructure such as POS machines, computers as well as networking and implementation of valuation rolls once finalized.

Finally, we are grateful to H.E the Governor for guidance and counsel in the development of this document. My sincere gratitude goes to my cabinet colleagues and all Chief Officers for their contributions. The invaluable effort and the significant amount of time spent by the CFSP secretariat led by the Chief Officer, Economic Planning is truly appreciated. Equally, we value the useful inputs we received from various stakeholders and the public when we undertook consultations through public participation in line with the requirements of the Public Finance Management Act, 2012 and the Constitution.

Hon. Ibrahim B. Hassan
CEC- FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

The development of the FY 2020/21 CFSP was a collaborative effort throughout the County under the leadership of His Excellency the Governor, **Ali Ibrahim Roba** and the County Executive Committee Members, led by **Hon Ibrahim Barrow Hassan**, CEC for Finance and Economic Planning.

In the same vein, I would like to sincerely thank the County chief officers and agency/departmental directors for their cooperation and efforts in the preparation of this document that meets the aspirations of the County residents.

I would like to thank treasury and planning team for their significant contribution to the development of the 2020 CFSP.

Fartun Ibrahim Bulle

CHIEF OFFICER, ECONOMIC PLANNING AND STATISTICS

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LEGAL BASIS FOR THE PREPARATION OF THE COUNTY FISCAL STRATEGY PAPER

Legal Basis for the Publication of the County Fiscal Strategy Paper

The County fiscal strategy paper is prepared in accordance with Section 117 of the Public Financial Management Act, 2012. The law states that:

- (1) The County, Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.
- (2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- (3) In preparing the County Fiscal Strategy Paper. The County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
- (4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- (5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of
 - (a) The Commission on Revenue Allocation;
 - (b) The public;
 - (c) Any interested persons or groups; and
 - (d) Any other forum that is established by legislation.
- (6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without

Public Finance Management Act Regulations 2015 (County Government) too provides under regulation 26 (1) high lights the key content of the County Fiscal strategy paper as follows

- a) The medium term macroeconomic framework and its outlook as contained in the Budget Policy Statement and how it impacts on the county economic environment;
- (b) A medium-term fiscal framework defining a top-down aggregate resource envelope and broad expenditure levels;
- (c) Indicative allocation of available resources among county government entities;
- (d) The economic assumptions underlying the county budgetary and fiscal policy over the medium term; and
- (e) A statement of fiscal responsibility principles, as specified in the Act and these Regulations indicating whether the fiscal strategy adheres to these principles.

Fiscal Responsibility Principles for the County Governments

In line with the Constitution of Kenya 2010, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 107(1-2) of Public Finance Management Act states that; in managing the County Government's public finances, the County Treasury shall enforce the following fiscal responsibility principles::

- 1) The county government's recurrent expenditure shall not exceed the County Government's total revenue;
- 2) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
- 3) 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.
- 4) 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.
- 5) Public debt and obligations shall be maintained at a sustainable level as approved by the County Assemblies for the County Governments.
- 6) Fiscal risks shall be managed prudently; and
- 7) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

1.0: INTRODUCTION

This section gives the background information and the legal requirements for the publication of the County Fiscal Strategy Paper (CFSP).

This section also gives the county's broad strategic priorities and policy goals that will guide the county government in preparing its budget for the 2019/2020 financial year and over the medium term.

1.1: Background information

This is prepared pursuant to section 117 of PFM Act 2012. The Constitution of Kenya, 2010, provided for two levels of government, National and County levels with each having clear functions. To ensure financial discipline and accountability with the way public finances are handled, various legal frameworks have been laid down including the Public Finance Management (PFM) Act, 2012 which requires counties to prepare County Fiscal Strategy Paper (CFSP) each year.

1.2: 2019 CFSP broad strategic priorities and policy goals

The key broad strategic priorities and policy goals which will be the focus during the preparation of this Paper and over the medium term include the following:

1.2.1: Agriculture Livestock and Fisheries

The key policy goal of this sector is to enhance food security and sustainable land management as provided for in the Constitution, under Article 43 on the Bill of Rights which seeks to provide accessibility of adequate food of acceptable quality. The broad priorities of this sector include: reducing the dependence on rain fed agriculture through expansion of irrigation; raising agricultural productivity through value addition, increasing market access and adoption of technologies; exploiting irrigation potential; increased commercialization of the sector activities; creating an enabling policy and legal framework, improving efficiency and effectiveness of sector institutions; effective administration and management of land and land based resources; and sustainable management of resources in the sector. The priorities for livestock sector include: improved livestock market access; improvement of livestock marketing infrastructure; increased livestock production; Improved availability of high quality livestock feeds and water; improved livestock breeds; Improved management and

dissemination of market information; Promotion of value addition in livestock, livestock products and by-products; creation of a Livestock Development Master Plan; improved Emergency preparedness on drought and livestock diseases; and improved veterinary services

1.2.2: Ministry of Genders, Youth and Social Services

The priorities for this sector include taking care of vulnerable members of the society by coming up with policies and programs specifically designed to suit their unique needs. It looks into priority issues and needs of youth, women and persons with disabilities.

1.2.3: Education, Culture and Sports

The education sub-sector is mandated to address the following: provision of early childhood education; quality assurance, teacher resource management at early childhood level, technical vocational education and training (TVET); and youth training as well as promoting sports and culture.

1.2.4: Health Services sector

The mandate and objectives of the sector is to build a progressive, responsive and sustainable technologically-driven health system for accelerated attainment of the highest standard of health to the people of Mandera County. The key objective is to make the universal health care for the people of Mandera a reality. The five most common diseases in order of prevalence are Disease of Malaria, Upper Respiratory Tract Infection (URTI), Pneumonia, Urinary Tract Infection (UTI) and skin disease. The ministry seeks to declare total war on the above diseases as well as maternal mortality.

1.2.4: Water, Energy, environment and Natural resources

Mandera County is one of the most water insecure counties in the country. The Key objective of this ministry is thus to improve water supplies and infrastructure throughout the county. Major part of the allocation for this ministry is going towards improving existing water infrastructure as well as developing new ones. Ultimately the ministry seeks to harvest rain water through large scale earth pans as well as drilling of boreholes both in settlements and grazing areas.

1.2.5: Public Works, Roads and Transport Sector

Improved road network; Completion of ongoing road projects, keep the repair works going on roads that were already done; improved market access; and improved transport infrastructure are the major priorities under this sector.

1.2.6: Ministry of Public Service, Cohesion, integration and Devolved Units

The strategic priorities and policy goals of this sector include: enhanced public service delivery; enhanced early warning and response mechanisms of public issues; and ensure citizens enjoy services at the lowest level as well as satisfied county work force.

1.2.7: Lands, Housing and Physical Planning sector

This sector seeks to address land ownership and registration; resolution of land disputes; settlement of internally displaced persons; management of land resource; land policy development; Urban planning, development of spatial planning as well as improved housing.

1.2.8: Finance, Economic Planning and ICT sector

This sector's priorities and policy goals include: improved local revenue collection; enhanced resource mobilization and effective and prudent resource utilization; improved financial control; improved development planning, monitoring and evaluation and provision of ICT infrastructure and services.

1.2.9: Trade, Industrialization, Investment and cooperative development

This sector comprises of Trade, Industrialization, investment and Co-operatives development. Its major priorities include: promotion of both cross-border and local trade; promotion of industrial development; and promotion of local and foreign investment and strengthening of cooperative development.

2.0: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

2.1: Overview

This section reviews the latest information on the macroeconomic variables and their latest trends at the national level and how these impact the county government policies, processes and operations. These statistics are based on the National Treasury's Budget Policy Statement of 2020.

2.1.1: Gross Domestic Product growth and its main drivers by sector

- The Kenyan economy remains resilient and grew by an average of 5.5 percent in the first three quarters of 2019, mostly supported by strong performance in the services sector. Growth momentum is expected to pick up to 5.6 percent in 2019, 6.1 percent in 2020 and further to 7.0 percent over the medium term supported by a strong rebound in the agricultural output, steady recovery in industrial activities, robust performance in the services sector, and investments in strategic areas under the “Big Four” Plan.
- In the third quarter of 2019, the economy grew by 5.1 percent compared to a growth of 6.4 percent in a similar quarter in 2018, mainly supported by strong performance in the services sub-sector such as information and communication, transportation and storage, and accommodation and restaurant.
- The agriculture sector recorded a decreased growth of 3.2 percent in the third quarter of 2019 compared to a growth of 6.9 percent in a similar quarter of 2018, as a result of delayed long rains. Consequently, the sector's contribution to GDP growth declined to 0.6 percent in the third quarter of 2019 compared to 1.3 percent in the same period in 2018.
- The non-agricultural sector (service and industry) remained vibrant and grew by 5.7 percent in the third quarter of 2019 down from a growth of 6.5 percent in a similar quarter in 2018.

It has the largest percentage points contribution to real GDP growth at 4.0 in the third quarter of 2019, mainly supported by the services sector.

- Services remained the main source of growth and expanded by 5.7 percent in the third quarter of 2019 compared to a growth of 6.5 percent in the same quarter of 2018. The service sector was supported by improved growth in accommodation and restaurant (9.0 percent), transport and storage (7.1 percent) and financial and insurance (5.6 percent). Growth of activities in information and communication (8.4 percent) and real estate (4.9 percent) also remained vibrant.
- The services sector contributed 3.0 percentage points to real GDP growth in the third quarter of 2019 largely supported by Transport and storage (0.5 percentage points), wholesale and retail trade (0.4 percentage points) and Real estate (0.4 percentage points).

2.1.2: The inflation rate trend

Year-on-year overall inflation remained low, stable and within the Government target range of 5+/- 2.5 percent in December 2019 at 5.8 percent up from 5.7 percent in December 2018 reflecting higher food prices.

Core inflation (Non-Food-Non-Fuel) remained below 5.0 percent in the period under review reflecting subdued demand pressures in the economy. Fuel inflation declined from 6.9 percent in December 2018 to 2.5 percent in December 2019 on account of declining energy prices

2.1.3: Kenya Shilling Exchange Rate

The Kenya Shilling has been relatively stable supported by continued narrowing of the current account deficit and adequate foreign reserve buffer. The Shilling appreciated against the US Dollar and the Euro exchanging at an average of Kshs 101.4 and Kshs 112.7 in December 2019 from Kshs 102.3 and Kshs 116.4 in December 2018, respectively. However, against the Sterling Pound, the Shilling weakened exchanging at an average of Kshs 133.0 in December 2019 compared to Kshs 129.7 in December 2018.

The Kenya Shilling has continued to display relatively less volatility, compared to most Sub-Saharan currencies. This stability reflects strong inflows from tea and horticulture exports, resilient diaspora remittances and improved receipts from services particularly tourism.

2.1.4: Interest rate

Interest rates were low and stable for the period 2008 to 2011 due to ample liquidity in the money market. However, interest rates increased in 2012 following tight monetary policy stance in order to ease inflationary pressures. Interest rates remained stable and low in the period 2013 to October 2019, except from June to December 2015 when world currencies were under pressure. During the period, the Central Bank Rate (CBR) was adjusted appropriately to anchor inflation expectations. The Central Bank Rate was reduced to 8.5 percent on 25th November 2019 from 9.0 percent in August 2018 as there was room for easing monetary policy stance to support economic activity.

The interbank rate declined to 5.9 percent in December 2019 from 8.2 percent in December 2018 due to enhanced liquidity in the money market. The interest rates for government securities have been declining indicating that the implementation of government domestic borrowing program supported market stability. The 91-day Treasury bills rate declined to 7.2 percent in December 2019 compared to 7.3 percent in December 2018. The 182-day Treasury bills rate declined to 8.2 percent from 8.4 percent while 364-day increased to 9.8 percent from 9.7 percent.

2.1.5 Balance of payment (BOP)

Overall balance of payments position improved to a deficit of US\$ 873.3 million (0.9 percent of GDP) in the year to October 2019 from a deficit of US\$ 1352.4 million (1.5 percent of GDP) in the year to October 2018. This deficit was due to a decline in the capital and financial account despite an improvement in current accounts.

The capital account declined by US\$ 38.6 million to US\$ 223.6 million in the year to October 2019, reflecting a decline in project grants. Similarly, financial account deteriorated to US\$ 6,346.3 million in October 2019 compared to US\$ 5,829.5 million in October 2018. The financial inflows were mainly in the form of other investments, direct investments and portfolio investments which stood at US\$ 3,680.8 million, US\$ 1,357 million and US\$ 1,284.4 million, respectively in October 2019. Other investment inflows mainly include foreign financing for Government infrastructure projects.

2.1.6 Capital market

Activity in the capital market picked up in December 2019 compared to December 2018, with equity share prices rising as shown by the NSE 20 Share Index. The NSE 20 Share Index was at 2,654.4 points by end of December, 2019 compared to 2,383.8 points by end December, 2018. On

the other hand, market capitalization improved from Kshs 2,102.0 billion to Kshs 2,540.0 billion over the same period.

3.0: GLOBAL AND NATIONAL ECONOMIC OUTLOOK

3.1 National Economic Development Outlook

Kenya's Real GDP is projected to expand by 6.1 percent in FY 2018/2019, 6.2 percent in FY 2019/2020, 6.4 percent in FY 2020/21 and 7.0 percent by FY 2022/23. This growth will be supported by a pickup in agricultural and manufacturing activities underpinned by improved weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business and consumer confidence.

This economic growth prospects for the FY 2019/2020 and over the medium term takes into account the global and sub-Saharan Africa growth prospects, the emerging global challenges and the domestic risks. The projections accommodate the strategic objectives of the Government as outlined in the Third Medium Term Plan (2018-2022) of Vision 2030.

Measures being undertaken by the Government under "The Big Four" Plan to boost the manufacturing sector; enhance food security and nutrition; build affordable housing; and achieve Universal Health Coverage are expected to enhance growth, create jobs and promote inclusive growth. The outlook, therefore points to a continued coordination of monetary and fiscal policies for overall macroeconomic stability which will support robust growth, lower fiscal deficits, contain inflation within the target range and a gradual improvement in the current account balance.

3.3 Impact of the National Economic Outlook to the County Economy

The positive economic performance has a corresponding positive impact on the county economy. The county on its own guided by its own plans is making strides in key sectors such as health, water, infrastructure and social development to meet the unique needs of its deserving population. Over the last 5 years, the county has invested massive resources into projects such as tarmacking and murraming of roads, constructing and upgrading of water infrastructure and construction of health facilities. The results of these investments is beginning to be felt across the county inform of adequate water, good road networks and functioning health services. The county will continue with its reform agenda to realize best results for its people by taking the following measures

- Improvement of local revenue collection to boost its resource base for budgetary support.
- Adoption of Program Based Budgeting to guarantee maximum value for money in its budgetary allocations.
- Liaise with security stakeholders to create secure environment that can enhance investments
- Initiate measures to boost vulnerable members of society such as cooperative loans and scholarships to need students.
- Making the Universal Health Care its key priority
- Making food and water security top priority

3.4 FISCAL PERFORMANCE OF THE 2019/2020 BUDGET

3.4.1 Introduction

Total budget passed by the county assembly for FY 2019/2020 through supplementary appropriation amounted to Kshs 12,987,492,841. Of this amount, Kshs 6,510,523,183 was allocated for the recurrent vote while the remaining Kshs 6,476,969,658 was earmarked to fund development initiatives. The proportion of the recurrent class of the budget was 50.1% while the development component accounted for 49.9%.

The table summarizes county revenues for FY 2019/2020 budget estimates

	Actual 2018/2019	2019/2020 Estimate
Revenue summary By Sources	Kshs	Kshs
Equitable share of Revenue	10,142,200,000	10,222,950,000

Local Revenue Collections	179,287,568	183,559,629
On-Going Development Projects funds b/f from 2017/2018	2,421,546,956	1,210,949,522
2018/2019 FY Projects that could not be implemented that are shelved 2019/2020	-	163,769,117
Road Maintenance Fuel Levy (Conditional Grant)	267,035,293	290,185,219
Development of youth Polytechnics	31,240,000	22,113,298
Foregone user fees in Health Facilities in rural Area (Conditional Grant)	25,474,920	25,474,920
World Bank/Japan Funding for Health sector - Transforming Health care - Universal Health	100,000,000	65,351,998
Danida Funding for Health sector - Transforming Health care - Universal Health	32,653,125	30,281,250
Kenya Devolution Support Program - Level I		30,000,000
Kenya Devolution Support Program b/f	58,673,488	235,542,828
Kenya Devolution Support Program for 2018/2019 funds to be released in 2019/2020		58,673,488
Kenya Urban Development Support Program	175,819,500	175,819,500
Kenya Urban Institutional grant	-	8,800,000
Danida Funds from 2015/2016 reflected in the supplementary that was not passed	25,000,000	-
Unspents RMLF b/f	34,195,144	-
Kenya Climate smart Agriculture Project (NEDI)	150,000,000	200,000,000
Agricultural Sector Development Support Program (ASDSP)	37,000,000	22,822,072
Kenya Urban and Institutional Grant b/f	-	41,200,000
TOTAL	13,709,957,408	12,987,492,841

Source: Mandera County Treasury

3.4.2 Fiscal Performance Analysis for each department for FY 2019/20

Table shows the breakdown of county's budget per ministry.

2019/2020 BUDGET SUMMARY	2019/2020 Departmental Allocations		
	Recurrent Expenditure	Developments Expenditure	Total Departmental Allocation
Agriculture Irrigation and Livestock	259,206,959	1,061,831,660	1,321,038,619

Education culture and Sport	441,476,398	453,601,223	895,077,621
Finance and Economic Planning	630,024,088	284,405,058	914,429,146
Health Services	1,691,614,898	868,405,230	2,560,020,128
Trade, Industrialization, Cooperative Development and Tourism	71,606,053	282,269,804	353,875,857
County Assembly	751,834,897	268,827,226	1,020,662,123
Lands, Housing and Physical Planning	279,483,073	216,319,500	495,802,573
Ministry of Gender, Youth and Social Service	85,559,108	60,748,646	146,307,754
Office of the Governor and Deputy Governor	449,390,273	-	449,390,273
County Public Service Board	56,759,224	-	56,759,224
Public Service, Conflict Management, Cohesion and Integration	1,138,281,752	248,497,599	1,386,779,351
Public Works Roads and Transport	126,574,242	1,449,718,366	1,576,292,608
Water, Energy Environment and Natural Resources	528,712,218	1,282,345,347	1,811,057,565
GRAND TOTAL	6,510,523,183	6,476,969,658	12,987,492,842

Source: Mandera County Treasury

From the table above, the county assembly passed a total budget of Kshs 12.98 billion across all spending units in the year under review. The table breaks down the county budget into recurrent and development.

Notable projects in each ministry's development budget are discussed below:

3.4.2.1 Health Services sector:

This ministry has received one of the biggest budgetary allocations. It has total budget of Kshs 2,560,020,128. This represents about 20% of the total County budget. About Kshs 1,691,614,898 of this budget will go towards financing recurrent expenditure while the remaining 868,405,230 will go towards funding development projects. Some of the key health projects that will be implemented in this sector include upgrading of Lafey Hospital (KDSP) at a cost of Kshs 50 million, Allocation for on-going works at Mandera County Referral Hospital in amount of Kshs 141 million, redesigning and construction of Elwak Sub-County Hospital's Accident and Emergency ICU, Ward area and Maternity, Water systems, construction of gate 1 and 2 and equipping of the facility as well as replacement of tiles with Terrazo at a cost of Kshs 79 million, Construction of KMTC in partnership with Kenya Medical Training College Kshs 60 million, Completion of ODP at Harshilmi at a cost of Kshs 41 million. Allocation for Kutulo Hospital Kshs 66 million, Banisa

Hospital Kshs 15 million, and completion for on-going several dispensaries Kshs 21 million, Kshs 75 million for Borehole 11 Hospital and Kshs 23 million for Dandu Health centre. Others are constructions of several dispensaries repair and completions of ongoing ones.

3.4.2.2 Water, Energy and Natural Resources sector:

This ministry's gross budget is Kshs 1,811,057,565. Of this, Kshs 528,712,218 is for recurrent budget and the remaining Kshs 1,282,345,347 is for development budget. This sector plays a critical role in county's development agenda particularly in providing water security both for human and livestock. To achieve this, it has a wide range of development projects scattered across the county. Examples of these projects include Construction of 60,000M3 earth pan at Damoog at a cost of Kshs 30 million, expansion of Boji Earth pan by 60,000M3 at the cost of Kshs 31million, Expansion of Banisa earth pan at the cost of Kshs 31 million, Drilling and Equipping of Boreholes in Banisa, Mandera West, Mandera North, Mandera South and Lafey at the cost of Kshs 97 million, 2 No. Drilling, equipping, civil works, Steel Tanks Raising Main, Distribution main, Kiosks in Lafey town at the cost of Kshs 48 million, additional provisions for Darwedh, Kob Adadi and Dadach Majani borehole drilling, Equipping and Civil works at the cost of Kshs 36,262,861, EU funding for CPIRA program - Co-funding for Conditional grant at the cost of Kshs 30,050,000 and Office block for MADAWASCO head office at the cost of Kshs 40 million as well as Rehabilitation of various dams at a cost 40 million. Others are various Earth Pans of varying volumes, numerous underground water tanks in many villages and settlements, Solar street lighting and environmental protections programs.

3.4.2.3 Public Works Roads and transport Sector:

This ministry received a total budget of Kshs 1,576,292,608. Of the above amount, Kshs 1,449,718,366 budget will be used to finance development initiatives while Kshs 126,574,242 will for recurrent purposes. The Kshs 1.45Billion development budget will going towards financing of both new and on-going projects. The new projects include the Kshs 79 million for Proposed Constructions of runway and fencing of Takaba Airstrip, Kshs 290 million conditional grant for Roads maintenance fuel levy, Kshs 44 million for box culvert at Lagwarera, similar amount for another box culvert on Mandera - Khalalio road, Kshs 66 million for completion of Mandera Tarmac Road, Bush clearing of access roads throughout the county at the cost of Kshs 103 million, additional Provision for Roads in the newly surveyed area in Mandera town at the cost of Kshs 39

million and Construction of Awara - Morothile road - on going at the cost of Kshs 44 million. Others are ongoing projects such as County Headquarter, Governor's residence, Rest House with Kshs 543 million for completion phase and many other smaller projects.

3.4.2.4 Agriculture, Livestock and Fisheries:

This ministry received total budget of Kshs. 855,050,188 of which Kshs 649,985,726 was for development and other Kshs 205,064,462 for recurrent. Some of the major projects to be implemented in this year include 200,000M3 Earth Pan for irrigation infrastructure for food production in in Kutulo sub-county at the cost of Kshs 207 million, Kshs 200 million for smart Agriculture conditional grant, Proposed Water supply for Koromey farms irrigation infrastructure at the cost of Kshs 128 million, Construction of 40,000 with Irrigation infrastructure pan at Tarama at the cost of Kshs 30 million, Construction of 60,000M3 for Irrigation at Kobe lagi at the cost of Kshs 31 million, Kshs 106 million for regional livestock market and Constructions of modern slaughter house in Mandera East at the cost of Kshs79m. others are smaller projects including repair and supply of fertilizers and farm implements.

3.4.2.5 Ministry of Genders, Culture and Social Services

This ministry is tasked with taking care of the vulnerable members in the society. It has a received a total budget of Kshs 146,307,754. Of this budget, Kshs 85,559,108 is for recurrent and Kshs 60,748,646 is for development. Some of the notable projects under this ministry are Support to 7 orphanages countywide at 12,750,000, youth programs at 18,500,000 and persons with disability resource center at 18,800,000.

3.4.2.6 Trade, Industrialization, investment and Co-operatives development

For the FY 2019/2020, this ministry was allocated a development budget of Kshs 282,269,804 and a recurrent budget of Kshs 71,606,053. The ministry is implementation various capital projects such as construction of phase II Elwak SME park at Kshs 128 million, Mandera town SME market at Kshs 33 million, Completion of Proposed Miraa Market in Mandera Town at 7 million, Construction of Gither Market at the cost of Kshs 15 million and operationalization of county trade fund at a total cost of Kshs 50 million.

3.4.2.7 Ministry of Education, Culture and Sports:

This ministry's budget is composed Kshs 498,823,674 development and Kshs 604,834,064 Recurrent. Some of its major projects include construction of Administration Block at Mandera Teachers Training College at a cost of Kshs 80 million, construction of over 60 ECD Class rooms across the county at a cost of 65m and construction of administration block at Mandera Technical Training Institute, Dining Hall, and a kitchen the cost of Kshs 70m. Others supplies of ECD materials to many of the ECD centres

3.4.2.8 Ministry of Public Service and Devolved Units:

A large chunk of this ministry's budgetary allocations went to fund recurrent activities due the nature of its mandate. It has a total budget of Ksh 1,720,128,478. A budget of Ksh 358,791,000 was allocated for development projects. Some of its development projects include construction of Sub-County Headquarter for Takaba at a cost 70 million, completion of Kutulo and Elwak Sub-County HQs at 40m, construction of Municipality Office Blocks, 40 million and establishment of Mandera East HR registry at a cost of 13m.

3.4.2.9 Land, Housing and physical planning sector:

This ministry was allocated a budget of Kshs 495,802,573. Kshs 279,483,073 was for development. The development budget is inclusive of Kshs 175 million conditional grants for Kenya Urban Support program. This is currently going towards storm water drainage system in Mandera Town. Others are digitalization of Land records at the cost of Kshs 18.5 million, Survey of new area in Takaba and few other smaller projects.

3.4.2.10 Finance and Economic Planning sector:

This is a largely service ministry. A bulk of its total budget of Kshs 914,429,146 is earmarked to fund recurrent expenses. The major component of the recurrent budget is personnel cost. The ministry has a development budget of Kshs 159,923,837 which will finance initiatives such as IDP Housing Programs (m), material stores, 10m and Materials and Equipment store at 23m.

3.5 Revenue Performance

3.5.1 Local Revenue

The County Government targeted to collect Kshs. 183,559,629 million from local sources during FY 2019/2020. The actual collection for the first 7 months of the financial year stands at Kshs 61,524,436 which translate to 33% of the targeted collection. There is however a marked

improvement on the last. Collection for similar period in 2018/2019 financial was Kshs 50,199,920. Which represent 23% grown on last year.

In the period under review, the County's top performing streams included Land rates, Hospital collections, Land Transfers, Single Business Permits, Miraa movements, and Slaughter charges. Notable nose dive in revenue collection was on income from quarries, parking fees, hire of public works equipment and water charges.

The table below shows the local revenue performance for the first and second quarter of FY 2019/2020

MANDERA COUNTY REVENUE PERFORMANCE FOR 7 MONTHS TO JAN 2019/2020										
REVENUE SOURCE	SUB-REVENUE SOURCE	TARGET	ACTUAL COLLECTION							7 Month Result
		APPROVED BUDGET	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	
Ministry of Lands and urban Planning	Rental income	127,059	133,992	197,360	156,100	41,250	40,000	40,000	121,350	730,052
	Land rents	27,325,494	2,367,040	1,868,200	1,263,930	2,189,390	3,712,320	3,897,981	3,992,410	19,291,271
	Plot Transfers/Sub-Divisions/Applications Fees	14,469,159	1,050,000	750,000	620,000	742,000	-	790,000	917,350	4,869,350
	Building plan	3,943,824	57,400	211,050	32,500	97,000		21,000	26,000	444,950
	Sub Total	45,865,536	3,608,432	3,026,610	2,072,530	3,069,640	3,752,320	4,748,981	5,057,110	25,335,623
Ministry Trade, Industrialization and Co-operatives	Miraa Movements	20,545,974	736,300	633,800	666,000	196,000	403,000	602,000	731,000	3,968,100
	single Business Permit	20,081,601	1,180,050	904,700	839,300	643,588	140,352	10,000	85,700	3,803,690
	Markets stalls	4,139,686				101,200	200,800	74,000	177,400	553,400
	stores	3,461,665								-
	Market Gate					5,140	14,530	43,730	68,446	131,846
	Market Shades					24,000	125,900	13,800	-	163,700
	Sub Total	48,228,925	1,916,350	1,538,500	1,505,300	969,928	884,582	743,530	1,062,546	8,620,736
Ministry of Livestock and Agriculture	Livestock Markets	7,551,098	226,050	118,450	46,650	27,150	318,150	268,150	383,750	1,388,350
	Livestock Movement	4,463,527	186,800	119,800	82,700	30,800	164,000	640,350	507,000	1,731,450
	Slaughter fees and Charges	5,173,030	534,600	467,900	545,300	368,400	538,200	620,550	629,900	3,704,850
	Produce Cess	1,491,170				1,500	3,000	56,500	58,000	119,000
	Agriculture Mechanization/Hire of Equipments	4,500,000	67,000	30,500	106,000	51,500	63,000	179,000	30,000	527,000
	Sub Total	23,178,825	1,014,450	736,650	780,650	479,350	1,086,350	1,764,550	1,608,650	7,470,650
County Treasury	Income from Sale of Tenders documents	992,523								-
	Others	10,586,878								-
	Sub Total	11,579,401	-	-	-	-	-	-	-	-
Ministry of Health Services	Public Health	8,667,000	167,500	17,050	45,900	52,300	22,050	30,620	112,840	448,260
	Hospital collection	27,092,400	2,083,990	2,339,443	2,186,100	1,918,370	1,961,620	2,194,700	2,167,200	14,851,423
	Sub Total	35,759,400	2,251,490	2,356,493	2,232,000	1,970,670	1,983,670	2,225,320	2,280,040	15,299,683
Ministry of Water and irrigations	Income from Water Management	7,917,923	55,500	116,700	101,800	25,000	20,000	25,000	402,200	746,200
	Income from Quarries	3,540,585	21,600	17,700	20,700	16,000	18,000	48,930	91,840	234,770
	Sub Total	11,458,508	77,100	134,400	122,500	41,000	38,000	73,930	494,040	980,970
Ministry Roads and Public Works	Hire of Public Works Equipments	-								-
	Barriers	2,008,851	521,076	428,430	488,570	202,500	505,062	552,971	676,215	3,374,824
	Buspark/Taxis	1,260,985				127,550	152,400	87,850	74,150	441,950
	Local Flights Tickets-Mandera Airstrip	4,500,000								-
	Sub Total	10,836,245	3,816,774	3,295,698	2,867,268	6,195,472	5,865,422	5,207,960	750,365	3,816,774
Grand Total	183,840,430	9,388,898	8,221,083	7,201,550	6,860,638	8,402,384	10,197,132	11,252,751	61,524,436	

3.5.2 Exchequer Releases

During the first and second quarters of FY 2019/2020, the County received Kshs. 3,618,924,300 billion as equitable share of revenue raised nationally, raised Kshs. 50,271,685 million from own source revenue, and had a cash balance of Kshs. 1,608,234,894 billion from FY 2018/19. The County also received Kshs. 91,859,447 million as conditional grant funds during the reporting

period. The total funds available for budget implementation amounted to Kshs. 5,369,290,326 billion.

Exchequer releases and other Conditional grant received as end of December 019

	2019/2020 Revenue	Revenue Received	Percentage
Revenue summary	Kshs	Kshs	Kshs
Equitable share of Revenue	10,222,950,000	3,618,924,300	35%
Local Revenue Collections	183,559,629	50,271,685	27%
Kenya Devolution Support Program for 2018/2019 funds to be released in 2019/2020	58,673,488	-	-
World Bank/Japan Funding for Health sector - Transforming Health care - Universal Health	65,351,998	-	-
Danida Funding for Health sector - Transforming Health care - Universal Health (new funding)	30,281,250	15,140,625	50%
Road Maintenance Fuel Levy (Conditional Grant)	290,185,219	-	-
Kenya Devolution Support Program	235,542,828	235,542,828	100%
Kenya Urban Support Program	175,819,500	-	-
Foregone user fees in Health Facilities in rural Area (Conditional Grant)	25,474,920	-	-
Kenya Urban Institutional grant	8,800,000	-	-
Kenya Urban and Institutional Grant b/f	41,200,000	-	-
On-Going Development Projects funds b/f from 2017/2018	1,210,949,522	1,210,949,522	100%
Uncommitted development projects B/F	163,769,117	161,742,544	99%
Unspent balance b/f	-	-	-
Danida Funds from 2016/2017 reflected in the supplementary that was not passed	-	-	-
Unspent RMLF b/f	-	-	-
Development of youth Polytechnics	22,113,298	-	-
Kenya Climate smart Agriculture Project (NEDI)	200,000,000	76,718,822	38%
Agricultural Sector Development Support Programs (ASDSP)	22,822,072	-	-
Total	12,987,492,841	5,369,290,326	41%

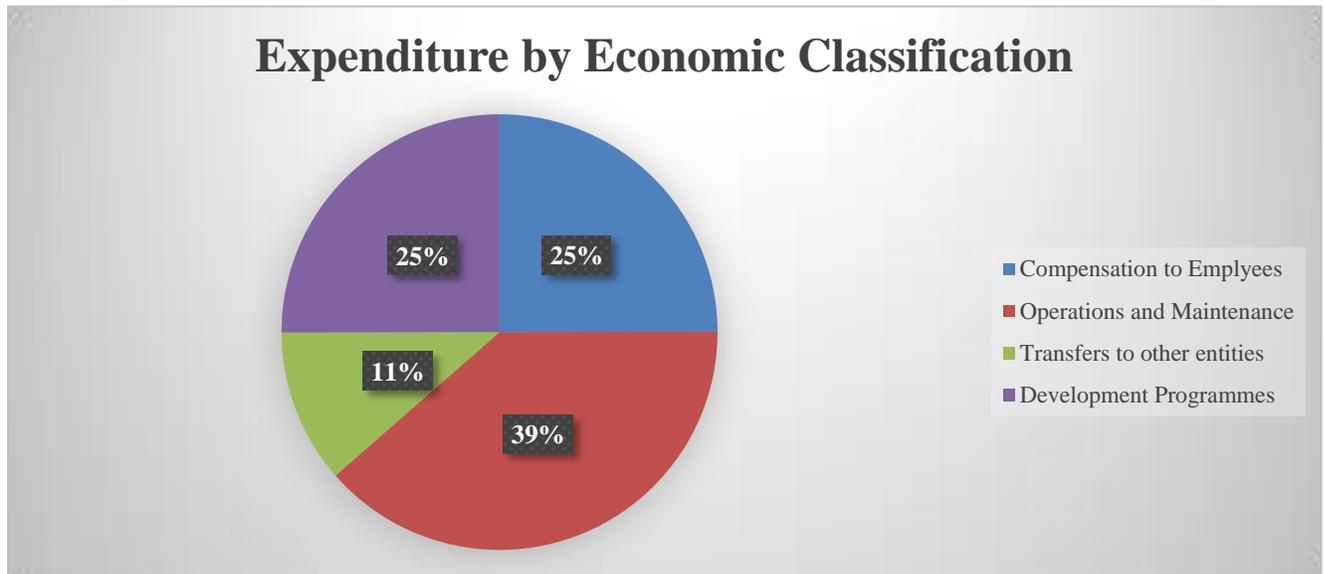
3.6 Expenditure performance

The overall county expenditure for the period ending 31st January, 2020 amounted to Kshs 4,782,167,972 billion out of which Kshs. 1,845,060,814 billion was for Operation & Maintenance and Kshs. 1,194,318,745 billion for Personnel emoluments. Transfers amounting to Kshs. 360,748,496 million and Kshs. 110,000,000 million were made to the County Assembly and Mandera Water and Sewerage Company respectively for their operations while Mandera Municipality received Kshs. 75,000,000 million for the same. Expenditures amounting to Kshs.

1,197,039,917 billion were utilized on development programmes. This represents an overall absorption rate of 37 percent against the FY 2019/2020 budget.

3.6.1 Expenditure by Economic Classification

Out of the total expenditures, the expenditures on salaries amounted to 25%, whereas use of goods expenditures amounted to 39% of the total expenditures. A total of Kshs 1,197,039,917 billion was



incurred on development expenditures during the period.

Figure 1: Expenditure by Economic Classification

From the analysis of the above figure, Operation & Maintenance had the highest absorption at 39% while Salaries and wages as well as expenditures on development projects had an absorption rate of 25% each.

3.6.2 Budget and Budget Performance by County Departments

3.6.2.1 Budget estimates

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 2019/2020 the County Departments

were funded in line with the ceilings captured in the 2019 County Fiscal Strategy Paper drawn to champion key priority programmes highlighted in the second Mandera County Integrated Development Plan (2018-2022).

Table 4: Resource allocation among the ministries

The highest beneficiary of the FY 2019/2020 budget allocation was the Ministry of Health Services getting Kshs 2,560,020,127 (20 percent), Ministry of Water, Environment and Natural Resources getting Kshs 1,811,057,565 (14 percent) and Public Works Roads and Transport were allocated Kshs 1,576,292,608 (12 percent). Ministry of Public Service, Management and Devolved Unit got Kshs. 1,386,779,351 (11 percent) while the Ministry of Agriculture Livestock and Fisheries got Kshs. 1,321,038,619 (10 percent). Other departments were allocated below 10 percent.

2019/2020 BUDGET SUMMARY	2019/2020 Departmental Allocations		
Departments	Recurrent Expenditure	Developments Expenditure	Total Departmental Allocation
Ministry of Agriculture Livestock and Fisheries	259,206,959	1,061,831,660	1,321,038,619
Ministry of Education, Culture and Sports	441,476,398	453,601,223	895,077,621
Ministry of Gender, Youth and Social Service	85,559,108	60,748,646	146,307,754
Ministry of Finance	630,024,088	284,405,058	914,429,146
Ministry of Health Services	1,691,614,898	868,405,230	2,560,020,127
Ministry of Trade, Investments Industrializations and Cooperative Development	71,606,053	282,269,804	353,875,857
County Assembly	751,834,897	268,827,226	1,020,662,123
Lands, Housing and Physical Planning	279,483,073	216,319,500	495,802,573
Office of the Governor and Deputy Governor	449,390,273	-	449,390,273
County Public Service Board	56,759,224	-	56,759,224
Ministry of Public Service, Management and Devolved Unit	1,138,281,752	248,497,599	1,386,779,351
Public Works Roads and Transport	126,574,242	1,449,718,366	1,576,292,608
Ministry of Water, Environment and Natural Resources	528,712,218	1,282,345,347	1,811,057,565
GRAND TOTAL	6,510,523,183	6,476,969,658	12,987,492,841

Source: Mandera County Treasury

3.6.2.2 Departmental Expenditures

During the period under review, the county Government did not undertake any development or recurrent expenditures in quarter one. This is due to the delay in the budget implementations following protracted disagreement over the budget. Expenditures totaling to Kshs. 4,156,335,736 billion for both development and recurrent programmes were incurred in quarter two. This expenditure represented 32% of the county's approved budget.

3.6.2.3 Development expenditure performance

The overall performance for the county's development budget stands at 18%. Funds totaling Kshs. 1,197,039,917 billion was spent across 11 spending units of the County Government. The Ministry of Trade, Industrialization and Cooperative Development recorded the highest overall absorption rate at 35% followed by the Ministry of Finance and Economic Planning at 34%. The Ministry of Education, Culture and Sports and the County Assembly recorded the third and fourth highest absorption rates at 31% each. The Ministry of Lands, Housing and Physical Planning was the worst performer recording only 4%.

The following factors were responsible for low absorption rate;

- Budget stalemate between the County Executive and the County Assembly which led to delays in the preparation and approval of the County's budget documents for FY 2019/2020.
- Delay in approval of FY 2019/20 budget. During the period under review, the County could not make withdrawal funds for development expenditure.
- Slow and cumbersome tendering process
- Technical and capacity challenges in application of IFMIS
- Delays in approval of request for funds by office of controller of budget

The table 5 analyses development expenditure performance by ministries.

Name the Department	Development Estimates	Development Expenditure	Percentage
Ministry of Agriculture Livestock and Fisheries	1,061,831,659.90	216,205,863.00	20%
Ministry of Education, Culture and Sports	453,601,223.00	140,293,668.00	31%
Ministry of Gender, Youth and Social Service	60,748,646.00	8,596,916.00	14%
Ministry of Finance	284,405,058.05	97,387,074.80	34%
Ministry of Health Services	868,405,229.52	174,469,101.00	20%
Ministry of Trade, Investments Industrializations and Cooperative Develo	282,269,803.61	98,450,929.00	35%
County Assembly	268,827,225.55	84,315,722.00	31%
Lands, Housing and Physical Planning	216,319,500.00	9,699,535.00	4%
Ministry of Public Service, Management and Devolved Unit	248,497,599.00	65,030,013.00	26%
Public Works Roads and Transport	1,449,718,366.33	165,585,778.80	11%
Ministry of Water, Environment and Natural Resources	1,282,345,347.00	221,321,038.00	17%
TOTAL	6,476,969,658	1,197,039,917	18%

3.6.2.4 Recurrent expenditure performance

Funds totaling to Kshs 2,959,295,820 billion was spent on the recurrent vote across all the 13 spending units of the County Government. The overall performance for the county's recurrent budget stands at 45%. The Ministry of Ministry of Finance and Economic Planning recorded the highest overall absorption rate at 63% followed by the Ministry of Education, Culture and Sports at 55%. The Ministry of Health Services and the Ministry of Water, Environment and Natural Resources recorded the third and fourth highest absorption rates at 53% and 52% respectively. The Ministry of Youth, Gender and Social Services and the Ministry of Trade, Industrialization and Cooperative Development were the worst performers recording 28% and 25% respectively. Overall, the recurrent vote performed better than the development vote.

The following factors were responsible for low absorption rate;

- Slow and cumbersome tendering process
- Technical and capacity challenges in application of IFMIS
- Delays in approval of request for funds by office of controller of budget
- Slow release of funds from national treasury

The table 6 analyses recurrent expenditure performance by ministries.

Table: Recurrent Expenditure (July 2019-January 2020)			
Name the Department	Recurrent Estimates	Recurrent Expenditure	Percentage
Ministry of Agriculture Livestock and Fisheries	259,206,959	112,202,820.20	43%
Ministry of Education, Culture and Sports	441,476,398	241,372,600.89	55%
Ministry of Gender, Youth and Social Service	85,559,108	24,177,570.00	28%
Ministry of Finance	630,024,088	395,849,957.20	63%
Ministry of Health Services	1,691,614,898	890,401,415.77	53%
Ministry of Trade, Investments Industrializations and Cooperative Development	71,606,053	18,230,050.00	25%
County Assembly	751,834,897	276,432,773.50	37%
Lands, Housing and Physical Planning	279,483,073	143,804,404.17	51%
Office of the Governor and Deputy Governor	449,390,273	205,228,504.67	46%
County Public Service Board	56,759,224	27,402,972.00	48%
Ministry of Public Service, Management and Devolved Unit	1,138,281,752	578,633,980.40	51%
Public Works Roads and Transport	126,574,242	49,439,026.00	39%
Ministry of Water, Environment and Natural Resources	528,712,218	272,552,518.25	52%
TOTAL	6,510,523,183	2,959,295,820	45%

4.0: FISCAL FRAMEWORK AND STRUCTURAL MEASURES FOR FY 2020/2021 AND THE MEDIUM-TERM

4.1 Overview

The 2020/2021 Medium-Term Fiscal Policy aims at supporting a sustainably wealthy and vibrant county providing high quality services to improve the livelihoods of its citizens. The county will pursue prudent fiscal policies to ensure economic growth and development. In addition, these policies will provide support to economic activities while allowing for sustainable implementation of the projects and programs. Adhering to these policies will also enhance local revenue collection which will ensure there are adequate resources for capital investments.

In respect to local revenue generation, the county is striving to institute corrective measures to reduce revenue leakages from local sources. This include operationalization of the County Revenue Agency that has been formed to solely be responsible for efficient and effective revenue collections, enforcement of local revenue laws and regulations, automation of revenue collection systems and speedy implementation of collection of other revenue streams. It also has responsibility to undertake sensitization and education of the public on revenue matters. For efficient and effective service delivery, there is need to increase the County human resource capacity especially the technical staff.

The total resource envelope for FY 2020/21 is expected to be Kshs 11,440,800,724 billion. Based on the analysis of the macro-economic environment and the trend of growth of the County revenues. The County Government will strive to ensure that the budget is balanced in the medium term and that expenditure for development shall constitute 50%, across the FY 2020/2021 and FY 2021/22. Expenditure ceilings are based on county priorities extracted from the CIDP 2018-2022, ADP 2020/21 and the sector working group reports for each of the sectors. Moreover, the ceilings were also adjusted based on reduction on total revenue, expenditure trends and the changes in priority based on sector working group discussions. Expenditure related to conditional funding and grants has been ring fenced based on the purpose for the funding and estimates developed and included in the sector working group reports.

4.2: FISCAL POLICY

The government's fiscal policy objective in the medium term will be to focus resources to priority and growth potential areas. Allocation and utilization of resources in the medium term will be guided by the priorities outlined in CIDP 2018-2022 and other county plans; and in accordance with

fiscal responsibility principles as set out in section 107 of the PFM Act 2012. In this regard, the county government is committed to keeping recurrent spending at sustainable levels and devotion of more funds to development. Reforms in the budget expenditure management and revenue administration will be implemented to increase efficiency, reduce wastages and increase revenues collected and hence create fiscal space that frees more funds for productive areas. The county government is truly committed to implementing a program based budget system in the following financial year. This is expected to create budget clarity that emphasis on results as opposed to mere absorption of funds.

4.3: SPENDING PRIORITIES

The FY 2020/2021 budget framework is set out against background of the medium term fiscal policy of the county government and county government's broad policies as domesticated in the County through the CIDP, the ADP and departmental strategic plans.

Considering the limited resources facing the county Government and competing needs for funding, priorities for funding in FY 2020/2021 will be given to projects/programmes that focus on strategic interventions. These programmes are geared towards promotion of service delivery that supports social development, economic growth and transformation of the County. The projects to be funded must also be in line with the county goals and objectives as outlined in this CFSP, the CIDP and the ADP. In this regard, ministries are required to rationalize and prioritize their expenditure programmes in the FY 2020/2021 to focus only on the strategic interventions and projects as captured in these documents.

4.3: FISCAL STRATEGY FOR FY 2020/2021

The FY 2020/2021 fiscal strategy has been designed to address following objectives:

- i. Fast tracking of implementation of development programs to encourage faster absorption of funds
- ii. Completion of all ongoing projects
- iii. Streamlining and improving local revenue performance to realize more resources
- iv. Collaborating with key and donors to finance flagship projects in health, water and infrastructure.
- v. Increasing budget transparency and accountability as required by law.

- vi. Devolving services closer to the people and ensuring count services are visible in all parts of the county.
- Vii. Under take programs that will address the plight of the most vulnerable in the Society. This will entails building some shelter for them as well as providing some sources livelihood inform of a given heads of livestock.

4.4: RISKS TO THE COUNT'S FISCAL PERFORMANCE

Despite its ambitious development agenda, the county faces a number of risks and uncertainties that curtail realization of its objectives.

Some specific risks to the county's fiscal performance are:

- Reduction in county population in 2019 census result that has since been disputed in court will significantly impact in reduction of resource allocation by Commission on Revenue Allocations (CRA).
- The proposed new Third Basis revenue Sharing formula too has fundamentally shifted from the general revenue sharing formula that we have known for last 7 years. This too is likely to reduce the allocation to the county thereby reducing resource available for development
- Low performance by Own Source Revenue collections results in budget deficits.
- Delays of release of funds by the National Treasury
- Large portfolio of on-going projects that will reduce resources available for new investments □ Insecurity that poses the single biggest risk to the success of the County.
- New IFMIS requirements such as e-sourcing create slow and cumbersome procurement processes.
- Issues of pending bills continue bedevil the counties.

5.0: DETAILS OF CEILINGS AND MINISTERIAL PRIORITIES

5.1: Resource Allocation Guidelines

Resource allocation for the FY 2020/2021 will be geared towards financing priority programmes and projects that will culminate in the realization of county strategic objectives such as investments in the agricultural sector; food security, provision of adequate and clean water, boosting road infrastructure, Well Functioning Universal Health Care, support to ECD and vocational training as well as addressing the plight of the most vulnerable in our society.

In this regard special focus will be directed areas such as:

- Sound governance, transparency, and accountability and Human Resource productivity in the delivery of services to the county residents. To achieve this, adequate resources will be committed to staff salaries, allowances and capacity buildings.
- Promotion of accessible and affordable health care for all County resident by providing skilled health staff and drugs
- Improving food security by encouraging Agricultural production through increased extension services to reduce cost to farmers and support to small scale farmers.
- Expansion and maintenance of road infrastructure and network to enhance productivity and reduce cost of doing business in the county
- Promotion of ECDs and adult education to uplift county literacy levels
- Investing in youth and women by ways of loans and Scholarships/Bursary
- Under take programs that will address the plight of the most vulnerable in the Society

In establishing budget ceilings for the financial year and subsequent financial allocations, nondiscretionary expenditures take first charge. Examples of these include statutory obligations such as salaries and other related staff expenses. In development expenditure, first consideration will be given to the completion of ongoing projects while availing adequate resources to the new projects which are key to growth of the County. Priority will be given to projects identified in the CIDP, ADP and the public participation reports.

Projects proposals will be subjected to rigorous scrutiny to ensure they are in line with the county vision and development plans. Costing of programs will also be closely monitored to ensure there are no future variations and adjustments.

5.2: Revenue projection

As has been in the previous financial years, Mandera County’s resource envelope will consist of the following revenue streams:

- Equitable Share of revenue from national government.
- Compensation for user fees forgone
- Donor funds from UHC fund and World Bank
- Road Maintenance Levy Fund
- Kenya Devolution Support Program, KDSP
- Kenya Urban Support Program
- Own local revenue collections

The county expects to receive total revenue of Kshs **10,896,225,199** in FY 2020/2021. The risk of reduction in revenue allocation when Division of revenue bill and County Allocation of Revenue Bill are passed notwithstanding, this amount is inclusive of equitable sharable revenue, Own Source Revenue and few known conditional grant such as RMLF, Youth Polytechnic and User fee foregone.

For other Conditional grant, we will reflected in the final budget as the numbers become clearer.

The Table below summarizes the revenues expected in the 2020/2021 financial Year for Mandera County Government. The comparative for 2019/2020 is also shown.

REVENUE SUMMARY 2020/2021 FY		2019/2020 Estimate	2020/2021 Estimate	
Funding Types	Revenue summary By Sources	Kshs	Kshs	%
Equitable Sharable Revenue	Equitable share of Revenue	10,222,950,000	10,222,950,000	94%
Own Source Revenue	Local Revenue Collections	183,559,629	183,559,629	2%
Untelized Excheque from 2018/2019 FY	On-Going Development Projects funds b/f from 2017/2018	1,210,949,522	-	0%
	2018/2019 FY Projects that could not be implemented that are shelved 2019/2020	163,769,117	-	0%

Conditional Grant by National Government Institutions	Road Maintenance Fuel Levy (Conditional Grant)	290,185,219	304,694,480	3%
	Development of youth Polytechnics	22,113,298	15,546,170	0%
	Foregone user fees in Health Facilities in rural Area (Conditional Grant)	25,474,920	25,474,920	0%
Conditional Grants - Development Partners	World Bank/Japan Funding for Health sector - Transforming Health care - Universal Health	65,351,998	144,609,161	1%
	Danida Funding for Health sector - Transforming Health care - Universal Health	30,281,250	29,070,000	0%
	Kenya Devolution Support Program - Level I	30,000,000		0%
	Kenya Devolution Support Program b/f	235,542,828		0%
	Kenya Devolution Support Program for 2018/2019 funds to be released in 2019/2020	58,673,488		0%
	Kenya Urban Development Support Program	175,819,500		0%
	Kenya Urban Institutional grant	8,800,000		0%
	Danida Funds from 2015/2016 reflected in the supplementary that was not passed	-		0%
	Kenya Climate smart Agriculture Project (NEDI)	200,000,000		0%
	Agricultural Sector Development Support Program (ASDSP)	22,822,072		0%
	Kenya Urban and Institutional Grant b/f	41,200,000		0%
	TOTAL	12,987,492,841	10,925,904,360	100%

Conditional Grant by National Government Institutions	Road Maintenance Fuel Levy (Conditional Grant)	290,185,219	304,694,480	3%
	Development of youth Polytechnics	22,113,298	15,546,170	0%
	Foregone user fees in Health Facilities in rural Area (Conditional Grant)	25,474,920	25,474,920	0%
Conditional Grants - Development Partners	World Bank/Japan Funding for Health sector - Transforming Health care - Universal Health	65,351,998	144,000,000	1%
	Danida Funding for Health sector - Transforming Health care - Universal Health	30,281,250		0%
	Kenya Devolution Support Program - Level I	30,000,000		0%
	Kenya Devolution Support Program b/f	235,542,828		0%
	Kenya Devolution Support Program for 2018/2019 funds to be released in 2019/2020	58,673,488		0%
	Kenya Urban Development Support Program	175,819,500		0%
	Kenya Urban Institutional grant	8,800,000		0%
	Danida Funds from 2015/2016 reflected in the supplementary that was not passed	-		0%
	Kenya Climate smart Agriculture Project (NEDI)	200,000,000		0%
	Agricultural Sector Development Support Program (ASDSP)	22,822,072		0%
	Kenya Urban and Institutional Grant b/f	41,200,000		0%
TOTAL	12,987,492,841	10,896,225,199	100%	

Source: 2020 Budget policy Statement

The county relies heavily on the equitable share followed by conditional and grants. Own source revenue is quite low due to the fiscal structure and revenue raising capabilities available to the County.

Traditionally, some amount of funds will remain unspent at end of the financial year. This amount cannot be reliably established at this stage. However, going by the trends of previous years, some of this year's budget will be carried forward to the following year budget as unspent but committed funds. This amount of funds will become clearer as we approach the final phase of budget preparation at the closure of the financial year.

5.3: PRIORITIZATION AND ALLOCATION OF RESOURCES

The County Government will continue with its policy of expenditure prioritization with a view to funding core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies.

The following measures will be adopted as a guideline for resource allocation:

1. ***Linkage of projects and programmes with the objectives of the County Integrated Development Plans:*** The County, in its resource allocation will ensure there is a linkage between plans and budget. Information derived planning documents and CIDP (2018-2022) will guide resource allocation in the FY 2020/21.
2. ***Adherence to Annual Development Plan:***

Another criterion that will be used in prioritization and allocation of resources is that programmes that have been identified in the 2020/21 Annual Development Plan.

3. ***Degree to which the programme is addressing the core mandate of the county entity:*** Projects and Programmes that address the core mandate of the county government will be given priority. The critical sector include Health, Water, Road and other infrastructure, Agriculture and Livestock as well as Education and sports
4. ***Expected outputs and outcomes from a programme:*** Projects and Programmes that have high output and impact will be selected for implementation over those that have a low output and low impact.
5. ***Cost effectiveness and sustainability of a projects/ programmes:*** Projects and programmes that are cost effective and sustainable will be given a higher priority over those that are unsustainable and have a high cost.

MINISTRIAL CEILINGS

Having identified the key criteria for allocation of resources among the various competing interest, having also established the likely amount of resource available, here below we allocate these resources as per the table below.

Table: showing the full allocation to the ministries for FY 2020/2021

Proposed 2020/2021 Departmental Expenditure Ceilings					
Departments	Proposed Departmental Ceiling for FY 2020/2021				
	Approved Total Departmental Allocation 2019/2020	Recurrent Expenditure Estimate	Development Expenditure Estimate	Total Departmental Allocation 2020/20201	
Ministry of Agriculture Livestock and Fisheries	1,321,038,619	387,912,976	520,409,813	908,322,789	8%
Ministry of Education, Culture and Sports	895,077,621	370,389,136	380,561,602	750,950,738	7%
Ministry of Gender, Youth and Social Service	146,307,754	71,782,239	50,966,798	122,749,037	1%
Ministry of Finance	914,429,146	643,748,998	63,437,250	707,186,248	7%
Ministry of Health Services	2,560,020,127	1,747,920,313	429,560,288	2,177,480,601	20%
Ministry of Trade, Investments Industrializations and Cooperative Development	353,875,857	60,075,928	236,818,252	296,894,179	3%
County Assembly	1,020,662,123	727,866,402	128,447,012	856,313,414	8%
Lands, Housing and Physical Planning	495,802,573	237,101,544	178,866,077	415,967,620	4%
Office of the Governor and Deputy Governor	449,390,273	577,028,706	-	577,028,706	5%
County Public Service Board	56,759,224	67,619,760	-	67,619,760	1%
Ministry of Public Service, Management and Devolved Unit	1,386,779,351	954,993,736	208,484,103	1,163,477,839	11%
Public Works Roads and Transport	1,576,292,608	158,697,043	1,043,778,315	1,202,475,357	11%
Ministry of Water, Environment and Natural Resources	1,811,057,565	543,578,099	1,075,859,972	1,619,438,071	15%
GRAND TOTAL	12,987,492,841	6,548,714,879	4,317,189,481	10,865,904,360	100%
		60%	40%		

The setting of the above ceiling for all the spending units within the county government is the most difficult one due uncertainty about the actual shareable revenue Mandera County is likely to receive in the light of upcoming new revenue sharing formula as well as the new population data where the population of Mandera County is purported to have reduced from 1,026,000 in 2009 census to

867,000 in 2019 census. This has been made worse by the failure by the National Treasury to increase Equitable Shareable Revenue to the Counties. For the first time, our recurrent expenditure is estimated to take up more than 60% of our total budget with development taking only 40%.

Conclusion

Budgetary resources are always limited against limitless priorities and needs. It is imperative therefore that ministry prioritize their programmes within the available resources to ensure that utilization of public funds are in line with the overall county government priorities. Ministries need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocating resources. There is also need to ensure that recurrent resources are being utilized efficiently and effectively before funding is considered for programmes.

The set of policies highlighted in this CFSP aims at striking a balance between the ever changing needs of the county government and the content of strategic documents like the CIDP and the fiscal responsibility principles outlined in the PFM laws. The fiscal policies are also in line with the tone of the national strategic objectives such as the Big Four Agenda, Vision 2030 and Governor's Manifesto.