



**REPUBLIC OF KENYA**

**COUNTY GOVERNMENT OF WEST POKOT**

**COUNTY TREASURY**

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**COUNTY BUDGET REVIEW  
AND OUTLOOK PAPER**

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**SEPTEMBER 2014**

## **FOREWORD**

The Public Finance Management Act 2012, Section 118 requires every county government to prepare a county budget review and outlook paper (CBROP). In line with the law, CBROP captures a review of the fiscal performance of the financial year 2013/14 and deviations from the approved 2014/15 budget.

The 2014 County budget review and outlook Paper seeks to specify the details of the actual fiscal performance in the FY 2013/14 compared to the budget appropriation. It accounts for changes and reasons for economic deviations compared to the CFSP 2014. It gives account of how actual financial performance for FY 2013/14 has affected compliance with the fiscal responsibility principles and financial objectives in the county fiscal strategy paper 2013/14. Furthermore the CBROP gives proposals to address deviations from the financial objectives of CFSP 2014 and estimated time frame to address them.

CBROP sets indicative ministerial ceilings 2015/16 in line with outlined sector key strategic objectives as set out in the County Integrated Development Plan and the Annual Development Plan. It has been informed by the priorities identified in the first County Integrated Development Plan (CIDP) which was developed through a participatory process. The law requires CBROP to present the fiscal outcome for the previous financial year and to state how this outcome affects the financial objectives contained in that the CFSP.

This however being the first CBROP under the devolved governance structure, it thus cannot contain information to show changes in the forecasts in the CFSP. It focuses on the fiscal outlook of the current financial year and the medium term. The CBROP is expected to provide a summary of the national macroeconomic outlook and how this will affect the County's economic performance.

Our commitment is to ensure 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 unveiling of this paper 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. The fiscal framework presented in this CBROP provides a strong basis to meet these goals. I implore all stakeholders to join us in this effort.

**Hon. Mr. Joel Ngólekong**  
**CEC, Finance and planning**  
**West Pokot County**

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## **ABBREVIATIONS AND ACRONYMS**

CBROP	County Budget Review and Outlook Paper
CFSP	County fiscal strategy paper
CIDP	County Integrated Development Plan
GDP	Gross Domestic Product
MTEF	Medium Term Expenditure Framework
PFM	Public Finance Management Act
FY	Financial Year

## **1.0 INTRODUCTION**

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

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

The County Treasury shall prepare and submit to County Executive committee for approval, by 30th September in each financial year, a County Budget Review and Outlook Paper which shall include:

- a) Actual fiscal performance in the previous financial year compared to the budget appropriation for that year
- b) Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal strategy paper
- c) Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest County Fiscal strategy paper; and
- d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.

2. County Executive committee shall consider the County Budget Review and outlook Paper with a view to approving it with or without amendments, not later than fourteen days after its submission.

3. Not later than seven days after the CBROP has been approved by Executive committee, the County Treasury shall:

- a) a) Submit the paper to the Budget and appropriation Committee of the County Assembly to be laid before the County assembly; and
- b) Publish and publicize the paper not later than fifteen days after laying the Paper before County Assembly.

The Public Financial Management (PFM) Act, 2012, sets out the **fiscal responsibility principles** to ensure prudence and transparency in the management of public resources. The PFM law (Section 107) states that:

- (a) The county government's recurrent expenditure shall not exceed the county government's total revenue;
- (b) Over the medium term, the county government's recurrent expenditure shall not exceed a percentage of the county government's total revenue as prescribed by the County Committee Executive member for finance in regulations approved by the county assembly;
- (c) 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;
- (d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- (e) The county debt shall be maintained at a sustainable level;
- (f) The fiscal risks shall be managed prudently; and
- (g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

## **1.2 Objectives for CBROP**

The main objectives for the CBROP are to;

1. provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles as set out in the PFM Act, 2012. This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium term policy priorities will be firmed up in the County Fiscal Strategy paper 2015.

2. The CBROP will be a key document in linking policy, planning and budgeting. The West Pokot first County Integrated Development Plan (CIDP) will guide budgetary preparation and programming from 2014 -2017, this year's CBROP is embedded on the first (MTEF) priorities, in addition to taking into account emerging challenges and transition to a devolved system of government. The launch of, the Sector Working Groups will see the formulation of the programmes for the Medium Term Expenditure Framework (MTEF) focusing on updating and developing of new programmes for the next MTEF.

3. The updated macroeconomic outlook will be firmed up in the County Fiscal Strategy Paper to reflect any changes in economic and financial conditions. The Public Finance Management Act, 2012 provides a deadline of February 28<sup>th</sup> for County Governments to come up with CFSP hence this was not done this year since the County governments came into existence long after the deadline.

## 2.0 REVIEW OF FISCAL PERFORMANCE

### 2.1 Overview

This review of the fiscal performance 2013/14 covers months from July 2013 to June 2014. This 2013/14 budget was prepared mid-challenging governance transitional factors. It was prepared without clear revenue figures, clear organizational structures for the county and technical personnel on budgeting thereby posing a challenge on its implementation. Some functions that were devolved were not budgeted for while others were underfunded.

Despite this challenges performance was satisfactory as most of the projects in the budget were initiated with some completed and some underway.

### 2.2 Fiscal Performance 2013/14

#### a) Revenue Performance

The table below presents the revenue performance for the FY 2013/14 and the deviations from the approved budget estimates.

**Table 1: Revenue Performance**

REVENUE ITEMS	2013/14		Deviation	Deviation in %
	Actual	Target		
<b>1 Revenue</b>				
Land Rates	1,637,650.00			
Single Business permit	12,981,570.00	9,923,600.00	3,057,970.00	+30.82
Market Fee	3,881,660.00	3,643,600.00	238,060.00	+6.53
Building Approval	600,590.00	277,000.00	323,590.00	+116.82
CESS	5,656,410.00	5,311,800.00	344,610.00	+6.49
Royalties	11,454,550.00	9,225,600.00	2,228,950.00	+24.16
Stock/Slaughter	6,752,650.00	5,803,252.00	949,398.00	+16.36
House Rent	3,251,400.00	2,813,866.00	437,534.00	+15.55
Advertising	26,500.00	26,500.00	0.00	0
Transfers from local Authority	2,834,993.59			
Other Fee and Charges	7,235,590.00			
Health(Cost Sharing)	4,136,732.20			
<b>TOTAL OWN REVENUE</b>	<b>56,236,786</b>	<b>38,165,375.00</b>	<b>18,086,791</b>	<b>+47.4</b>

<b>2 GRANTS</b>				
Donor Funds	437,777,043		(437,777,043)	100
C.R.A Equitable Share	3,155,124,840			
<b>TOTAL</b>	<b>3,653,352,178.79</b>			
<b>Amount Budgeted 2013/14</b>	<b>3,631,252,476.00</b>			
<b>Balance carried forward as</b>	<b>22,099,702</b>			

The revenue collected amounted to Ksh 56,236,786 against the approved target of 38,165,375.00 with equitable share contribution of Kshs 3,155,124,840 and original budget of Ksh 3,631,252,476.

The revenue performance was above the target by KShs. 18,086,791. This was due to improved efficiency through enhanced monitoring of revenue collection, adopting of new receipts and banking direct revenue collected to county revenue account. Sensitization meetings conducted on importance of paying revenue to the county also played a key role. Thus a total of Kshs 18,086,791 was carried forward as revenue for 2014/15 FY.

The main source of the internal revenue was from single business permits, royalties, Stock/laughter fees and Cess. These four sources accounted for 61% of the realized revenue collected. Most of the revenue sources exceeded the targets during the FY.

External donor grants in budget estimate amounted to KShs. 437,777,043. This portion represented 12 percent of the budget. The funds were however unremitted to the county despite being factored in the budget. This created deficit that affected the county budget as most of the projects budgeted under the donor funds were put under contract and rolled over to 2014/15 FY.

## **b) Expenditures**

The table below presents the expenditures performance for the FY 2013/14 and the deviations from the budget estimates.

**Table 2: Summary of 2013/14 Expenditure**

RECURRENT	2013/2014		Absorption rate	Deviation	Deviation in %
	Actual Expenditure	Approved Estimate			
Office of the Governor	255,686,263	260,685,106.10	98.1	4,998,843.10	1.9
Office of D/Governor	107,677,172	113,909,671.20	94.5	6,232,499.55	5.5
Finance and Economic Planning	96,678,469	101,058,775.80	95.7	4,380,306.80	4.3
Roads, Public Works and Transport	86,792,795	119,040,460.40	72.9	32,247,665.55	27.1
Health and Sanitation	532,235,054	536,746,957.30	99.2	4,511,903.30	0.8
Education, Communication and ICT	125,015,184	125,413,830.10	99.7	398,646.10	0.3
Agriculture and Irrigation	100,511,266	111,148,019.60	90.4	10,636,753.60	9.6
Livestock, Fisheries and Veterinary Services	26,205,734	28,264,749.20	92.7	2,059,014.75	7.3
Trade, Industry and Cooperatives	23,201,888	25,040,000.00	92.7	1,838,112.00	7.3
Land, Physical Planning and Urban Development	35,476,646	39,329,805.20	90.2	3,853,159.60	9.8
Water development, Environment and Natural Resources	91,196,513	96,888,649.60	94.1	5,692,136.30	5.9
Tourism, Culture, Sports, Youth and Gender Development	47,179,948	47,487,284.40	99.4	307,336.55	0.6
County Assembly	369,750,770	377,123,404.30	98.0	7,372,634.60	2.0
<b>Total Recurrent Expenditure</b>	<b>1,897,607,701</b>	<b>1,982,136,713.20</b>	95.7	<b>84,529,011.80</b>	4.3
DEVELOPMENT	2013/2014				Deviation in %
	Actual	Target			
Office of the Governor	13,092,334	20,000,000.00	65.5	6,907,666.00	34.5
Office of D/Governor	31,960,364	49,055,730.00	65.2	17,095,366.00	34.8
Finance and Economic Planning	21,964,269	22,595,740.00	97.2	631,471.00	2.8
Roads, Public Works and Transport	404,197,465	529,191,480.00	76.4	124,994,014.70	23.6
Health and Sanitation	289,002,447	621,840,923.00	46.5	332,838,475.75	53.5
Education, Communication and ICT	17,080,201	20,319,150.00	84.1	3,238,949.00	15.9
Agriculture and Irrigation	4,381,151	14,276,600.00	30.7	9,895,448.55	69.3
Livestock, Fisheries and Veterinary Services	20,571,419	129,240,420.00	15.9	108,669,000.80	84.1
Trade, Industry and Cooperatives	29,364,699	34,021,280.00	86.3	4,656,581.00	13.7
Land, Physical Planning and Urban Development	19,630,320	25,191,480.00	77.9	5,561,160.00	22.1
Water development, Environment and Natural Resources	31,478,562	133,085,100.00	23.7	101,606,538.00	76.3
Tourism, Culture, Sports, Youth and Gender Development	4,280,064	22,574,460.00	19.0	18,294,396.00	81.0
County Assembly	16,480,003	27,723,400.00	59.4	11,243,397.00	40.6
<b>Total Development Expenditure</b>	<b>903,483,299</b>	<b>1,649,115,763.00</b>	<b>54.8</b>	<b>745,632,463.80</b>	<b>45.2</b>

From the above table total expenditure amounted to KShs. 2,801,091,000 against a target of KShs. 3,631,252,476.20. The total net of deviation amounting to KShs. 830,161,475.60 was attributed to lower absorption recorded in development expenditures and the donor funds that was not received.

Recurrent expenditure amounted to KShs. 1,897,607,701 against a target of KShs. 1,982,136,713.20. Underperformance was KShs 84,529,011.80. This was due to lack of proper budgeting and work planning, delay in disbursement of funds and lack of clear roles and mandate of departments during transition period.

Development expenditure incurred amounted to Ksh 903,483,299 against the target of Ksh 1,649,115,763.00. This represented an under-spending of Ksh 745,632,463.80. The underperformance was attributed to low absorption by departments which was as a result of late disbursement of funds, delay in procurement, low capacity of public works staff, low capacity of contractors and unfunded donor funds budgeted.

In overall, the absorption rate was higher for recurrent expenditures with a high of 95.7 percent as actual expenditure against the target. The development expenditure had a low absorption rate of 54.8 percent.

**Table 3: County Ministries with under performance in recurrent expenditure absorption**

RECURRENT	2013/2014		Deviation	Deviation in %
	Actual Expenditure	Approved Estimate		
Roads, Public Works and Transport	86,792,795	119,040,460.40	32,247,665.55	27.1
Land, Physical Planning and Urban Development	35,476,646	39,329,805.20	3,853,159.60	9.8
Trade, Industry and Cooperatives	23,201,888	25,040,000.00	1,838,112.00	7.3
Livestock, Fisheries and Veterinary Services	26,205,734	28,264,749.20	2,059,014.75	7.3
Water development, Environment and Natural Resources	91,196,513	96,888,649.60	5,692,136.30	5.9

In recurrent expenditure, the vote under Roads, Public works and transport had the lowest absorption capacity followed by Ministry of lands, Physical Planning and Urban Development.

**Table 4: County Ministries with under performance in development expenditure absorption**

DEVELOPMENT	2013/2014		Deviation	Deviation in %
	Actual	Target		
Livestock, Fisheries and Veterinary Services	21,571,419	129,240,420.00	(107,669,001.00)	83.3
Tourism, Culture, Sports, Youth and Gender Development	4,280,064	22,574,460.00	(18,294,396.00)	81.0
Water development, Environment and Natural Resources	31,970,721	133,085,100.00	(101,114,379.00)	76.0
Agriculture and Irrigation	6,608,811	14,276,600.00	(7,667,789.00)	53.7
Health and Sanitation	301,923,932	621,840,923.00	(319,916,991.00)	51.4
Office of the Governor	10,913,617	20,000,000.00	(9,086,383.00)	45.4
County Assembly	16,359,797	27,723,400.00	(11,363,603.00)	41.0
Office of D/Governor	32,491,180	49,055,730.00	(16,564,550.00)	33.8

The following summary provides the actual net expenditure for the FY 2013/14.

#### **Office of the Governor;**

With a voted provision of Kshs 20M for Development and Kshs 260,685,106.10 as recurrent, the actual expenditure was Kshs 257.6 and Kshs10.9M respectively representing 99% of the recurrent and 54.5% of the development, the development funds were for construction of Sub county offices to be used by sub county administrators. The low absorption in development funds was due to delay in procurement process.

#### **Office of the Deputy Governor**

This office was allocated a total of Kshs 162,965,401.20. The Development part of it had an absorption rate of 66% with a total of Kshs 143,823,217 being expended both for recurrent and expenditure. The development vote was used for street

lighting and Makutano parking bays. Delay in execution of projects is the main reason for the low utilization of development funds.

### **Finance and Economic Planning**

This department received Kshs 101,058,775.80 as recurrent and Kshs. 22,595,740.00 as development all these summing up to 123,654,515.80. Actual expenditures for recurrent and development were Kshs.96, 800,135 and Kshs. 21, 964, 269, this represented a rate of 95.7% and 97.2% respectively. The development project in the department is according to the planned timeline.

### **Roads, Public works, Transport and communication**

To promote accessibility this department was allocated Kshs 529, 191,480.00 as development expenditure in which Kshs 438,241,941 (82.8%) was used for opening up of new roads. On recurrent an allocation of Kshs 119,040,460.40 was allocated but Kshs.86, 470,850 was spent.

### **Health and sanitation**

Total allocation for this sector was 1,158,587,780.30. Recurrent was kshs. 536,746,957.30 in which 99.7% of this was utilized. Development budget of Kshs 621,840,923.00 was planned for in which Kshs 301,923,932 representing 48.6 percent was spent. The reason for the low expenditure in the Ministry was the factoring in of donor funds that were not received. Health was set to receive over Kshs 300M as donor funds. Also delay in disbursement of funds and procurement process also affected spending.

### **Education, Communication and ICT**

This department was allocated Kshs 125,413,830.10 on recurrent expenditure and Kshs 20,319,150 as development expenditure. Absorption rate was 99.7 % and 84.01% for recurrent and development expenditure. The high absorption rate of development funds was due to low allocation against bigger projects that is set to roll over to the next financial year.

### **Agriculture and Irrigation**

This vote was allocated a total of Kshs 125,424,619.60. The Development part of it had an absorption rate of 46.29% with a total of Kshs 116,816,322 being expended both for recurrent and development expenditure. Low expenditure on development funds is attributed to delay in procurement processes.

### **Livestock, Fisheries and Veterinary Services**

With a voted provision of Kshs 28,264,749.20 for recurrent and Kshs 129,240,420 as development, the actual expenditure was Kshs 21,571,419 and Kshs 26,681,249 respectively representing a deviation of 83.3% in development vote. The low absorption was due to capturing of donor funds in Cooperative department that were not received.

### **Trade, Industry and Cooperatives**

Actual expenditures for this office was Kshs 23,243,217 for recurrent and Kshs 29,364,699 for development this represented an absorption rate of 92.82% and 86.31% for recurrent and development respectively.

### **Land, Physical Planning and Urban Development**

To undertake land reforms through land adjudication, spatial planning and urban planning; the sector was allocated Kshs 25,191,480.00 as development in which Kshs 20,191,480 was absorbed. On recurrent Kshs.39,329,805.20 was allocated but 90.77% of it was spent.

### **Water development, Environment and Natural Resources.**

To scale up water shortage this department received Kshs 133,085,100 as development expenditure and Ksh96,888,649.60 as recurrent. The actual expenditures for recurrent and development were Kshs 91,532,553 and Kshs.31,970,721 respectively. Deviation in development expenditure was 76% due to donor funds that were included during budgeting of the development projects which are yet to be received in the county.

### Tourism, Culture, Sports, Youth and Gender Development

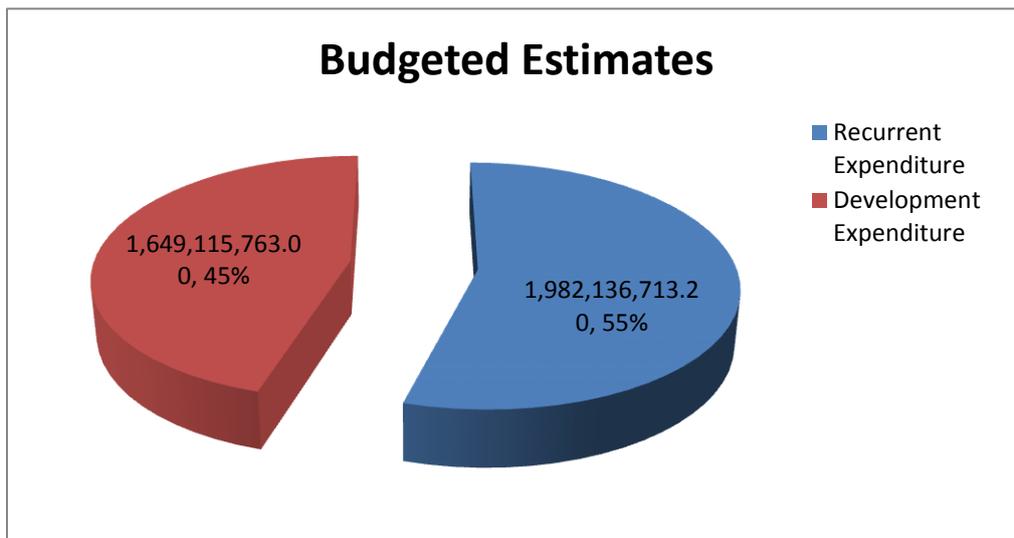
This department received Kshs 47,487,284.40 as recurrent and Kshs. 22,574,460 as development making a total of Kshs.70, 061,744.40 for this vote. Actual expenditures for recurrent and development were Kshs 47, 196,948 and Kshs. 4, 280, 064, this represented a rate of 99.4% and 18.96% respectively. Under-performance in absorption of development expenditure was attributed to delay in procurement process.

### County Assembly

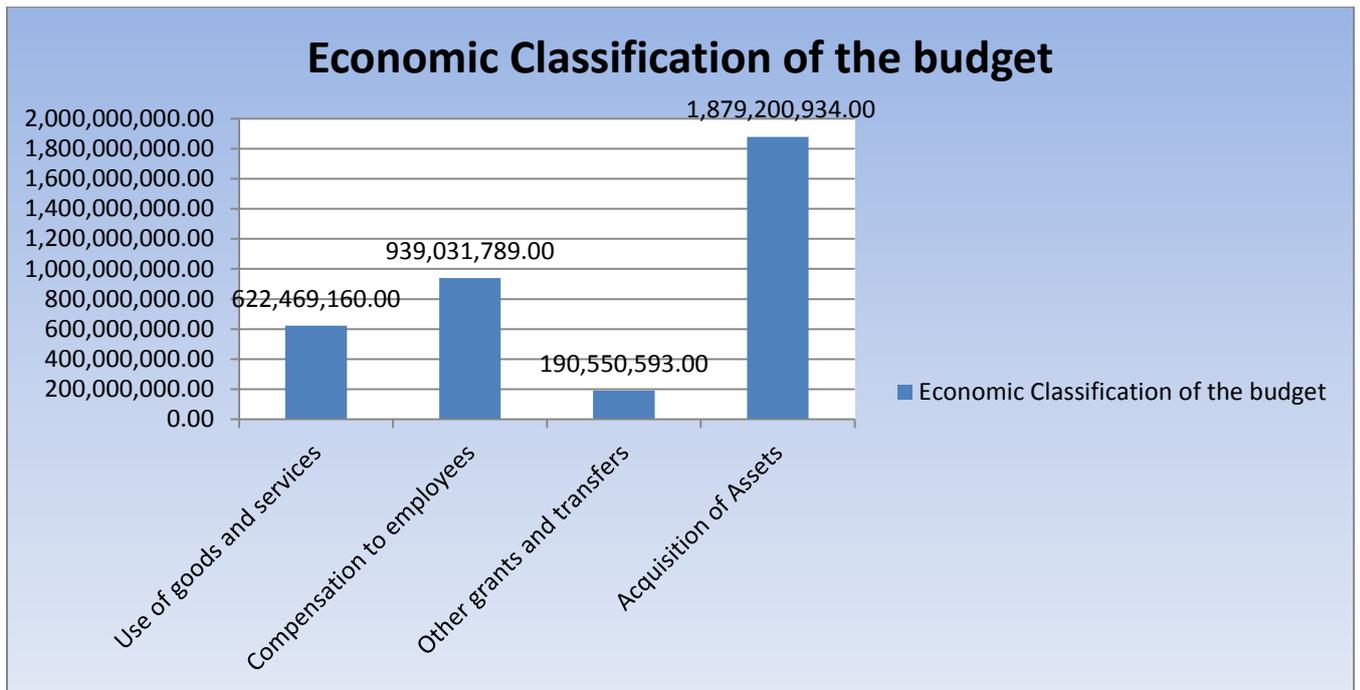
Actual expenditures for this vote was Kshs. 374, 543,360 for recurrent and Kshs 16,359,797 for development representing an absorption rate of 99.31% and 59.01% for recurrent and development respectively. The reasons of low absorption in development expenditure was because delay in procurement processes.

### Ratio of Development and Recurrent

During the FY 2013/14, the ratio of the development expenditure to the recurrent expenditure stood at 1:1.2 and is best expressed in the Chart below;



In the same year, a total of Kshs 939,031,789 was budgeted as compensation for employees. This represents 47% of the recurrent expenditure and 26% of the total county revenue.



During this period, the county had 12 spending units. Expenses included payment of salaries, administrative expenses and capacity building related expenses. Allocations during this time were mainly meant to facilitate operations, personnel emoluments, operation and maintenance and capital expenses.

Acquisition of assets (26%) and Compensation to employees (52%) took a huge share of the budget taking 78 percent of the budget between them.

On the above, fiscal performance in revenue and expenditure deficit was experienced on budgeted donor funding. The project budgeted was rolled over to be accommodated in 2014/15 FY.

### **2.3 Implication of 2013/14 Fiscal Performance on Fiscal Responsibility Principles and Financial Objectives as contained In the PFM Act**

The performance in the FY 2013/14 the county recurrent expenditure was within the budgeted estimates the actual recurrent expenditure was 53 per cent of the total budget estimate. Various challenges were experienced in FY 2013/2014 which involve low absorption rate and delayed disbursement of funds from national government.

From the above fiscal performance the county expenditure recurrent expenditure was within the county total revenue. The deviations was only experienced through donor funding, the revision in revenues and expenditures will be based on equitable share and revenue collected in the county.

County priorities for the FY 2014/2015 fiscal year, intends to invest in road infrastructure, health, agriculture and irrigation to boost county food security, education, water, strengthening business environment to boost job creation in the county. Allocation of resources has been based on the county strategic priorities, alongside with other activities that have been given priority in the FY2014/2015. This Budget is expected to spur economic activities and support favorable growth prospect in the county.

## **3.0 RECENT ECONOMIC DEVELOPMENT AND OUTLOOK**

### **3.1 Macro-Economic Outlook and Policies**

Economic growth in Kenya remains robust. The macroeconomic environment in Kenya, though sluggish, is stable. Strong economic performance continued in 2013 as the economy grew 4.7 per cent an uptick from 4.6 per cent in 2012. Growth was driven by robust consumption spending and public investment in infrastructure as well as higher industrial and service output.

Growth was underpinned by macroeconomic stability, including single –digit inflation and stable exchange rate. On negative side, weak investor confidence resulted in subdued GDP growth and drought in the fourth quarter of 2013 depressed growth in agriculture and increased electricity prices, driving up production cost and reducing GDP by an estimated Ksh 23.8 billion(0.7 percent) Going forward, the macroeconomic outlook remains favourable although risks remain. Some of the challenges with the economy include: security, weather, export market weakness, capital flow reversal and statistical inconsistency especially the Balance of Payment.

West Pokot County has seen increased economic activities including a robust construction industry and increased business opportunities. The County's performance is largely dependent on the formulation and implementation of prudent policies to guide service delivery. The County's performance will also depend highly on the country's economic performance. Generally, the county operated under a stable macroeconomic environment.

The largest expenditure driver in the Financial Year 2013/14 was Health and sanitation services and infrastructural development that opened up new roads in most parts of the County. Accessible roads and health population are key drivers in all sectors of the economy. West Pokot County economy is heavily dependent on livestock, small scale horticulture and dairy farming and all the products require efficient access to markets to promote trade within and outside the County which will create employment and equitable income generation across the County.

The County further embarked on a comprehensive and considered strategy to improve healthcare beginning with the construction of dispensaries in each ward and equipping and staffing the facilities, construction of Kenya Medical Training College at Kapenguria, supply of solar fridges in remote dispensaries and also supplying solid waste collection equipment's to enhance waste collection in the County.

The need for office space for the administration and service delivery has resulted in significant resources being allocated for office blocks; for County Treasury, Ministry of Agriculture, ministry of Land and sub-County administrative offices. It is, however, envisaged that having dedicated significant resources to this during the first year of the existence of the County, and thereby mitigated the critical need for office space, subsequent focus would shift to other areas of West Pokot County development priority.

The County also significantly invested in the Education sector, with construction of ECD institution for training and capacity building for the Early Childhood Development teachers at Kapenguria, recruiting of ECD teachers and bursary allocation in each ward to help the needy students' access education.

To boost investor confidence, the county also improved the business environment by installing Mast security lights at Makutano and Kapenguria also the ongoing construction of paved parking and drainage at Makutano centre is expected to promote business activities.

The County Government will continue with its policy of expenditure rationalization with a view to funding only core services and reducing costs through the elimination of duplication and inefficiencies. Improvement in investment climate, security, and infrastructure is expected to improve the competitiveness of the county as investment hub and tourist destination of both domestic and foreign tourist.

### **3.2 Growth prospects**

There are more economic opportunities in the county ranging from Agriculture, hospitality, livestock, mining and tourism. One of the fastest growing activities is dairy farming in Pokot South and onion farming. The county government is

strategizing on how to revive the cooperative sector, operationalize slaughter house in Chepareria which will see farmer embarks on growing of the crops and keeping of livestock to boost the county economy. There is much economic activity in other sectors than agriculture. The County expects Sebit cement factory to start, this will create employment opportunity in the county.

### **3.3 Medium Term Fiscal Framework**

- a) County will continue to pursue prudent fiscal policy to ensure economic stability. The fiscal policy objective will be to provide an avenue to support economic activity while allowing for implementation of the programmes within sustainable public finances. The county shall continue to pursue and adhere to Fiscal Responsibility Principles for prudent management of finances.
- b) With respect to revenue, the County Government hopes to maintain a strong revenue effort of estimated revenue of 96 million in the fiscal year 2014/2015. Measures to achieve this effort include automation of tax collection points in line with modern technology and improved tax compliance with enhanced administrative measures. The County Government will harmonize existing tax regimes offer tax reliefs incentives, widen the tax base.

## 4.0 REVENUE GROWTH PROSPECTS

### 4.1 Microeconomic Reforms

Microeconomic (or structural) reform can be summarized as providing an economic environment that encourages and enables the private sector to flourish. Simply, it's about improving productivity and competitiveness, which will generate economic growth and increase income of the county. A microeconomic reform agenda must consider where the impediments are to private sector development and growth, or conversely identify what the enablers of that growth might be and put them in place and to facilitate incentives for innovation and development.

A microeconomic reform agenda that the county will continue to pursue in the next fiscal year will encompass:

- ❖ Encouraging county government's entities to be efficient.
- ❖ Enforcing consumer protection so that markets operate competitively, and ethical traders, small businesses and consumers are not treated unfairly; misled or deceived.
- ❖ build the productivity of sectors particularly important to the rural and remote area of the county such as Livestock and agriculture;
- ❖ reduce the cost of doing business and remove regulatory impediments to private sector growth;
- ❖ facilitate the development of the small and medium enterprise sector; and
- ❖ Encourage the operation of the informal economy and the transition of informal economy participants to the formal economy.

❖ Building a competitive and dynamic private sector - Having sound macroeconomic policies, and an economy that is robust and resilient to external shocks, are essential building block to economic growth and prosperity. The primary driver of such growth is a competitive and dynamic private sector. This means a private sector that is diverse and encourages participation and innovation within west pokot population. The County Government remains committed to growing and building the private sector by creating an environment that is conducive to private sector development; to encouraging innovation and to supporting a competitive

private sector. As part of the ongoing effort and commitment, the Government will continue monitoring, reviewing and realigning existing policies, including the introduction of new policies to promote private sector growth.

The provision of effective public infrastructure is essential for boosting economic activity and contributing to the national and global fight towards alleviating poverty amongst the citizens. The Government has demonstrated its commitment to public infrastructure through policy initiatives and reforms that encourages greater private sector participation to deliver public goods through Public Private Partnerships (PPP).

- ❖ The Public Private Partnership (PPP) policy - is expected to enhance infrastructure and service delivery by utilizing private sector capital, management, innovation, technology and other resources. In 2015/16, it is expected that a PPP Bill will be submitted to the county assembly; that will be in conformity with the PPP National bill that is currently under public domain. The main objective of the PPP will be to provide a platform for the private sector to partner with the government deliver much-needed public infrastructure services.

- ❖ Access to Finance - The Government recognizes that access to finance has not always been easy for the poor and in particular for the SME sector. The Government remains committed to financial inclusion and facilitating access to finance through promoting microfinance and providing cheaper loans to business persons.

- ❖ Access to land - is key to private sector development and accordingly, remains a focus of the County Government. Land adjudication shall be intensified as well as proper planning of urban areas. Transfer of the land registry to the county is expected to ease land transactions and lower the costs of doing business especially for new investors.

## **4.2 Revenue Outlook**

The resources available to be shared by the national and county governments are estimated on the basis of projections of the economy's performance. The budget outlook and review paper has been prepared against the backdrop of weakened global economic development with significant downside risks. Kenya's GDP is

projected to grow at 4.7 per cent in 2014, 2015 and over the medium term which is below the target of Vision 2030 of 10%. Equitable share is expected to increase from 32.6% of last audited national revenue in 2013/14 to 34.3 in 2014/15 and 35.9% in 2015/16. The equitable division of revenue should take into account the functions assigned to each level of government and other considerations outlined in the constitution.

Ordinary county revenue is also projected to increase through the widening of tax base, tight county fiscal policies, revenue automation and enhanced transparency, accountability and supervision in revenue collection.

**Table 5: Fiscal Projections 2013/14- 2016/17**

<b>Internal Revenue Projections</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/16</b>	<b>2016/17</b>
Kiosk Rent	1,138,800.00	1,252,800.00	5,200,000.00	6,500,000.00
Single Business permit	9,923,600.00	10,915,800.00	16,000,000.00	21,000,000.00
Market Fee	3,643,600.00	4,007,950.00	8,500,000.00	12,500,000.00
Building Approval	277,000.00	304,000.00	1,500,000.00	2,400,000.00
CESS	5,311,800.00	5,842,980.00	7,200,000.00	9,500,000.00
Royalties	9,225,600.00	10,148,100.00	12,500,000.00	14,000,000.00
Stock/Slaughter	5,803,252.00	6,383,500.00	7,850,000.00	11,200,000.00
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	100,000.00	200,000.00
Parking Fees		500,000.00	2,000,000.00	2,500,000.00
Renewals/Applications		500,000.00	2,000,000.00	2,300,000.00
Other Fee and Charges		3,718,000.00	6,050,000.00	7,700,000.00
Liquor Licensing		500,000.00	1,500,000.00	2,500,000.00
Health(Cost Sharing)		35,000,000.00	40,000,000.00	43,397,900.00
Trade		5,000,000.00	11,000,000.00	13,000,000.00
Lands		5,000,000.00	14,000,000.00	15,000,000.00
Livestock		4,000,000.00	6,917,227.00	7,501,050.00
<b>GRAND TOTALS</b>	<b>38,165,375.00</b>	<b>96,197,480.00</b>	<b>127,600,000.00</b>	<b>149,300,000.00</b>

REVENUE FORECAST	2013/2014	2014/2015	2015/2016	2016/2017
Equitable Share	3,155,124,840	3,672,727,375	4,237,944,374.73	4,507,932,445
Equalization Fund	-	-	-	-
Donor Funds	437,777,043	-	-	-
Internal County Revenue	38,350,593	96,197,480	145,817,227	175,398,950
Grant From DANIDA to Health	0	10,000,000	10,000,000	10,000,000
<b>TOTAL REVENUE FORECASTS</b>	<b>3,631,252,476</b>	<b>3,779,436,855</b>	<b>4,393,761,601.73</b>	<b>4,693,331,395</b>

### 4.3 Medium Term Expenditure Resource Allocation Framework

The following table indicates tentative ceiling that will be accorded to the different County Ministries. The expected resource envelope to the County will be Kshs 4,393,761,601 with internal revenue accounting for 3.3 percent of this county total resource envelope. The final ceilings shall be considered on a pro rata basis when the National Treasury prepares a Budget Policy Statement for 2015. This shall be contained in the County Fiscal Strategy Paper 2015.

**Table 6: Medium Term Expenditure Resource Allocation Framework (Tentative Budget ceiling)**

Vote	2014/2015			2015/2016			% allocation
	Recurrent	Development	Total	Recurrent	Development	Total	
Office of the Governor	397,904,808.00	108,500,000.00	506,404,808.00	423,800,048	160,354,629.65	584,154,678	12.8
Finance and Economic Planning	125,978,962.00	62,000,000.00	187,978,962.00	132,277,910	71,327,835.96	203,605,746	4.1
Roads, Public Works and Transport	61,632,319.94	212,263,507.00	273,895,826.94	64,713,936	276,445,358.55	341,159,295	10.2
Health and Sanitation	701,630,200.00	220,900,000.00	922,530,200.00	756,711,710	287,689,645.28	1,044,401,355	26.0
Education, Communication and ICT	275,928,000.00	99,000,000.00	374,928,000.00	289,724,400	149,962,796.25	439,687,196	12.2
Agriculture and Irrigation	77,788,801.60	141,417,858.00	219,206,659.60	83,678,242	162,111,976.16	245,790,218	5.4
Livestock, Fisheries and Veterinary Services	60,580,082.00	88,121,760.00	148,701,842.00	65,609,086	158,932,520.91	224,541,607	4.0
Trade, Industry and Cooperatives	37,450,378.00	82,003,021.00	119,453,399.00	39,322,897	126,128,267.00	165,451,164	3.4
Land, Physical Planning and Urban	54,790,082.00	133,000,000.00	187,790,082.00	87,529,586	182,209,230.94	269,738,817	4.3

Development							
Water development, Environment and Natural Resources	55,474,916.00	158,900,000.00	214,374,916.00	58,248,662	189,535,703.43	247,784,365	6.6
Tourism, Culture, Sports, Youth and Gender Development	51,514,213.23	64,934,538.00	116,448,751.23	54,089,924	117,195,657.60	171,285,582	4.0
County Assembly	355,123,408.23	152,600,000.00	507,723,408.23	355,879,579	100,282,000.00	456,161,579	10.4
<b>Total</b>	<b>2,255,796,171</b>	<b>1,523,640,684</b>	<b>3,779,436,855</b>	<b>2,411,585,980</b>	<b>1,982,175,621.73</b>	<b>4,393,761,601.73</b>	

### Recurrent to Development Expenditure Forecast for 2015/16

Item	Amount	Per Cent Allocation
Recurrent	2,411,585,980	54.89
Development	1,982,175,621.73	45.11
<b>TOTAL GROSS EXPENDITURE</b>	<b>4,393,761,601.73</b>	<b>100.0</b>

#### 4.4 Fiscal Risks to the Outlook

The risk to the outlook for the year 2015/16 and medium-term include further weakening in global economic growth and unfavourable weather conditions should there be any drought in the year and years ahead, resurgence of threats of tribal conflicts since the county between the Pokots and Turkanas, Karamoja in neighbouring country of Uganda, in addition to the high inflation rate which has placed a lot of burden to the common citizen as it destabilizes the budget thus inflating the cost of the projects.

Operating in a political environment and quest for refurrundum may pose investor confidence 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.

Natural calamities also pose the greatest risk to the county's development agenda and revenue collection. The most common disasters include disease outbreaks for both livestock and human, conflicts, landslide, gully 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.

Timely release of funds by the national government will be another challenge since revenue cash flow from the national government is unpredictable. 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, completion of projects and compromising service delivery..

Lastly, Challenges faced by the County Government with regard to transition to a decentralized system of government could weaken investor confidence and slow down growth. Should these risks materialize; the County government in consultation with the National government will undertake appropriate measures to safeguard macroeconomic stability.

#### **4.5 Expenditure Priorities**

In 2015/16, total expenditure and net lending is projected to be KShs 4.39B (including project grants).

The Kenya V2030, National MTP 2013-2017 and the CIDP 2013-2017 are the key policy documents that will guide the County Government funding decisions. The Vision 2030 provide the overarching long term national development agenda, while the CIDP 2013-2017 sets out the county medium term development plan.

In the 2015/16 Budget, the priority for the Government will be delivery of key priorities for Education; Agriculture; Health; road Infrastructure and water development and consistent with the overarching development frameworks and the CIDP 2013-2017. The Government is continuing its commitment to funding education for the needy students and free ECD education through employment of tutors.

Further, the Government is committed to delivering major impact projects such as a county wide restoration and maintenance of run-down educational and health institutions, repairing, rehabilitating and maintaining key roads, and opening up new roads in marginal areas of the county.

While funding for service delivery continues to increase in subsequent budgets, poor management practices within county government units continues to limit improvements. Poor performance by staff contributes to a culture of poor service delivery. Service delivery will not improve without significant reform of poor work practices across the public service. The County Government will ensure that the Accounting Officers exercise their managerial powers to effectively address these issues and hold them accountable for poor performance. The Performance Contracting, as a tool, will be used to achieve this.

Effectively managing spending is only part of responsible Budget stewardship. As enumerated under the PFMA, the county shall continue enforcing fiscal responsibility principles. Enhancing and protecting the Revenue base is equally as important. In preparing the 2015/16 Budget, the County Government will also consider measures to improve revenue collection.

The 2015/16 FY Budget of West Pokot County will be the third year of implementation for the CIDP 2013-2017. The CIDP 2013-2017 identifies the Key Economic Enablers that will establish the county on a path towards prosperity. These are the Government's key development focus areas for the period of the first CIDP, with a particular focus on improving and maintaining infrastructure to ensure long-term welfare enhancing benefits to the residents of West Opokot. Over the medium term, the following County development priorities will be pursued;

- i. Establishment of sound road infrastructure in both urban and rural areas through opening up new roads that will have a positive impact on the community sustainable economic growth.
- ii. Investing in health infrastructure, providing adequate, affordable and quality basic health service delivery.
- iii. To provide, promote and coordinate quality education and training, integration of technology and innovation in sustainable socio-economic development process.
- iv. Investing in livestock and food crop production and marketing.
- v. Invest in overall leadership and policy direction in resource mobilization, management and accountability for quality public service delivery

- vi. Undertake to promote, conserve and protect the environment and improve access to water and housing for sustainable development.

These lays the foundation for inclusive, pro-poor and sustainable growth will lay the foundation for the county to progress toward reduced poverty and sustainable development. As such the 2015/16 Budget will channel and focus funds into projects and programmes aimed at easing social and structural impediments to growth and development and ensure that high impact projects from the 2014/15 Budget continue to be effectively implemented in 2015/16 FY. In line with the CIDP Key priorities, the 2015/16 Budget will concentrate funding to projects and programmes designed for empowerment and development.

Furthermore, building on the 2014/15 Development Budget, the 2015/16 Public Investment Programme will be truly strategic where funds will be allocated to projects and programmes that meets key deliverables and targets within sector. The 2015/16 Budget will focus on outcomes oriented projects and programmes across sectors, with an emphasis on major road infrastructure, health, education, SME and agricultural support and utilities such as water and sanitation.

To ensure the continued effective implementation of ongoing and high impact infrastructure projects from 2014/15, and new projects in the 2015/16 County Public Investment Programme, thorough monitoring, reporting and evaluation processes and systems will be strengthened and institutionalized within county ministries, in coordination with the County Treasury and Planning Unit and all implementing agencies to fully account for the usage of public funds and deliver the priorities of the County Government.

Budgeting entails planning expenditures to cater for the priority sectors as identified in the CIDP and the ADP. The CIDP (2013-2017) is currently under implementation and will guide on the county priorities and resource allocation, going forward. In the budget cycle for 2015/2016 and over the medium term, various County development priorities will be considered. They are aimed at accelerating growth, reduce poverty,

transform the structure of the economy and create more jobs, as the county prepares to achieve middle income status by 2030.

- ❖ Given the county is ASAL; water is key priority to the citizens. Only 25% of residents use improved sources of water, with the rest relying on unimproved sources. Investment in Water infrastructure is vital to ensure all the county residents have access to potable water. The sector priority include: rehabilitate and expand water supply services in rural and urban areas; scale up water storage to improve water security in the county; protect water catchment areas, enforce environmental laws and regulations and reforestation interventions.
- ❖ Most population lives in rural areas hence the need to invest in Rural Development through opening up rural areas, construction of market infrastructures as well as promoting tourism. Development of a sound marketing system in both rural and urban areas. This will be achieved through appropriate technological development; development of markets and value addition.
- ❖ The County's population largely depends on livestock production due to its semi-arid ecological conditions. In order to achieve the sector's priorities, the county will lay emphasis on increasing livestock production. It includes promoting cooperative societies as engines for poverty alleviation and supporting livestock subsector through improved breeds.
- ❖ Land is the most important natural resource that West Pokot county is endowed with. It is critical to economic, social, political and cultural development. To undertake land reforms through land adjudication, spatial planning and urban planning; the sector budget needs more resources to accomplish development of county spatial plan, planning of urban areas, continuation of land adjudication, and consideration given to on-going projects.
- ❖ Resources are usually shifted to solving short term food insecurity problem in the county rather than tangible investments. Hence the need to invest in Food Security through supporting irrigation infrastructure, empowering farmers through extension services, mechanized farming and construction of

Agricultural Training Centre and support expansion of agro-processing industry. There is a huge potential for irrigation farming that could make the county food sufficient.

- ❖ Due to low access of healthcare by the population there is need to invest heavily in Quality and Free Access to Healthcare and Early Child Education as well as Bursary grants and infrastructure to reduce burden on the poor households and complement and sustain our long term growth and development. This will eventually improve the literacy levels and elimination of retrogressive cultural practices.
- ❖ Support of SMEs, Agribusiness and youth development to support job creation. This involves undertaking Investments in youths programmes, disability mainstreaming and women programmes as part of affirmative action.
- ❖ Enhancing citizen participation and inclusive development. There is need for further entrenching devolution for better service delivery and enhanced rural economic development by empowerment of the public through civic education. This will enable them participate in decision making on projects and programmes and how they can manage to reduce poverty in the county.

All these are aimed at accelerating growth, reducing poverty, transforming the structure of the economy and create more jobs, as the county prepares to achieve middle income status by 2030.

## **5.0. CONCLUSION**

The fiscal performance for 2013/14 provides a forecast for 2015/16 budget process in line with the fiscal responsibility principles outlined in the PFM law. Moving forward, by taking into account emerging challenges from CBROP, which will be used to inform policy, planning and budgeting in the county 2015/2016 budgeting process?

## Annexes

**Table 7: Total sector ceiling's for the MTEF period 2014/15-2016/17**

SECTOR	Total expenditure/Projections				% of share of total expenditure			
	2013/14 Estimates	2014/15 Estimates	Projections		estimates	20	201	201
			2015/2016	2016/2017	2017/2018	14 /1 5	5/1 6	7/1 8
Office of the Governor	280,685,106.1 0	506,404,808.0 0	584,154,678	620,285,630.8 0	589,271,349	12.4	12.8	11.1
Finance and Economic Planning	123,654,515.8 0	187,978,962.0 0	203,605,746	190,698,805.5 0	200,233,746	4.0	4.1	3.8
Roads, Public Works and Transport	648,231,940.4 0	273,895,826.9 4	341,159,295	472,327,682.4 0	495,944,067	9.9	10.2	9.4
Health and Sanitation	1,158,587,880.30	922,530,200.0 0	1,044,401,355	1,255,182,181.00	1,317,941,290	25.1	26.0	24.9
Education, Communication and ICT	145,732,980.1 0	374,928,000.0 0	439,687,196	589,219,840.0 0	618,680,832	11.8	12.2	11.7
Agriculture and Irrigation	125,424,619.6 0	219,206,659.6 0	245,790,218	286,794,420.0 0	315,473,862	5.3	5.4	6.0
Livestock, Fisheries and Veterinary Services	157,505,169.2 0	148,701,842.0 0	224,541,607	192,389,305.9 0	259,725,563	3.8	4.0	4.9
Trade, Industry and Cooperatives	59,061,280.00	113,453,399.0 0	165,451,164	163,972,741.9 0	221,363,202	3.3	3.4	4.2
Land, Physical Planning and Urban Development	64,521,285.20	193,790,082.0 0	269,738,817	208,603,544.6 0	219,033,722	4.2	4.3	4.1
Water development, Environment and Natural Resources	229,973,749.6 0	214,374,916.0 0	247,784,365	317,128,138.8 0	332,984,546	6.3	6.6	6.3
Tourism, Culture, Sports, Youth and Gender Development	70,061,744.40	116,448,751.2 3	171,285,582	244,327,832.0 0	268,760,615	3.8	4.0	5.1
County Assembly	404,846,804.3 0	507,723,408.2 3	456,161,579	501,777,736.9 0	451,599,963	10.0	10.4	8.5
<b>Total</b>	<b>3,631,252,476.20</b>	<b>3,779,436,855</b>	<b>4,393,761,601.73</b>	<b>5,042,707,859.80</b>	<b>5,291,012,756</b>	<b>100</b>	<b>100</b>	<b>100</b>



**Table 8: Budget Calendar for the FY 2015/16 MTEF Budget**

<b>Activity</b>	<b>Responsibility</b>	<b>Deadline</b>
Issue Circular setting out guidelines to be followed by all of the county departments in the budget process.	CEC Finance and Economic Planning	30 <sup>th</sup> August in each year
Preparation of county Annual development plan	CEC Finance and Economic Planning	1 <sup>st</sup> September in each year
submit County Budget Review Outlook Paper to cabinet	County treasury	30 <sup>th</sup> Sept each year
CBROP submitted to County Assembly	County Treasury	21 <sup>st</sup> Oct each year
Submit Debt Management Strategy to County Assembly	County Treasury	15 <sup>th</sup> Feb each year
Treasury submits budget policy statement to parliament	National Treasury	15 <sup>th</sup> Feb each year
Submit CFSP to county assembly	County Treasury	28 <sup>th</sup> Feb each year
CA approves the CFSP	County assembly	15 <sup>th</sup> March
Division of revenue bill to be passed by parliament	National Assembly	16 <sup>th</sup> March
County Ministries and Agencies to adopt CFSP estimates and submit their budget estimates to county treasury.	County Ministries and Agencies	10 <sup>th</sup> April
Draft budget estimates submitted to County Cabinet	County Treasury	20 <sup>th</sup> April
Budget estimates submitted to county assembly	County Cabinet	30 <sup>th</sup> April
County cash flow projections submitted to Controller of budget, intergovernmental budget and economic council and national treasury.	County Treasury	15 <sup>th</sup> June
Approval of budget estimates and the Appropriation bill by the County Assembly;	County Assembly	30 <sup>th</sup> June
After the county assembly has approved the budget estimates, the County Treasury shall consolidate the estimates and publish and publicise them.	County treasury	Not later than twenty-one days after the county assembly has approved the budget estimates