REPUBLIC OF KENYA

COUNTY GOVERNMENT OF WEST POKOT

COUNTY TREASURY

County Fiscal Strategy Paper

February 2015

Transforming lives through equitable and sustainable development

FOREWORD

This is the second County Fiscal Strategy Paper prepared by the County Government of West Pokot as part of its efforts to ensure effective linkage between policy, planning and budgeting. It provides an updated resource envelope of Ksh. 4.61 Billion for the 2015/2016 County budget, presents a fiscal framework and ministerial ceilings for the fiscal year and the medium term.

The Fiscal Strategy Paper presents the County Government's effort to specify the broad strategic priorities and policy goals that will guide the county in preparation of its budget for 2015/16 financial year and over the medium term. It provides the county resource envelop and presents a fiscal framework for the next budget and the medium term. It also sets indicative ministerial ceilings in line with outlined sector key strategic objectives as set out in the County Integrated development plan. It has been informed by the priorities identified in the first county integrated development plan which was developed through a participatory process.

Kenya's Real GDP is expected to grow by 5.3 percent in 2014 up from 4.5 percent in 2012 and an estimated 6.9 percent in 2015, while over the medium-term, growth is expected to pick-up gradually and cross the 7 percent mark by 2017, as global conditions improve and macroeconomic stability is sustained. The recovery of the advanced economies from recession is expected to have a positive impact on the county. This is due to the fact that as an agricultural based economy, the county is expected to benefit from these advanced economies as more agricultural products will find its way into these economies.

The county government of West Pokot is committed to ensuring the success of devolution. In this regard, the need for continued fiscal discipline and prudent utilization of public resources is emphasized. This therefore calls for greater transparency and accountability in public finance management at the county level.

The ministerial priorities for the 2015/2016 fiscal year include investments in agriculture and irrigation to boost county food security, health, road infrastructure, education, water, strengthening business environment and support to Small and Micro enterprises to boost job creation more specifically for the youth. Other sectors have also been given prominence due to their contribution towards citizen socioeconomic transformation. Allocation of resources has been premised on the county strategic priorities and on the principle of "funds follow functions".

The unveiling of this fiscal strategy paper with a budget estimate of Ksh 4.61 Billion for the 2015/2016 fiscal year is a clear demonstration of our commitment to the realization of our county vision of being the leading county in effective and efficient resource management, sustainable development and service delivery. I call upon all our stakeholders to continue supporting us on the basis of mutual respect, cooperation and consultation.

Mr. Joel Ngolegong,
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ACKNOWLEDGEMENT

The second West Pokot County Fiscal Strategy Paper has been prepared through a consultative process involving varied stakeholders within the county. First, I would like to thank The Governor Mr. Simon Kachapin, His Deputy Mr. Titus Lottee, and the County Executive Members for their input and for dedicating their time to provide leadership in the process. Special thanks also go members of the public and county budget and economic forum for their contribution.

We are also grateful with the leadership of Mr. Joel Ngolekong (*County Executive* Member _*Finance and Economic Planning*) and Mr. Joel Arumonyang (*County Secretary*) for their continued support and guidance throughout the entire FSP preparation process.

The Budget and County Planning Unit team also spent a significant amount of time to put together the report. In this regard, we are grateful to: Mr. Kennedy Tegeret (*Head of Planning*) Ms Priscillah Chebet (*Head, Budget office*), and Mr. Benard Biegon (*Sub-county Development officer, South and Central Poko*t), for their technical input and commitment to the success of the process. Many thanks also go to Mr. Hezron rumenya and Ms Pamela Sirma (*secretariat*), for the excellent support and work.

Jackson Pengat

Chief Officer Finance and Economic Planning

<u>West Pokot County</u>

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LIST OF ACRONYMS AND ABREVIATIONS

BPS	- Budget Policy Statement
CEC	- County Executive Committee
CIDP	- County Integrated Development Plan
ECD	- Early Childhood Development
FSP	– Fiscal Strategy Paper
FY	- Fiscal/Financial Year
GDP	– Gross Domestic Product
ICT	- Information, Communication and Technology
MTEF	- Medium Term Expenditure Framework
PFM	– Public Finance Management
PPP	- Public Private Partnership
SME	- Small and Micro Enterprises
IFMIS	- Integrated Public Financial Management Information System
IFI	- International Financial Institutions
CFSP	-County Fiscal Strategy Paper
ECDE	- Early Child Development Education
KNBS	-Kenya National Bureau of Statistics
NAS	- National Accounts Statistics
CBK	- Central Bank of Kenya
CBR	- Central Bank Rate
KBRR	- Kenya Banker's Reference Rate
A-I-A	- Appropriations-In-Aid
MENAP	- Middle East, North Africa, Afghanistan, and Pakistan
IFIs	- International Financial Institutions
UN	- United Nations

MSEs	- Micro and Small Enterprises
PLWDs	- People Living With Disabilities
TSC	- Teachers Service Commission
MSMEs	- Micro, Small and Medium Enterprises
MDG	- Medium Development Goals
ASAL	- Arid and Semi-arid Lands
GIS	- Geographic Information System
ESP	- Economic Stimulus Programme
SRC	- Salary and Remuneration Commission
SSA	- Sub-Sahara Africa

CHAPTER 1.0: INTRODUCTION

1.1 Overview

1. The 2015 County Fiscal Strategy Paper (CFSP), the second to be prepared under the First County Administration, reaffirms the broad policies and strategies outlined in the 2014 CFSP, under the nine priority areas of 1. Investing in Agriculture and irrigation programme to enhance food security; 2. Continous investment in physical infrastructure of roads and water; 3. Investing in quality and accssible education and health care services; 4. Adressing the business environment to create a competetive business environment in the county; 5. Tourism development; 6. Support of SMEs, Agribusiness and youth development to support job creation; 7. Enhancing citizen participation and inclusive development; 8.Land reforms and 9. Support to county contigency planning through disaster management fund.

2. Since independence, Kenya's economic development focused on alleviation of poverty, improvement of literacy levels, and reducing incidence of diseases. The Sessional paper No. 10 of 1965 focused on the elimination of poverty, disease and ignorance. There was also the poverty reduction strategy paper titled the economic recovery strategy for wealth and employment creation (ERSWEC) 2003-07 that pursued goals that were closely focusing on growth, poverty reduction, employment creation and improvement of the general wellbeing of the people.

3. The Kenya Vision 2030 has similar objectives that aim at socioeconomic transformation of the Kenyan people. Under this blueprint, Kenya aims to be a middle-income, rapidly industrializing country by 2030, offering all its citizens a high quality of life. Its first Medium Term Plan was implemented between 2008 and 2012. This Second Medium Term Plan outlines the policies, programmes and projects to be implement during the five year period starting 2013 to 2017 in order to deliver accelerated and inclusive economic growth, higher living standards, better education and health care, increased job creation especially for youth, commercialized agriculture providing higher rural incomes and affordable food, improved manufacturing sector and more diversified exports.

4. The Constitution of Kenya 2010 introduced devolution with the introduction of new devolved units taking off immediately after 2013 general elections .The Constitution of Kenya 2010 provides for a devolved system of government in which, the sovereign power of

the people is exercised at the national and county levels. The Constitution requires that revenue raised by the national government is shared equitably between the national government and the county governments. One of the objects of the devolution of government is the promotion of social and economic development and the provision of proximate, easily accessible services throughout Kenya. Moreover devolution ensures equitable sharing of national and local resources.

5. The implementation of programs under priority areas is expected to raise efficiency and productivity in the economy thus accelerating sustainable and inclusive growth, create opportunities for productive jobs, and secure livelihoods of the county residents. This CFSP, thus reinforce the Government's priority programs and structural reform measures to be implemented in the Medium Term Expenditure Framework for 2015/16 – 2017/18.

6. Today, Kenya is considered a "frontier "economy with bright prospects. As such the basic foundation for economic transformation is now in place. However, a number of challenges still need to be addressed as part of the transformation to underpin shared prosperity. Our economy remains vulnerable to external and domestic shocks, in particular, to droughts and other weather-related shocks, the frequency of which has increased in the recent past, given the prevalence of rain-fed agriculture and high dependency on hydro-power generation. At the same time, the growing integration to global markets, while creating new financing opportunities, exposes our economy to more vulnerability, especially due to changes in global risk sentiments.

7. Inadequate investment and inappropriate incentive structure over the years have also led to a significant decline in productivity in the agricultural and manufacturing sectors, resulting in rising imports and falling exports. These challenges have been compounded by poor conditions of transport and logistic, inadequate and expensive power and non-conducive business climate, including insecurity. In addition, the emerging high and unsustainable recurrent expenditure, weak budget execution and fiscal related challenges surrounding devolution, if not addressed will continue to constrain the economy from achieving its full potential and be a drag on our economic transformation agenda in the medium term.

1.2 Rationale for the Fiscal Strategy Paper

8. This strategy paper articulates priority economic and social policies and structural reforms as well as sectoral expenditure programs to be implemented in the 2014/15 financial year. Specifically, the County fiscal strategy paper;

a) 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.
b) Provides Linkage with the national objectives in the Budget Policy Statement.
c) Provides the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
d) Provides a basis for stakeholder engagement in the formulation and implementation of county priorities and budgeting.

1.3 Legal Basis for the Publication of the County Fiscal Strategy Paper

The public Finance Management Act 2012 Section 117 empowers County Treasury to prepare County Fiscal Strategy Paper. Section 117 (1) stipulates that The County ,Treasury shall prepare and submit to the County Executive Committee (CEC) the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28^{t} February of each year.

Section 117 (3) stipulates that "Not later than the 15th day of February of each year in the case of the National Treasury and 28th day of February in each year in the case of each County Treasury, the National or County Treasury as the case may be, shall submit to Parliament or their County Assembly, a budget policy statement or county fiscal strategy paper for the next three years) while 117 (4) informs the County Treasury to mandatory 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.

The Act is also specific that "Once the Budget Policy Statement (BPS) or County Fiscal Strategy Paper as the case may be are adopted they will serve as the basis of ceilings specified in the fiscal framework, grounded in a budgetary strategy".

1.4 Fiscal Responsibility Principles for the County Governments

In line with the Constitution, the new Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. The PFM law (Section 15) states that:

1) Over the medium term, a minimum of 30 percent of the national and county budgets shall be allocated to development expenditure

2) 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.

3) Over the medium term, the National and County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.

4) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the county assemblies for the County Governments.

5) Fiscal risks shall be managed prudently; and

6) 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.

1.5 Overview of 2015 Budget Policy Statement (BPS) and Integration of CFSP into the BPS

9. In the 2015 Budget Policy Statement, with a theme of **Enhancing Economic Transformation for a Shared Prosperity,** the National Government has identified 5 pillars that are expected to raise economic efficiency, productivity and in turn, make Kenya's products competitive, thus creating vast opportunities for productive jobs and securing livelihoods. It also aims at fostering sustained high and inclusive growth as part of the Strategy of achieving economic transformation for a shared prosperity. All the County initiatives that are addressed in the nine priority areas are geared towards addressing the five pillars as expounded below;

1.5.1 Pillar I: Creating a Conducive Business Environment for Employment

10. As stated in 2014 BPS, the objective of the reforms under Pillar I is to create conducive business environment by maintaining (i) macroeconomic stability, (ii) deepening structural and governance reforms; and (iii) improving security so as to encourage innovation and investment, foster growth and expansion of economic and employment opportunities in Kenya.

<u>Macroeconomic Stability for Sustained Growth and Development</u>

11. To create a conducive environment for private sector investments as a basis for sustained broad-based economic growth, and ultimately, expanded economic opportunities and poverty reduction, there is a need for maintaining macroeconomic stability. As such the County Government will continue to pursue prudent fiscal policies that are supportive of accelerated inclusive growth and development.

12. The County Government recognizes and appreciates the scarcity of resources and will therefore maintain fiscal discipline as a fiscal policy strategy to efficiently apply them only on priority programs with the highest impact to the local residents, but within a medium term framework. This will be achieved by maintaining a strong revenue effort and containing the growth of total recurrent and wasteful expenditure, while also shifting expenditure from recurrent to capital expenditure.

13. Looking at the outcome of the first half FY 2014/15, there is need for extra effort to bolster the internal revenue which stood at 49 percent of the target. The entry of automation services in revenue collection is expected to improve efficiency in revenue collection and reduce leakages. Monthly and quarterly monitoring of revenue shall be done by all concerned entities to correct any anomaly.

Structural Reforms to Facilitate Business and Employment Growth

14. The National Government has put in place a number of measures in the first year of 2014 BPS with the objective of creating a more conducive business environment and improving efficiency and effectiveness of public service delivery so as to facilitate private sector growth. This is expected to be sustained and be replicated in the 2015 BPS.

15. The attainment of economic transformation requires institutional reforms that spur efficiency and productivity gains. Entrenching good governance in public service management will remain a priority. The County will continue to focus on open door policy for the residents to report malpractices. Accountability of use of public funds will be addressed through various means. Public participation in budgeting process and policy making will be an avenue for entrenching good governance.

16. The County Treasury will continue playing an oversight role in Public Financial Management and in strengthening the institutional capacity of the other county entities. This is to ensure efficiency, effectiveness, transparency and accountability in the use of public finances. More capacity building and system development will be undertaken in FY 2015/16 by County Treasury to enhance transparency and accountability among all the accounting officers.

17. As part of Expenditure Management, emphasis will be on Integrated Financial Management Information System to improve efficiency and effectiveness in public resource utilization and budget execution so as to facilitate economic transformation. Operationalization of the Procure-to-Pay module (E-Procurement) in all the County entities will be undertaken during the FY 2015/16. The strategy on internal revenue reforms aims to grow revenue by at least 4.0 percent of the total resource envelope of the county by FY

2017/18, with a growth of at least 3.8 percent of resource envelope achieved in FY 2015/16. To achieve this, the County Treasury, working with other revenue agencies at the county, will develop and implement specific measurable policies and revenue administration to deal with revenue leakages, broaden revenue base and improve efficiency and effectiveness in revenue collection.

18. Further Public Sector Reforms will be undertaken to streamline the operations of the County Government of West Pokot. The County Executive shall remain stand alone as a Vote head and Public Service Management created to deal with coordination aspects of County Administration. This is to enhance productivity of public service. The Town Administration is also to be established to manage the Township of Kapenguria as envisaged by the Urban Areas and Cities Act, 2012. This is through the formation of a Town Committee that will oversee implementation of policies governing town administration

19. Other public sector reforms that will be considered include development of bills and policies governing various functions of the different county ministries. This includes development of scheme of service for different cadres working in the County and also code of conduct for county employees. The Performance Management will be strengthened using performance contracting and Performance Appraisal System tools.

20. Some of the Business Regulatory Reforms that will be undertaken to spur private sector initiatives include providing Biashara mashinani loans to business people; encouraging private sector innovation through establishing industrial development centres, supporting youth/village polytechnics, equipping of youth empowerment centres, establishing Agricultural and Pastoral training centres, supporting value chain additions and cooperative movements and establishment of market infrastructures.

21. To improve the business environment, improvement of road network has been given a priority with high allocation. Improved road network is set to improve accessibility of the different regions of the County.

<u>Enhancing Security for Sustained Growth and Employment</u>

22. The strategy on security recognizes that without security the economy will not grow on a sustainable basis and the objective for creating jobs will not be realized. The County

Government is committed to improvement of security especially along the border with Turkana and Uganda. The County will be partnering with other key stakeholders to hold peace campaigns and peace forums. Opening up of the marginalized areas with more development programs to give the locals alternative source of livelihoods will be prioritized. Civic education on retrogressive cultural practices and importance of education will also be given preference. The County is also keen to support of the Police reservists to improve their living conditions.

1.5.2 Pillar II: Agricultural Transformation and Food Security

23. Transforming lives through equitable and sustainable development will not be achieved without substantive investment in agricultural reforms and productivity enhancement. Majority of the County Population are considered to be farmers who live in rural areas and therefore increasing agricultural productivity would thus be a powerful way to raise incomes and make lasting inroads into poverty reduction. It would also facilitate overall economic transformation.

24. Investing in agricultural sector will spur an inclusive economic growth with ripple effects on related sectors of the economy such as agro-processing; wholesale and retail; construction; financial services as and other sectors. Investment in agricultural sector means increased food supply, reduced food related prices and bring down the cost of living, create employment and promote overall rural development.

25. The County Ministry of Agriculture will prioritize investments in extension services, soil management, fertilizer subsidy, provision of seedlings, technology transfer through demonstration plots and Agricultural training centre, irrigation programmes and mechanization programme. At the same wave, as a pastoral community, the County Government is keen on disease control and is putting more measures to address disease outbreaks through construction and rehabilitation of dips and crushes and vaccination of animals' campaign. The potential of livestock, dairy and poultry farming, including value addition of their by-products remains untapped as a catalyst for economic transformation. Therefore, the County Government will initiate in FY 2015/16, programs on Value addition, pasture development and improved animal breeding to uplift the income of the locals. Fish farming is also set to be intensified as alternative sources of white meat and demonstration ponds will be established with restocking of fish in Turkwel dam.

Supporting Growth of Manufacturing for Employment Creation

26. As already noted increased agricultural productivity spurs growth of industries and exports, which are essential for structural transformation of our economy. Therefore, Over the medium term, agro-processing (milk and mango) and beef processing as key drivers of agricultural transformation, value addition and industrialization.

Empowering the Youth and Women for Employment Creation

27. The Government remains committed to addressing unemployment, especially among the youth, women and persons with disability so as to secure sharing in prosperity. Therefore, the County Government will continue building on on-going youth and women support programs to tap the creativity and knowledge of the young people and women so as to encourage entrepreneurship and innovation. In the FY 2014/15, Women, Youths and persons with disability are set to be awarded 30 percent of the tenable tenders in the County. This shall be replicated in the FY 2015/16.

28. To fully exploit the potential of the youth and fight marginalization of the women and persons with disability, the County Government is preparing policies that will create funds to support this group to enable them improve their livelihoods as a way of reducing poverty at the County. Investing in the potential of the youth, ensures that there is sustainability in the investments of the other sectors. The County is also equipping the youth with the requisite skills and competencies and building their entrepreneurial capacities as well as supporting the less fortunate youths in secondary, tertiary and colleges with bursary as a way of investing in the future generation.

Youth Sports, Culture, Heritage and Talents

29. Nurturing of sports as an economic empowerment tool has been identified by the County as a strategy to youth employment. The county has already purchased a field construction of a stadium and is putting up a high altitude training camp in Pokot South. Over the medium term, the county will build a sports stadium and FY 2015/16 will see 3 playing grounds being improved in three sub counties to provide the youths in the other sub-counties an opportunity to nurture their talents.

30. Pokot Culture and heritage is rich and undiluted and requires a boost through support. The county government is putting up measures to market the culture and heritage of Pokot community through construction of cultural sites and also through setting up a cultural day as strategy for tourism for promotion. Therefore, the strategy to transform tourism as a key driver of employment, will focus on preservation and protection of our culture, encourage growth of youth talents in sports and arts and nurture them as catalyst for growth and development.

1.5.3 Pillar III: Transport, Logistics, Energy and Water for Inclusive Growth

<u>Further Expanding Road Network to Facilitate Economic Transformation</u>

31. Infrastructure development is a key prerequisite for sustained agricultural and industrial transformation. For this reason, the County Government's strategy for economic transformation prioritizes investment in road infrastructure which is aimed at reducing cost of doing business and enhancing competitiveness. Opening up of new areas, maintenance of existing road networks and development of bridges remains priority areas for FY 2015/16. Maintenance of county fleets, training of bodaboda riders and provision of road signage will be undertaken in the same FY. Going forward, the County Government will continue to invest in expansion of road network to open up rural areas, ease movements of goods and passengers and encourage growth of businesses and employment throughout the county.

32. To fight rural unemployment especially in unskilled labor, the County will continue with labour based contracts in road works, popularly known as force account. This also improves efficiency and effectiveness in road construction.

<u>Making Water Accessible to Households and Farmers</u>

33. Access to household and livestock water is essential for economic transformation and social development. Safe drinking water contributes towards improved primary health care and productivity of labour. It is for this reason that the County Government is invested significantly to enhance access to sustainable water supplies. Over the medium term, the County Government will develop a comprehensive program of water harvesting. This consists rain water harvesting technologies, boreholes drilling (solar powered), water supply systems, protection of water catchment areas, afforestation and maintenance and improving existing boreholes to solar powered, rehabilitation of degraded areas, construction of mini

dams and water pans and rehabilitation of existing dams and water pans and support of community tree nurseries projects.

1.5.4 Pillar IV: Access to Quality Social Services

34. Human capital development remains a central pillar for Transforming lives through equitable and sustainable development. This National strategy will ensure that the population is healthy, educated and equipped with basic life skills, and that they are able to participate fully and share more equitably in the growing prosperity. And to complement the abilities of the vulnerable groups to participate fully in Kenya's development, a program of social protection will be expanded to cover the elderly persons, persons with disability, orphaned and vulnerable children, and those living in extreme poverty.

<u>Building a Healthier Kenya</u>

35. The Government strategy on health care reforms aims to build a lasting healthy Kenya with higher productivity for sustained economic transformation and long term development. This strategy builds on notable progress achieved thus far, especially in controlling communicable diseases and attaining marked decrease in child mortality.

36. The health strategic objectives at the county aims at improving access to quality health care by equipping the health facilities with necessary drugs and equipment, employing new staffs for new facilities, construction of new facilities and upgrading of Kapenguria hospital to a referral hospital will be implemented in the FY 2015/16.

<u>Towards Quality and Relevant Education for all Kenyans</u>

37. Tremendous progress has been achieved, over the recent past, on educational access, largely due to increased enrolment following the introduction of free primary education in 2003 and free tuition in secondary schools in 2006. A new basic education law is now in force, more national schools established to enhance transition, more technical training institutions established and equipped and over 400 youth polytechnics admitting over 80,000 students.

38. Though a national function, the county is keen to supporting education sector since it is the key driving force for the county future plans. Over the medium term plan, the county is supporting infrastructure development of both secondary and primary education,

establishing and supporting Chester Teachers college, establishing Kapenguria ECDE, construction of more ECD centres, employment of ECD and Village polytechnic tutors, provision of bursary funds, expanding and modernizing village polytechnics and also support school feeding programmes in ECDs.

Scaling up Social Protection

39. The Government remains fully committed to scaling up social protection program so as to cushion those sections of our society who may suffer welfare shocks, during the implementation of our economic transformation agenda. In the medium term, the county will establish a support grant for the persons with disabilities to assist them absorb the effects of the economic hardships.

1.5.5 Pillar V: Further Entrenching Devolution for Better Service Delivery

40. The strategy to further entrench devolution for better service delivery aims at strengthening institutions and capacity to link inter-governmental fiscal transfers with revenue raising capacity of the county government in order to enhance political and financial accountability necessary for efficiency and effectiveness in service delivery, alleviation of poverty and convergence in county development.

41. The County Government will, therefore, continue to entrench devolution through creating more administrative areas and ensuring that funds appropriated to the county reach the lowest level. The county is keen to establish ward administration as well as village administration in the medium term.

2.0 CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTSAND POLICY OUTLOOK

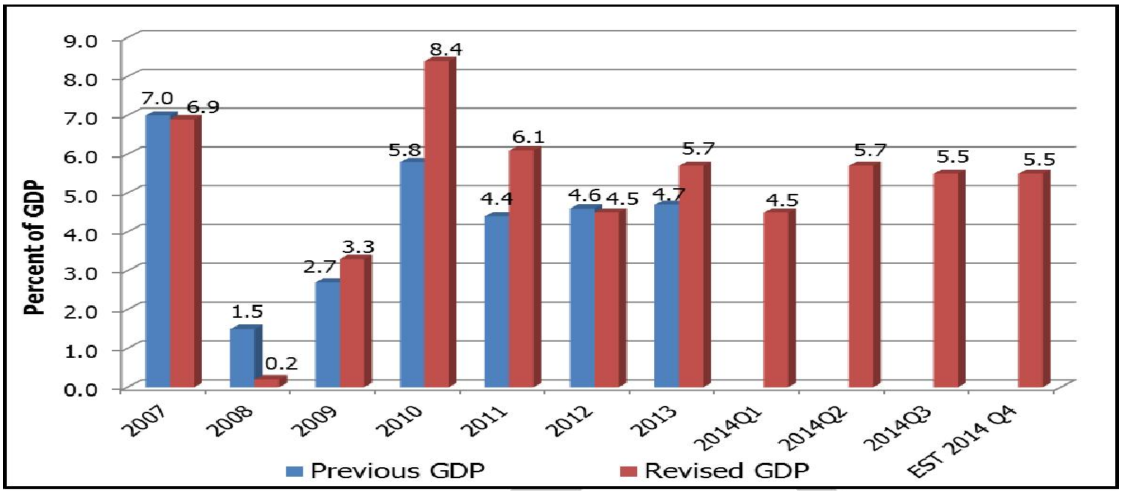
2.1 Overview of Recent National Economic Performance

42. The Kenyan Government through the Kenya National Bureau of Statistics (KNBS) initiated the process of rebasing and revising of the National Accounts Statistics (NAS) in 2010 and completed the exercise in September 2014. The rebased GDP estimates in nominal terms for 2013 is Ksh 4,757.5 billion which represents 25.3 percent increase from the previous estimates. This translates to US$ 1,269 in GDP per capita in 2013 up from US$ 994 in 2013, placing Kenya at lower middle income economy. Kenya'seconomy is now ranked as the 9th largest in Africa and 4th largest in SSA.

2.2 Growth Update

43. Our Kenyan economy grew by 5.7 percent in 2013 from 4.5 percent growth in 2012 **(Figure 1).** The increase in growth in 2013 was propelled by improved activities in agriculture, forestry and fishing (5.1 percent), manufacturing (5.9 percent), wholesale and retail trade (9.2 percent), financial and insurance activities (9.3 percent) and information and communication (13.5 percent). In the first three quarters of 2014, the economy expanded by 5.2 percent on average compared with 6.6 percent in the same period in 2013. On account of performance during the first three quarters and the projected growth of 5.3 percent in 2014, the fourth quarter growth of 2014 is estimated to be at 5.5 percent. The economy is estimated to have expanded by 5.5 percent in the third quarter of 2014 compared to a revised estimate of 6.2 percent in the same period of 2013.

Figure 1: Comparison in GDP Growth Rates



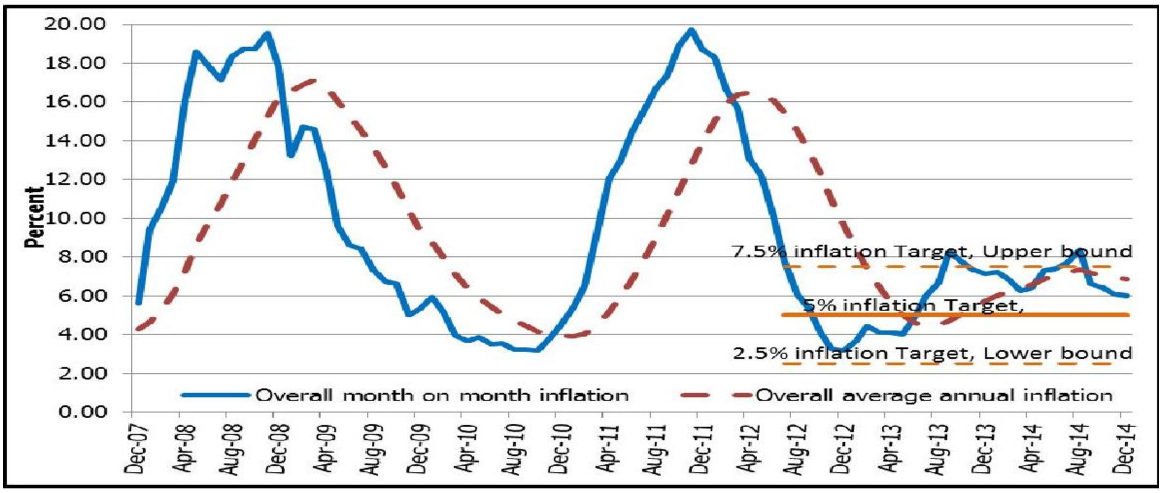
Source: KNBS

The growth outlook is promising due to continued implementation of bold economic policies and structural reforms as well as sound economic management. The economy is projected to grow by 5.3 percent, 6.9 percent in 2014 and 2015, respectively, and 7.0 percent over the medium term.

2.2.1 Inflation within single digit

44. Overall month on month inflation declined further to 6.0 percent in December 2014 from 6.1 percent in November 2014 and 6.4 percent in October 2014 **(Figure 2).** On average, the annual inflation rate was 6.9 percent in December 2014 compared to 5.7 percent in December 2013.

Figure 2: Inflation Rate



Source: KNBS and CBK

45. The decline in overall inflation in December 2014 was largely attributed to lower fuel inflation. Fuel inflation eased from 6.4 percent in November 2014 to 6.0 percent in December 2014 reflecting a fall in the retail price of kerosene, diesel and petrol. Non-food non-fuel inflation also eased from 3.8 percent in November 2014 to 3.7 percent in December 2014.

46. Food inflation however, rose from 7.4 percent in November 2014 to 7.5 percent in December 2014. This reflects the 12-month change in the ‘food and non-alcoholic beverages index, which rose from 7.5 percent in November 2014 to 7.7 percent in December 2014.

2.2.2 Interest Rates have eased progressively

47. The Central Bank Rate remained at 8.5 percent in December 2014 and the short term interest rates oscillated around the CBR**.** The average interbank rate averaged 6.9 percent in December and November 2014 from 6.8 percent in October 2014. The Kenya Bank’s Reference Rate (KBRR) remained at 9.13 percent. Commercial banks average lending declined to 15.9 percent in November 2014 compared with 17.0 percent in November 2013 while the deposit rate increased to 6.7 percent from 6.6 percent over the same period. This narrowed interest rate spread from 10.3 percent in November 2013 to 9.2 percent in November 2014 reflecting mainly a decline in the lending rate.

2.3 Update on Fiscal Performance and Emerging Challenges

48. The FY 2014/15 fiscal framework assumed a stable macroeconomic environment and continuation of the Government’s policy of containing non-priority and unproductive expenditures. After taking into account adjustments made by the National Assembly, total expenditures were projected at Ksh 1,597.8 billion and total expected revenues of Ksh 1,240.0 billion (including and grants), the overall budget deficit (including grants) in 2014/15 is projected to be about Ksh 357.8 billion.

49. However, after taking into account net external financing of Ksh 165.8 billion (2.9 percent of GDP and domestic loan repayment receipts of Ksh 2.0 billion, this will leave a deficit of Ksh 190.1 billion (equivalent to 3.4 percent of GDP), which would be financed by net borrowing from the domestic market.

50. Total cumulative revenue collection including A-I-A by the end of November 2014 amounted to Ksh 517.2 billion which was below the target of Ksh 560.4 billion by Ksh 43.3

billion. Ordinary revenue amounted to Ksh 491.3 billion against a target of Ksh 513.2 billion (Ksh 21.9 billion below the target). This shortfall was as a result of the underperformance of all the broad categories of ordinary revenues except Other revenues which recorded a surplus of Ksh 1.6 billion; Income tax recorded the highest shortfall of Ksh 12.3 billion followed by VAT (Ksh 6.2 billion), Import Duty (Ksh 4.0 billion) and Excise duty (Ksh 1.0 billion. Cumulative ministerial A-I-A (inclusive of Railway Development levy) recorded an under performance of Ksh 21.4 billion.

51. Total expenditures and net lending amounted to Ksh 614.0 billion against a target of Ksh765.2 billion (or Ksh 151.2 billion below target) at the end of December 2014. The shortfall was as a result of underperformance in both the recurrent and development expenditures by Ksh 44.3 billion and Ksh 82.5 billion respectively. County transfers by December 2014 amounted to Ksh 83.6 billion against a target of Ksh 105.5 billion. The underperformance in development expenditures is due in part to the slow take off in domestically funded development programmes (inclusive of Equalization Fund) by Ksh 36.7 billion and foreign financed programmes by Ksh 46.0 billion.

52. Taking into account the performance of revenues and expenditures by the end of December 2014, the overall fiscal balance (on a commitment basis and excluding grants), amounted to a deficit of Ksh 96.8 billion (equivalent to 1.4 percent of GDP) against a targeted deficit of Ksh 204.8 billion (equivalent to 3.4 percent of GDP). Including grants, the fiscal balance (on a commitment basis) recorded a deficit of 1.3 percent of GDP against a targeted deficit of 3.0 percent of GDP. The deficit incurred at the end of December 2014 was financed through net foreign financing of Ksh 27.9 billion and net domestic repayments of Ksh 62.5 billion.

2.4 Economic Policy and Outlook

2.4.1 External Environment

53. With world growth in the first half of 2014 slower than expected, uneven and sluggish global recovery is projected. World economic output is expected to gradually strengthen from 3.3 percent growth in 2014 to 3.8 percent in 2015driven mainly by growth in advanced economies. Although the euro area has exited recession, growth remains anaemic, hampered

by high unemployment, large debt stocks, and tight private sector borrowing conditions. Despite deceleration in 2014, growth in emerging markets and developing economies is projected to increase modestly into 2015, supported by stronger domestic demand and slow recovery in global demand.

54. With increased strife in some countries in the region, the projected pickup in growth in 2014 of 2.7 percent in the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region is projected to increase to 3.9 percent in 2015, on account of security improvement, allowing for a recovery in oil production, particularly in Libya. Economic activity in the oil importers is projected to improve only gradually as they continue to deal with difficult socio-political transitions, subdued confidence, and setbacks from regional conflicts.

55. In Sub-Saharan Africa, growth is expected to remain strong, at about 5 percent in 2014 and 5¾ percent in 2015, driven by sustained infrastructure investment, buoyant services sectors, and strong agricultural production, even as oil-related activities provide less support. In a few countries, economic activities are facing headwinds from, recent ebola outbreak (Guinea, Liberia and Sierra Leon), inappropriate domestic policies (South Africa), and more recently, macroeconomic imbalances (Ghana and Zambia).

56. These projections are predicated on the assumption that key drivers supporting the recovery in advanced economies—including moderating fiscal consolidation (Japan being one exception) and highly accommodative monetary policy—remain in place. Projections also assume a decline in geopolitical tensions, supporting some recovery in stressed economies. Growth prospects across both advanced economies and emerging markets exhibit sizable heterogeneity.

2.4.2 Kenya's Growth Prospects

57. The macroeconomic forecasts are cautious considering the mixed performance of global growth and SSA growth and the continued downside risks for emerging market economies. The Macroeconomic Framework guiding the projections takes into account, the Government's national strategic objectives as outlined in the second Medium Term Plan (MTP) for the period 2013-2017 of Vision 2030 and the broad development policies of the Jubilee Government.

58. Real GDP is therefore projected to expand by 5.3 percent in 2014 from an earlier forecast of 5.8 percent in the 2014 BPS, 6.9 percent in 2015 and 7.0 percent in 2018. In terms of fiscal years, the projections translate to 5.5 percent in 2013/14, 6.1 percent in 2014/15, 7.0 percent in 2015/16 and 7.3 percent in 2018/19. The economic growth outlook is underpinned by continued good performance across all sectors of the economy. The projected growth assumes normal weather pattern in 2015 and the medium term. Inflation is expected to be maintained at a single digit level and near the 5 percent target reflecting implementation of a prudent monetary policy and easing of both food and oil prices, and stability of the shilling exchange rate to the major international currencies.

59. This level of growth will be supported by increased production in agriculture following the interventions being put to revamp the sector together with other measures specified earlier, continued investment in infrastructure projects, expansion of activities in other sectors of the economy such as building and construction, manufacturing, retail and wholesale and financial intermediation, among others. The growth will also benefit from increased investments and domestic demand, following investor confidence and the on-going initiatives to deepen regional integration.

60. The growth will accelerate in the outer years as issues suppressing growth are addressed which include: infrastructure development, removal of obstacles that includes cost of energy by increased geothermal generation, successful integration, financing access, opportunities for the SMEs, and the development of the oil and gas sector.

2.5 Risks to the National Outlook

61. The risks to the outlook for 2015/16 and the medium-term include:

(i.) Continued weak growth in advanced economies that will impact negatively on our exports and tourism activities. Further, geopolitical uncertainty on the international oil market will slow down the manufacturing sector.

(ii.) Public expenditure pressures, especially recurrent expenditures, pose a fiscal risk. Wage pressures and the inefficiencies in devolved services may limit continued funding for development expenditure.

(iii.) The impact of insecurity on tourism and depressed rainfall which could affect exports and agricultural production respectively remains a risk to the growth outlook.

(iv.) The government will undertake appropriate measures to safeguard macroeconomic stability should these risks materialize.

2.6 Likely impact on economic performance of the county

62. The economic growth as well as growth prospects of the country will impact positively to the economic environment of the county. High GDP over the medium term will results in increased revenue streams of the county. Since the County revenue base is 98 percent dependent on the national share, this means that increased GDP over time will resuts in increased equitable share to the County. The improved national economic growth is dependent on the Agriculture sector and this is replicated at the County level where majority of the population are farmers. Therefore, the County is expected to benefit from the national growth of the sector.

63. The economic growth of the county will highly depend on the increased investment of the key sectors like road infrastructure, agriculture and livestock sector, health and human capital investment (education). The opening up of new roads as well as continuous improvement is expected to increase production in agriculture, livestock and open up new areas for investments in the county. Marketing of farm produces will be improved and this will have direct impact to the income of the local population. The infrastructural investments are also expected to spur consumption at the household level thus boosting the revenue streams of the county in medium term.

2.7 County economic performance and prospects

2.7.1 Overview of County Economy

64. The main economic driver of the county is agriculture and livestock sector. This sector contributes 84 percent of the household income. Trade in the form of retail and wholesale is also a key sector that employs majority of the county population.

65. Tourism as well as mining sectors are still undeveloped but has the potential of turning the county around. Taking into consideration the high county's poverty levels standing at 68.7 percent that is contributing to 2.1 percent of the national poverty, these undeveloped sectors remain key in unlocking the full potential of the county.

2.7.2 Growth prospects and challenges

66. The macro economic stability enjoyed nationally is set to trigger down to the county. The stable exchange rate of the shilling, low interst rate as well as low inflation will help in making the business environment more competetive in the county. This stable macro economic conditions will also enable the business environment to be predictable and attractive to new entrants.

67. Owing to the good national economic outlook for the next financial year, the same outlook will be replicated at the county. Macro economic stability will help spur economic development initiatives at the county.The infrastructural expeditures that are being undertaken are expected to spur local consumption and increase the money supply in the local economy.

68. The county is likely to face lagged expenditure on development due to slow procurement processes and delay in release of funding by the exchequer due to disagreements over County Assembly Ceilings from the Controller of Budget. The introduction of E-procurement is also expected to slow procuremnt processes in the short run but in the medium term, it shall be the answer to the slow processes faced by the stakeholders in the supply chain management. The E-procurment is expected to increase efficiency and effectiveness of budget execution.

69. The Internal Revenue is still very low to cover the needs of the county and supplements the equitable share from the national government. A total of Kshs 96M is projected to be generated for the financial year ending 30th June 2015 with a high of KShs 164M for the FY 2015/16. This makes the county highly dependent on the national government and increases the risks and votality associated with the economic shocks affecting the national government. Internal Revenues include levies, rates, fees and entertainment taxes and charges for its services. Improving the business environment and automation of revenue collection as well as broadening the tax base can help improve the total revenue base.

2.8 Risk to implementation of priorities

(i.) *Volatility of the political environment and changing political priorities*: Operating in a political system may pose implemetation challenges as political scenarios changes and its unpredictability becomes a major risk in the operationalization of the policies and programs planned in the medium term.

(ii.) *Casus fortuitus*: Natural calamities also pose the greatest risk to the county's development agenda. The most common disasters include disease outbreaks for both livestlock and human, conflicts, landslide, gulley erosion, lightning, flooding and drought. These calamities can delay programs or lead to collapse of projects.Without proper contingency plans, funds meant for other programs can be redirected to mitigate against the effects of disasters.

(iii.) *Cash flow Flctuations and Unpredicability*: Internal revenue flow is unpredictable due to flactuations on a month to month basis. Same applies to equitable share from the national government. The release of the equitable share from the national government has not been regular and budgeting as well as planning for the funds becomes cumbersome thus leading to delays in commencement and completion of projects.

(iv.) *Inflation Rates:*High Inflation rate might destabilize the budgets thus inflating the cost of the projects. This is more pronounced for projects and programmes that rolls over for more than one financial year.

3.0 CHAPTER THREE: FISCAL AND BUDGET FRAMEWORK

3.1 Overview

70. The fiscal policy strategy recognizes that available resources are scarce and hence the need to focus on the county government's priority programs.It will therefore focus on: (i) maintaining a strong revenue effort; (ii) containing growth of total expenditures while ensuring a shift in the composition of expenditure from recurrent to capital expenditures; (iii) ensuring a significant shift in resource allocation towards CIDP priority social and economic sectors.

3.2 Fiscal Policy

71. Resources are a means to achieving the county government's vision and mission. As a result, the county government of West Pokot will continuously aim to strengthen local capacities to attract investment and increase its contribution to development in the county.
There is need for the county government to diversify its resource base and strengthen revenue collection. To achieve this, the county government will undertake the following steps to enhance revenue collection and the management of expenditure.

a) **Strengthening Governance, Management and Organizational Structure and Systems:** Efforts towards strengthening governance systems and structures in the county will continue. The management of the county resources will ensure clear definition of roles, powers and responsibilities. Transparent and accountable systems, internal controls and external audits will ensure prudent collection and utilization of the available resources. This will weed out corruption that robs the county government of revenue.

b) **Adopting electronic revenue collection and monitoring systems for services provided by the county government:** The County is set to adopt an electronic payment system that will be linked to the existing financial management system (IFMIS). This will also include payments via Mobile money transfers and agency banking systems.

c) **Enacting Cost-saving Measures:** Another way of mobilizing resources will be through reduction of overheads within the organization. The county government will substantially invest in ICT in order to enhance effective revenue collection. It will also cut down on non priority expenditure.

d) Enhancing Transparency, Accountability Financial Reporting and Auditing: The county government is committed to openness, transparency and accountability and service delivery to all the stakeholders. It will ensure that the burden and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations and promote an equitable and just society. Anti corruption measures will also be strengthen in all the county ministries to ensure public funds are not siphoned.

e) Strengthening planning, monitoring and evaluation and procurement systems: This will ensure proper identification and prioritization of essential expenditures and that value for money is realized. Proper system to ensure value for money in project implementation will be strengthened through close supervision and ensuring that all completed projects goes through acceptance and inspection committees before handing over to the client. Strong monitoring systems will be adopted to track expenditures as well as attainment of the project goals.

f) Asset Management: County government assets include land, buildings, revenue, human resources, vehicles and other machinery. The county government will manage its assets efficiently to ensure that it receives value for money when acquiring, using or disposing them. Continuous maintenance and improvement of its buildings will be undertaken. All grabbed public land will be repossessed. It will also ensure that the respective county government entities have adequate systems and processes in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the County Treasury or the Auditor-General. All public officers are also expected to provide information on any frauds, losses, or any violations of the existing legislation on asset management. In addition, Continuous investment on human resource to achieve the best result will be enhanced.

3.3 Fiscal performance

72. The total revenue forecast for FY 2014/15 was Ksh 4,240,200,777.47 for which KSh 410,270,625.60 was the balance rolled over of recurrent, development and revenue surplus from FY 2013/14 . The referred surplus resulted due to low absorption by departments owing to late funds disbursement, delay in procurement, capacity gaps in ministries and low capacity of contractors. Development partners' financing strategy in the county has not been effectively harmonized. A policy guideline on reporting finances and development projects and programs will be developed to ensure development partners are brought on board to

participate in the collective development agenda of the entire county, in implementing the county integrated development plan.

3.4 Summary of County Fiscal Performance for FY 2014/2015

Table 1: Internal Revenue Performance

Revenue Stream	Revenue Estimates FY2014/15	Actual Half Year Revenue collections FY2014/15	% Collection by Revenue Stream Target	% Contribution by Revenue Stream to Total Collection
Kiosk Rent	1,252,800	1,463,610	116.83	3.04
Single Business permit	10,915,800	1,698,090	15.56	3.52
Market Fee	4,007,950	1,977,081	49.33	4.10
Building Approval	304,000	105,000	34.54	0.22
CESS	5,842,980	3,135,008	53.65	6.51
Royalties	10,148,100	11,144,650	109.82	23.13
Stock/Slaughter fees	6,383,500	6,223,381	97.49	12.92
House Rent	3,095,200	138,700	4.48	0.29
Advertising	29,150	288,040	988.13	0.60
Parking Fees	500,000	1,251,635	250.33	2.60
Renewals/Applications	500,000	715,790	143.16	1.49
Other Fee and Charges	3,718,000	5,939,447	159.75	12.33
Liquor Licensing	500,000	-	0	-
Health(Cost Sharing)	35,000,000	10,814,064	30.9	22.45
Trade	5,000,000	422,427	8.45	0.88
Lands	5,000,000	2,351,065	47.02	4.88
Livestock/Permits	4,000,000	507,510	12.69	1.05
TOTAL	**96,197,480**	**48,175,497**	**50.08**	**100.00**

Source: County Treasury

73. Internal Revenue collection performance for the first half period for FY 2014/15 is at 50.08 percent. Revenue from advertising surpassed the targets set by 988%, parking fees by 150% , Kiosk renewals by 43% and rent by 16%.There was no revenue collected on liqour licensing for the period under review. This performance is generally not satisfactory given the high targets set for the year. However,adequate measures have been put in place to ensure the remaining revenue targets are met and surpassed to avoid a budgetary deficit.

Table 2: Total Expenditure Performance by County Ministries

	Ministerial Department	Recurrent estimates FY 2014/2015 Kshs	Actual recurrent expenditure Kshs.	Development estimates FY 2014/2015 Kshs	Actual development expenditure Kshs.	Total estimates FY 2014/2015 Kshs	Total actual expenditures Kshs.
1.	Office of the Governor	1,133,859,864.54	652,697,954	157,653,700.70	62,786,217	1,291,513,565.24	715,484,171
2.	Finance and Economic Planning	90,061,027.00	28,432,630	70,500,000.00	31,003,102	160,561,027.00	59,435,732
3.	Roads, Public Works and Transport	50,719,307.94	16,155,357	352,947,471.10	164,052,391	403,666,779.04	180,207,748
4.	Health and Sanitation	405,951,090.00	77,098,551	290,032,200.90	114,148,631	695,983,290.90	191,247,182
5.	Education and ICT	169,422,084.00	38,707,955	112,716,695.50	14,172,531	282,138,779.50	52,880,486
6.	Agriculture and Irrigation	40,080,511.60	7,255,930	158,259,843.00	53,571,497	198,340,354.60	60,827,427
7.	Livestock, Fisheries and Veterinary Services	32,358,947.00	11,623,365	102,631,043.95	39,269,358	134,989,990.95	50,892,723
8.	Trade, Industry and Cooperative Development	29,082,629.00	7,400,782	117,407,881.70	40,678,298	146,490,510.70	48,079,080
9.	Lands, Housing, Physical Planning and Urban Development	39,569,301.00	17,179,003	125,018,505.75	61,337,674	164,587,806.75	78,516,677
10.	Water Dev., Environment and Natural Resources	38,905,944.00	13,646,735	173,905,550.00	52,276,254	212,811,494.00	65,922,989
11.	Tourism, Culture, Sports, Youth and Gender Dev.	37,114,213.23	7,089,040	97,249,670.10	34,924,471	134,363,883.33	42,013,511
12.	West Pokot County Assembly	327,100,295.46	199,062,849	87,653,000.00	53,289,587	414,753,295.46	252,352,436
	TOTAL	**2,394,225,214.77**	**1,076,350,151**	**1,845,975,562.70**	**721,510,011**	**4,240,200,777.47**	**1,797,860,162**
	Percentage Allocation	**56.46**		**43.54**			
	Percentage absorption		**44**		**39**		**42**

74. The actual half year County recurrent and development expenditure is 44.98% and 39.09% respectively. This corresponds to an average half year county absorption rate of 42.41%. In overall, the County is on track to achieving the set fiscal targets for recurrent expenditure and internal revenue collection . However, there is need for more absorption of development funds in the remaining half of the financial year.

75. The low absorption of development funds is atrributable to the slow procurement process and late approval of the county budget by the controller of budget. Most of the projects are yet to be started and this will affect the overall fiscal performance of the County.

3.5 Fiscal Reforms

76. The fiscal policy for the FY 2015/16 Budget aims at internal revenue of more than 70 percent of the FY 2014/15 internal revenue collections. To ensure this revenue performance is achieved various tax reforms will be implemented in the medium term. Some of these reforms include:

- Enhancing resource mobilization and broadening of revenue base; revenue collection efforts will be enhanced to ensure all potential taxpayers make their contribution towards the county's development agenda. Revenue administration capacity will also be strengthened through organizational and modernization reforms. Greater focus will be on collection of land rates with an annual revenue potential of Ksh.100 Million.
- Introduction of parking fees at Makutano town upon completion of renovation works.
- Introduction of electronic revenue collection of taxes, rates and fees.
- Expenditure rationalization with cuts on non- productive areas and wasteful expenditure.

3.6 Resource Envelope

3.6.1 County Equitable Share

77. This is an unconditional allocation to County Governments in accordance with the formula for sharing revenue approved by parliament under Article 207 of the constitution. This is the main source of revenue for the county government of West Pokot for financing both recurrent and development expenditure. It is expected that Ksh. 4,284,358,741.00 will be realized for the 2015/16 budget period from this allocation.

3.6.2 Internal Revenue

The County is projecting to collect KShs 217M from the internal sources. Land rate is expected to contribute 46 percent of this amount while Health is to provide 20 percent of the projections. The Internal revenue Projections are as listed in Table 4.

3.7 FY 2015/16 Budget Framework

Table 3: Revenue Projections by Source

Revenue	2014/15 Kshs	2015/16 Ksh
1. National Revenue		
a) Equitable share	3,672,727,375.00	4,284,358,741.00
b) Equalization fund	-	-
c) Conditional Allocation(Donor funds - DANIDA)	10,512,000.00	12,180,000.00
d) Conditional allocation(National Government Revenue)	-	203,754,505.00
2. Own Revenue Sources		
e) Revenue From Local Sources	96,197,480.00	227,308,244.00
Total FY2015/16 County Budget	**3,779,436,855.00**	**4,727,601,490.00**

78. The table 3 above provides estimates of revenue allocation to the County for the FY 2015/16. The allocations comprise of the equitable share of Ksh. 4,284,358,741.00 which is a 20 percent increment from last equitable share. In addition, a conditional allocation of Ksh. 12,180,000.00 is made to the County Government from the National Government's proceeds as grants from development partners (DANIDA). This proceed is a grant from the government of Denmark to supplement financing for county health facilities.

79. Another conditional allocation of Ksh. 203,754,505.00 is also made to the county government from the National Government's revenue. This comprise of Ksh. 41,260,800.00 conditional allocations in support of free maternal health care. This grant will be transferred to the county government on a reimbursement basis, upon confirmation that the county government provided maternal health care services in their health facilities in accordance with the agreed specifications. It also comprise of Ksh. 95,744,681.00 conditional allocation for leasing of medical equipment for at least two health facilities in the county to facilitate easy access to specialized healthcare services and KShs 11,950,786.00 to support hospitals as a pro-poor policy. Also, Ksh.54,798,238 conditional allocation from Roads Maintenance Fuel Levy fund to enhance County Government's capacity to repair and maintain county roads. A total of Kshs 227,308,244.00 is anticipated to be collected as internal revenue as depicted in Table 4 below:

3.8 Revenue Projections 2015/16

Table 4: Internal Revenue Projections

REVENUE SOURCE	SUMMARY OF COUNTY REVENUE FUNDING PROJECTIONS OVER TIME			
	2013/2014	**2014/2015**	**2015/2016**	**2016/2017**
Kiosk rent	1,138,800.00	1,252,800.00	3,200,000.00	4,500,000.00
Singe business permit	9,923,600.00	10,915,800.00	16,000,000.00	18,000,000.00
Market fee	3,643,600.00	4,007,950.00	6,000,000.00	7,500,000.00
Building approval	277,000.00	304,000.00	500,000.00	1,000,000.00
Cess	5,311,800.00	5,842,980.00	6,200,000.00	7,500,000.00
Royalties	9,225,600.00	10,148,100.00	13,100,000.00	13,000,000.00
Stock	5,803,252.00	6,383,500.00	6,850,000.00	7,200,000.00
House rent	2,813,866.00	3,095,200.00	3,500,000.00	4,200,000.00
Advertising	26,500.00	29,150.00	576,080.00	200,000.00
Parking		500,000.00	2,503,270.00	1,300,000.00
Liquor licensing		500,000.00	1,000,000.00	1,200,000.00
Other fees and charges		3,718,000.00	11,878,894.00	6,700,000.00
Health		35,000,000.00	40,000,000.00	44,000,000.00
Trade		5,000,000.00	10,000,000.00	13,000,000.00
Lands		5,000,000.00	100,000,000.00	120,000,000.00
Livestock		4,000,000.00	6,000,000.00	7,000,000.00
Grand totals	**38,165,375.00**	**96,197,480.00**	**227,308,244.00**	**257,300,000.00**

80. The highest contributor is expected from the land rates. The land reforms being undertaken in the County through establishment of land registry at the County and other measures is expected to generate the county with more than Kshs 100M. Revenue from other health is also projected to generate about Kshs 44M.

3.9 Strategy to realize the Fiscal Responsibility Principles

The county government will undertake Steps to comply with the Fiscal Responsibility Principles identified in the public finance management act 2012.Over the medium term, the county budget shall be balanced hence borrowing is unforeseen. Other strategies include:

- Development of a fiscal risk management plan by the county treasury.
- Enactment of the county finance bill (act). This will provide a reasonable degree of predictability with respect to the level of tax rates and tax bases.
- Ensuring that atleast 35 percent of the county revenue shall be allocated to the development expenditure.
- Monitoring and evaluation of county recurrent expenditure in relation to the total county revenue to ensure it remains sustainable. This will include cutting down on non priority recurrent expenditures.
- Ensuring that, expenditure on wages shall not exceed forty percent of the total county revenue. To achieve this, the county will undertake payroll cleansing, staff rationalization program, identification and trimming off of excess personnel to ensure a lean and productive workforce. It will also recruit new staffs only under exceptionally needy circumstances.

3.10 Borrowings Guaranteed by the National Government

81. The County Government of West Pokot will not secure loans in the FY 2015/2016. However, in future the county government will take loans within and outside Kenya to finance capital projects. This will be done with the approval of the county assembly and guarantees from the national government. While raising these loans either for cash management purposes or for project financing, it will ensure that the loan and the terms and conditions for the loan are set out in writing and are in accordance with;

a) Article 212 of the Constitution,

b) Sections 58 and 142 of the public finance management act (2012),

c) The fiscal responsibility principles and the financial objectives of the County Government set out in its most recent County Fiscal Strategy Paper,

d) The debt management strategy of the county government over the medium term.

82. In borrowing money, the County Government will also ensure that it's financing needs and payment obligations are met at the lowest possible cost in the market that is consistent with a prudent degree of risk, while ensuring that the overall level of public debt is sustainable.

3.11 Development partners' support

83. A mobilization desk is being established to mobilize resources from other agencies like governments, UN Agencies, Multi-Donor Trust Funds, Inter-Governmental Organizations, International Financial Institutions (IFIs) and private donors, including private sector entities and foundations.

3.12 Corporate Social Responsibility

84. To support the county government's efforts, support from corporate companies to offer support in the areas of health, education, environment, entrepreneurship, water and sanitation, welfare and sports shall be sought. The county government believes corporate institutions in west Pokot and other areas will continue to be a caring partner for all our communities.

3.13 Public Private Partnerships

85. The County Government will promote this initiative to contribute to the socio-economic transformation of the people of West Pokot. However, Scrutiny of PPP projects will be done carefully to preserve fiscal discipline and safeguard the interests of taxpayers.

3.14 Deficit, Debt Policy and Debt Sustainability

86. The County Government is taking all measures ensure there is balance between the resources available and the priorities identified for implementation. The borrowing plans will remain anchored in the medium term debt management strategy which is built on ensuring public debt sustainability. The County Government will in future ensure that the level of domestic borrowing does not crowd out the private sector given the expected increase in private investment with accelerated economic expansion brought about by devolved system of governance. With the increased appetite for funding of heavy capital projects there is need

of being cautious on the levels of debt accumulation. The Debt Management Strategy is expected to be in place with the County Fiscal Strategy Paper.

3.15 Challenges in Budget Execution

87. The following challenges have negatively affected budget preparation and implementation: high public expectations on performance on the County Government despite the limited resources it has, rolling over of funds across financial years due to slow implementation pace of development projects and programmes, delay in disbursement of equitable share from the national government, human resource capacity gaps in the county with regard to prioritization, budget preparation and budget execution, political and or economic shocks and risks e.g livestock disease outbreaks affecting revenue generation, drought and other macroeconomic shocks.

88. This could negatively affect revenue collections. Others include the challenge of resource allocation, coordination and implementation of the shared functions, lengthy procurement procedures and poor documentation by County Ministries. The County Government will put in place measures to address these challenges through capacity building, contingency planning and consultation with the national government and other stakeholders.

3.16 Summary

89. Efficiency and economical spending of government resources will be enhanced to create room for critical interventions and pro-poor spending. This is expected to spur development and reduce poverty.

4.0 CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK

4.1 Ministerial Expenditure Sector Priorities and their Justification

4.1.1 Public Administration Sector

County Executive

90. This office consists of the executive office of the Governor. It is charged with the mandate of providing overall County leadership in the formulation and implementation of County economic and social Policies by ensuring the Government works in harmony through improved policy direction, coordination, and information sharing among the County Government Ministries, Departments and Agencies.

91. In the FY 2015/2016 and over the medium term, the following County executive priorities will be pursued; To improve County governance, administration and decision making processes for improved social, economic and political environment, Strengthen intergovernmental relations among our neighbouring counties and the national government in the spirit of mutual cooperation and respect and Strengthen mobilization of external resources.

92. Specifically the County executive will spearhead the investor's conference, Profiling and mapping of new investment opportunities, civic education and peace building activities and support devolution through continuous engagement with the Council of Governors and development partners' consortium.

93. In summary, all the programs/projects that will be financed during the 2015/16-2017/18 MTEF budget include the implementation of the Constitution, the CIDP 2013-2017 and its flagship projects, Governor's manifesto priorities and many other sub-sectors' specific priorities. All these are aimed at accelerating growth, reducing poverty, transforming the structure of the county economy and creating more jobs, as the county prepares to achieve middle income status by 2030.

94. The County Executive has the office of the Governor, subcounty and ward administration, county treasury and public service board. This vote is under Ceiling of Kshs 396M and has been given a final ceiling of Kshs 418M including development of Kshs 60M .

Public Service Management

95. This is a new Ministry that is strategic in providing sound leadership through coordination of county public service management and Disaster management. In the FY 2015/16, stregthening of human resource management, press, legal, records management, protocol and county administration and coordination units will be given a priority to enable them deliver on their key result areas. Completion of decentralized units offices, disaster management and county coordination will also be given a priority to ensure provision of quality and responsive public services throughout the county. The sub-sector will also prioritize the development of policies, Legislations and regulations that supports full implementation of the subsector mandates. These policies and legislations include County disaster management bill, civic education bill, county training policy, and Public participation bill.

Finance & Economic Planning

96. The Ministry of finance and economic planning is charged with the responsibility of formulating sound economic, fiscal and financial policies that facilitate socio - economic development. This responsibility makes the ministry strategic and central to the county's economic management, as all sectors of the economy look upon it to create an enabling environment in which they can operate effectively and efficiently.

97. Over the medium term the subsector priorities include: Providing leadership in harmonized Development planning that ensures inclusiveness, equity, justice and sustainable development, Ensuring coordination, preparation and timely implementation of the County budget, improving internal revenue collection by over 100 Per cent, develop and implement effective and efficient County procurement systems for improved service delivery and value for money, Undertake effective financial management and strengthen internal control systems in the county to safeguard public resources.

98. In the FY 2014/15 the sub-sector was allocated Ksh. 160,561,027 representing 3.79 % of the total supplementary budget. Most of the spending went to infrustructure development specifically the construction of county treasury building,construction of 2 modern toilets at

Makutano,revenue automation and construction of pokot south sub-county planning/Revenue office.

99. Staff capacity building, internet connection to integrate IFMIS in the new building, equiping of the new county treasury building and the implementation of Masol integrated development programme will be prioritized in the FY 2015/16. Masol integrated programme is expected to accelerate the realization of MDGs targets for the ward. The MDG indicators are not satisfactory in this ward as is the most marginalized area of the County. Thus, this is a deliberate move by the County to uplift the living standards of Masol people.

County Assembly

100. The County Assembly is mandated with oversight , representation and legislative role for the county. The assembly therefore plays a crucial role in strengthening the democratic space and good goverance in the county. This Vote is also under ceiling from CRA of Kshs 417 and has been allocated Kshs 474M with KShs 100M being for Development. This allocation accounts for 10.24 percent of the total allocation.

101. During the FY2014/15 the County Assembly was allocated KSh.414,753,295.46 representing 9.78% of the total supplementary budget. Most of the spending went to recurrent expenditure which accounted for 78.87%. The County Assembly's priorities over the medium term are; completion of the county assembly restaurant, rolling out phase two of the Modern County Assembly construction and resource allocation for mortgage and loans.

4.1.2 Agriculture and Rural Development Sector

102. The goal of the sector is to attain food security,sustainable land management, affordable housing and sustainable urban infrastructure development. In terms of contribution to GDP, the agricultural sector directly contributes 25.3 percent of the GDP valued at Ksh.961 billion.The sector also contributes approximately 27percent to GDP through linkages with manufacturing,distribution and other service related sectors. It further accounts for about 65 percent of Kenya's total exports, 18 percent and 60 percent of the formal and total employment respectively(economic survey 2014).

Agriculture and Irrigation

103. Agriculture in West Pokot County significantly contributes towards enhancement of food security & employment in the County and to other parts of Kenya. The strategy of the

Ministry is to create an enabling environment for farming and provide support services to the medium and small scale farmers.

In the FY 2015/16 and over the MTEF period, the sub-sector will focus its efforts on:

i. Establishment and development of irrigation schemes.
ii. Establishment of a county agricultural training centre.
iii. Strengthening land development, agricultural extension services and environmental conservation.
iv. Value chain development and promote competitive, innovative, commercially oriented and modern agriculture.
v. Promotion of good agricultural practices through establishment of the demonstration plots, soil testing and plant clinics.
vi. Farm inputs subsidy for fertilizers and traditional high value crops.
vii. Carry out agricultural exhibitions/shows and construct sub-county offices to improve work environment and service delivery.

104. Enhancing irrigation farming will increase food production thus improving food security in the Sub-Counties that relies mainly on relief food. In the FY 2014/15 this sub-sector was allocated Ksh. 198,340,354.60 representing 4.68 % of the total supplementary budget. This sub-sector was not adequately funded and the budget is expected to increase in FY 2015/16 to approximately 6% of the total budget, reflecting the increasing important role of agriculture and irrigation in promoting growth, food security and poverty reduction. Priority consideration will be given to on-going projects, and wards which identified agriculture and irrigation projects as ward flagship projects.

Livestock development, Veterinery Services and Fisheries

105. A large portion of the county's population practice livestock production owing to existing favourable semi-arid ecological conditions. Livestock proceeds contribute significantly to household incomes and revenue to the County at large. The sub-sector will prioritize strategies that will increase livestock productivity. In the FY2014/15, the sub-sector was allocated KShs 134,989,990.95 accounting for 3.18% of the total revised budget. This is set to increase to 5.3 percent of the County revenue.

106. The sub-sector's medium term priorities include promotion of livestock breeds, improvement of market infrastructure and value addition, control of livestock diseases,

provision of extension and training services, establishment of strategic livestock feed reserve, re-seeding programme, establishment of pastoral training centre, promotion of fish and camel farming.

Lands, Physical Planning, Urban Development and Housing

107. The sustainability of the lives and livelihoods fundamentally depends on land as a natural resource. The medium term priorities for the sub-sector comprises: Mutation surveys for assurance of title deeds, topographical survey /county projects mapping, land adjudication programmes, cadastral surveys of public land, resolution of general boundary disputes, county boundary survey and planning, taking inventory and renovation of (former municipal and county houses, government pool and institutional houses and securing land for future housing development and in which the houses stand, planning of centers/towns, completion of County Spatial Plan, preparation of Part development plans- for public institutions/offices, public sensitization on matters of physical planning, policy formulation(County spatial planning bill, Development control bill), Makutano car parking phase II, town beautification, construction public toilets(2) at Makutano town, detention yard (stray animals and towed vehicles), Aramaket arboretum, street lighting (electric and solar), maintenances of town roads, traditional/alternative dispute resolution and investigation of the status of public land.

108. In FY 2014/15 the sub-sector was allocated Ksh164, 587,806.75 representing 3.88% of the total revised budget. In FY 2015/16 the sub-sector budget needs more resources to accomplish development of county spatial plan, planning of urban areas, continuation of land adjudication and consideration to be given to on-going projects. An allocation of Kshs153M has been provided to this County ministry to ensure the County achieve its objectives of collecting land rates that is projected to be Kshs 100M as internal revenue.

4.1.3 General Economic, Commercial & Labour Affairs Sector

Trade, Industry, Cooperatives and Energy

109. Global competition plays a vital role in creating an enabling environment for trade development, promotion of industrial development and investment. Industrialization is a key productive sector for economic growth and development due to its immense potential for wealth and employment creation as well as poverty alleviation. Trade sub-

sector programmes are geared towards creating an enabling business environment and implements a core poverty programme that provides affordable business credit and entrepreneurial business development services to Micro and Small Enterprises (MSEs) with the aim of reducing poverty and unemployment.

110. The sector priorities over the medium term include: development of market infrastructure (market construction), value addiction on Five Value Chains Products (coffee, milk, mangoes, honey and onions), establishment of Traders Credit Scheme, purchase of Market Land/Plots, securing of existing markets, improving other social amenities e.g. water, Purchase of Standards and Standard Equipments for Weights and Measures, constructions of Jua Kali Sheds and providing equipments, Capacity Building on MSMEs and Cooperatives through training, establishment of Business Information Centers. The sector so envisages to promote cooperative movement in the county by strengthening cooperatives through sound policies and regulations and value addition technologies especially on milk through establishing more milk cooling plants and milk processing plants.

111. In FY 2014/15 the sector allocation was KShs 146,490,510.70 representing 3.45% of the total revised budget. The ministry's allocation in the budget 2015/16 is KShs 113M representing 2.4 percent.

4.1.4 Energy and Infrastructure Sector

Roads, Public works and Transport

112. The sub-sector aims at providing efficient, affordable and reliable infrastructure for sustainable growth and development. This is due to the fact that an efficient and effective infrastructural system is an engine for socio-economic transformation.

113. During the FY 2014/15, the sub-sector was allocated K.Sh 403,666,779.04 to facilitate its functions of roads design, construction, maintenance, drainage and transport works representing 9.52% of the total revised budget. The strategic objectives of the sub-sector over the medium term include: completion of on-going sector projects for 2014/15 FY, maintenance and rehabilitation of existing roads, construction of footbridges and opening up of new roads in rural areas to economically empower rural populations, renovation and expansion of Kishaunet airstrip, educating and training of Boda-Boda operators to enhance road safety.

114. Next FY, this vote is expected to get an increase due to continue with the road works with KShs 451.4M expected to be utilized by this Ministry.

4.1.5 Health Sector

Health and sanitation services

115. A healthy population is a prerequisite for enhanced economic growth and poverty reduction. The Kenya Vision 2030 envisages provision of equitable and affordable healthcare at the highest affordable standards. Further, this is anchored in our constitution under the Bill of rights. The sector's budget allocation for 2014/15 FY was Ksh. 922,530,200 accounting for 24.41% of the total revised budget. Out of this, 41.67 % was allocated to development projects.

116. Over the medium term, the Health sector will seek to address health related challenges through; provision of improved preventive, curative, and rehabilitative health care services, investment in infrastructural development both for health facilities and sanitation, procurement of medical supplies and equipment and continued staffing and training of health professionals to improve human resource manpower as well as enhance efficient service delivery to its residents. The Health Ministry is expected to get KShs 1.244B to run its activities.

4.1.6 Social Protection, Youth, Culture & Recreation Sector

Tourism, Culture, Sports and Social Development

117. The tourism sub-sector remains one of the leading foreign exchange earners and a major contributor of employment in Kenya, contributing about 10% of the GDP and also providing a market for goods produced in other sectors and is thus key to attainment of the economic pillar of Vision 2030. The sub-sector will implement policies that will ensure sustainable tourism development in the County. In FY 20134/15 the sub-sector was allocated ksh134, 363,883.33 accounting for 3.17% of the total revised budget.This allocation is expected to rise in the 2015/16 budget to KShs 132M representing 2.8 percent .

118. The sub-sector priorities in the FY 2015/16 and over the MTEF period include: ensuring Gender equity in county appointments and promotions, empowerment of PLWDs,

youth and women (setting up a revolving fund), development of social amenities like social halls and conservancies, Gender, Youth and Disability mainstreaming in county policies, programs and projects, registering, trade marking, supporting and marketing women cottage industries products such as Pokot traditional ornaments, bracelets and clothing, develop the youth talents through sports and cultural exhibition, construction of the main stadium in Kapenguria, support Paralympics in the county, national and international competitions, establish county tourism brand and marketing board, preserve, document and market the Pokot culture and cultural artifacts, licensing and sensitization on the dangers of drugs and substance abuse, provision of cash transfers/ social assistance funds for the elderly and the disadvantaged, establishment of a classified tourism hotel and lodges and identification, securing and documentation of tourists sites (Mapping).

4.1.7 Environmental Protection and Water Sector

Water, Environment and Natural Resources.

119. The main mandate of this sub-sector is to provide clean, secure and sustainable environment by promoting the quality and preservation of the county's environment and natural resources. The overall goal of Environment and Water Sector is to attain a "clean, secure and sustainable environment" by 2030. This sector provides critical linkages with the main productive sectors namely agriculture, tourism, manufacturing and energy. These sectors are heavily dependent on use of natural resources that are derived from the environment. Environmental issues are also closely linked to other sectors of the economy such as development planning, population dynamics, finance, public health and sanitation, and trade.

120. Given the county is ASAL; water is key priority to the citizens. Improved sources of water comprise protected springs, protected wells, boreholes, piped water into dwellings, piped and rain water collection while unimproved sources include pond, dam, lake, stream/river, unprotected spring, unprotected well, jabia, water vendor and others. In West Pokot County, 25% of residents use improved sources of water, with the rest relying on unimproved sources.

121. In the medium term, the sector priority includes: Gravity water supply from Chemasiwasis to Amakuriat in Alale, drilling of two boreholes at Losam and Leyo in

Kapchok ward, two at Reretiang and Karameri in Kodich ward, water supply schemes in entire Batei ward, construct water intake at Chepkukui hill in Sigor to supply water to adjacent villages, construct water intake at Lorusuk and Kalapata hill in Alale to supply water to Alale area, rehabilitate Kacheliba water supply and extend pipeline to Kodich, support Muruny –Chepareria community water project to serve Chepareria and Chesra, construct reservoir at Tartar stream to supply water to Poole, Serewo and Tyinei, operationalize all the 8 gazetted water supply in the county, enact the gazettement of the county water act, de-silt all the water pans, operationalize Siyoi dam to supply water to Mnagei zone (Muruny dam water project), construct 20 water intake and pipe water to communities in Lelan, exploit renewable energy to pump water in boreholes and provide water treatment at household and water points.

122. During the FY 2014/15 the sub-sector was allocated Ksh 212,811,494.00 which is 5.02% of the total county revised budget. There is need for more resources to be allocated to the sub-sector in the FY 2015/16 to meet the scarcity of water in the county. Consideration will be given to wards with water projects identified as flagship projects. A total of Kshs has been allocated to this ministry to prop up its activities. This represent 6.37 percent of the total county revenue.

4.1.8 Education Sector

Education, Communication and Information Technology

123. The success of turning Kenya into a globally competitive and a prosperous nation is hinged on the performance of the Education Sector. In the Kenya Vision 2030, the government recognizes that Kenya’s main potential is in its people; their creativity, education, and entrepreneurial skills. Therefore, this sector has a responsibility of facilitating the process of inculcating knowledge and skills necessary for uplifting the country to a globally competitive country.

124. The sub-sector medium term sector priorities includes: provision of school bursary and scholarship to needy students and those in professional courses, expand and equip existing youth polytechnics, school feeding program for ECDE, operationalization of County Training Center for the pre-primary school teachers, improve the learning conditions in the existing

schools, at least 2 model school of excellence per constituency, increased school assessment and monitoring, strengthen school monitoring by providing means, partner between communities and develop agencies to support non TSC teachers' salaries, partner with two more universities to open up their constituent college in the county, running county government on an e-government platform, use of multiplicity of ICT tools, all county development projects shall be located in the GIS, provision of learning and teaching materials in primary schools, construction of science facilities in secondary school, construction of dormitories in four schools, recruitment of 300 ECD teachers, primary school infrastructure development, primary school computer project, West Pokot Technical Training Institute, ECDE capitation grant and improvement of existing Youth Polytechnics.

125. In the FY 2014/15 the sector was allocated Ksh.282,138,779.50 which accounts for 6.65% of the total supplementary budget. There is need to allocate more resoureces in FY 2015/16 to improve the school infrustructure and quality of education. A bursary of Kshs 150 million has been proposed under this ministry to cater for the increased cases of needy students. In general, KShs 523M has been proposed as the ceiling for this ministry.

4.2 Emergency fund and Disaster Risk Reduction

126. An allocation of Ksh 30 million will be provided in FY 2015/16 to respond to disasters that are likely to occur in the county to build citizen resilience through capacity building, strengthening recovery and early warning system. The most prevalent disaster risks in the County include: drought, floods, landslide, lightning strikes and effects of climate change, road accidents, ethnic violence, and fire outbreaks. All Ministries/departments in the County are required to mainstream disaster risk reduction in their budgets, work plans, policies, programmes and projects.

4.3 Areas to Review Levels of Expenditure

These areas include:

i. Travel costs: Unnecessary travel costs should be avoided where possible especially on travels that do not improve on productivity,performance, efficiency and effectiveness in service delivery.
ii. Purchase of additional vehicles.The 2013/14 budget made significant allocation for this and county ministries should cut down on this expenditure in the 2015/2016 budget.
iii. Renovations of old government buildings. Efforts to cut down on this should be made.

iv. Construction of new buildings is being scaled down to free funds to priority areas.

4.4 Measures to generate savings and ensure value for money

a) The county government has implemented steps to generate savings and ensure value for money.These steps include:
b) Strengthening procurement systems
c) Strengthening inspection and acceptance committees
d) Strengthening monitoring and evaluation and audits of projects and programmes
e) A transport policy is being developed to address control on use of county govermnment vehicles and fuel. This is expected to stop abuse on the use of government vehicles.

4.5 Budget Ceilings

Table 5:2015/16 Budget Ceilings

Vote/Items			Revised Estimates	Tentative Ceilings	Final Ceilings	% to Total Budget
	Financial year		2014/15	2015/16	2015/16	2015/16
1	County Executive	Subtotal		276,904,808	418,154,808.00	3.72
		Rec. Gross	273,651,694.00	-	358,154,808	
		Dev. Gross	157,653,700.70	-	60,000,000.00	
2	Public Service Management	Subtotal	838,043,902.54	196,500,000	175,250,000.00	3.72
		Rec. Gross		-	135,250,000.00	
		Dev. Gross		-	40,000,000.00	
3	Finance & Economic planning	Subtotal	160,561,027	246,605,746	139,855,746.00	2.97
		Rec. Gross	90,061,027	-	79,855,746	
		Dev. Gross	70,500,000	-	60,000,000.00	
4	Roads, Public works, Transport and communication	Subtotal	403,666,779.04	421,159,294.55	451,409,295.00	9.57
		Rec. Gross	50,719,307.94	-	132,565,712	
		Dev. Gross	352,947,471.10	-	318,843,583.00	
5	Health and sanitation services	Subtotal	695,983,290.90	1,100,401,355	1,232,223,314.60	26.13
		Rec. Gross	405,951,090	-	992,005,427	
		Dev. Gross	290,032,200.90	-	240,217,888.00	
6	Education and ICT	Subtotal	282,138,779.50	435,687,196	523,230,532.00	11.10
		Rec. Gross	169,422,084.00	-	349,230,532.00	
		Dev. Gross	112,716,695.50	-	174,000,000.00	
7	Agriculture and irrigation	Subtotal	198,340,354.60	270,788,802	285,538,802.00	6.06
		Rec. Gross	40,080,511.60	-	109,833,424	
		Dev. Gross	158,259,843.00	-	175,705,378	

8	**Livestock, Fisheries and co-operative development**	Subtotal	134,989,990.95	260,541,607	254,499,850.00	5.40
		Rec. Gross	32,358,947.00	-	140,269,364	
		Dev. Gross	102,631,043.95	-	114,230,486.00	
9	**Trade, industry and energy**	Subtotal	146,490,510.70	120,450,378	113,700,378.00	2.41
		Rec. Gross	29,082,629.00	-	49,632,208	
		Dev. Gross	117,407,881.70	-	64,068,170.00	
10	**Lands, physical planning & housing**	Subtotal	164,587,806.75	164,738,817	153,988,817.00	3.27
		Rec. Gross	39,569,301.00	-	88,988,817	
		Dev. Gross	125,018,505.75	-	65,000,000.00	
11	**Water dev. Environment, Natural resources and disaster management**	Subtotal	212,811,494.00	307,784,365	301,034,365.00	6.38
		Rec. Gross	38,905,944.00	-	70,034,365	
		Dev. Gross	173,905,550.00	-	231,000,000.00	
12	**Tourism, culture, sports and social development**	Subtotal	134,363,883.33	159,285,582	132,535,582.00	2.81
		Rec. Gross	37,114,213.23	-	49,008,896.00	
		Dev. Gross	97,249,670.10	-	83,526,686.00	
13	**West Pokot County Assembly**	Subtotal	414,753,295.46	355,161,579	484,000,000.00	10.26
		Rec. Gross	327,100,295.46	-	384,000,000	
		Dev. Gross	87,653,000.00	-	100,000,000.00	
	Car loans and Mortgages	Recur	-	-	50,000,000	1.06
	TOTAL		**4,240,200,777.47**	**4,251,009,530**	**4,715,421,490**	**100**
		Total Development			1,726,592,191	36.62
		Total recurrent (A)			2,988,829,299	63.38
		Total wage Bill (B)			1,599,598,659	33.92
		Operations and Maintenance			1,389,230,064.00	29.46

Source: County Treasury

126. From Table 5 above, the wage bill is expected to take 33.9 percent of the FY 2015/16 budget while Development is taking 36.62 percent. Operation and Maintenance stands at 29.46 percent of the total county revenue. Development expenditures are shared out on the basis of county integrated development plan (CIDP) priorities as well as other strategic interventions to deal with unemployment and remove constrains to faster growth as outlined by the manifesto of the current administration. The following guidelines are used**:**

- ***On-going project*****:** emphasis is given to completion of on-going projects and in particular infrastructure projects and other projects with high impact on poverty reduction and equity, employment and wealth creation

- ***Counterpart funds***: priority is also given to given to adequate allocations for donor counterpart funds. This is apportion the Government must fund in support of the projects financed by development partners. Usually it accounts for between a quarter to a third of the cost of the project.
- ***Strategic policy interventions***: priority is also given to policy interventions covering the entire county, regional integration, social equity and environment conservation and priorities of the Government.

127. From the sector hearings, there have been a lot of changes from the initial ceilings to the current final ceilings as provided in the Table 5 above. Education sector benefited from the bursary increase, health sector for the staff hiring, irrigation projects and roads also benefitted.

4.6 Ward Development Fund

128. This fund is a subject of negotiation between the County Executive and the County Assembly.

4.7 Car loans and Mortgages

129. A policy framework is being developed to operationalize the scheme. However, An initial allocation of KShs. 50M will be allocated to the scheme in the FY 2015/16 to start off the scheme. A total of Kshs 7B will be needed to cater for all the staff. The County Assembly already has Car loans and Mortgages and the existing funds repaid into the fund should be used to start the Car Loans and Mortgages for assembly staff. A policy to guide on the implementation for the County Executive shall be prepared.

4.8 Summary

130. The development and other needs of county departments have been adequately provided for and rationalized through strategic prioritisation and allocation of both development and recurrent budgets for the devolved functions. This has been informed by the need to ensure that county government departments are able to perform the functions assigned to them by ensuring that resources associated with the delivery of services are allocated in line with the principle of "funds follow functions".

5.0 CHAPTER FIVE: CONCLUSION

5.1 Overview

131. The 2015/16 budget is being prepared amid positive economic outlook for the country where the GDP is projected to grow at a rate of 6.9 percent in 2015 and 7 percent over the medium term. This level of growth is expected to be felt in the county as the benefits trickle down. At the county level, this growth will be exhibited by increased production and profitability in agriculture, livestock and business activities, reduced effects of hunger and increased income from the local population. Infrastructural investments and expansion of activities in other major sectors is expected to spur economic activities of other sectors of the economy. Domestic demand is also expected to rise due to the ongoing initiatives of government spending.

132. The county government will put up stringent measures to control recurrent expenditures. The savings generated will be reallocated to finance development projects in key sectors of the economy through supplementary budget. Savings will also be realised through measures targeting increased revenue collection. Natural disasters especially drought, crop diseases and animal disease remains the biggest threat to the economic growth of the county. Sustained efforts will be made to prevent, manage and boost community resilience and livelihood recovery.

5.2. Way forward

133. Budget absorption has not been satisfactory in the first half of the FY 2014/15 due to delay in the approval of the county budget by the controller of budget. This was due to the conflict of ceilings imposed on the county assembly. However, in the next budget cycle, the budget process is expected to be more consultative with greater involvement of critical stakeholders. Procurement process is also expected to start early enough after the approval of the budget by the County Assembly. This will help improve absorption capacities of the county departments. The accounting officers are also encouraged to decentralize their powers by issuing authority to incur expenditures to other lower levels to improve on the absorption rate as well as efficiency in resource management. In addition, departments are also encouraged to phase their projects based on MTEF budgeting process. This will apply to development budgets that surpass Kshs 30 Million to improve on funds absorption.

134. The actual budget deficit shall be maintained at zero for the FY 2015/16.The County Integrated Development Plan shall form the basis for county budgets and all departments shall be required to base their priorities on the approved document. The fiscal framework presented in the paper ensures a sustainable financing while allowing continued spending on priority policy programmes and projects. Achievement of the set goals and objectives calls for greater transparency, effectiveness and efficiency in public financial management.