



COUNTY GOVERNMENT OF WEST POKOT

COUNTY TREASURY

COUNTY BUDGET REVIEW

AND OUTLOOK PAPER

SEPTEMBER 2016

FOREWORD

It is with great pleasure that the County Treasury presents the County Budget Review and Outlook Paper (CBROP) for West Pokot County government for the FY 2015/16. This report has been prepared in line with Section 118 of The Public Finance Management Act, 2012 which requires every County Government to prepare and submit a County Budget Review and Outlook Paper (CBROP).

The CBROP provides an analysis of the details of the actual fiscal performance in the previous year compared to the budget appropriation for that year, the updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper. It also provides a description of how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper. CBROP 2016 ensures there is effective linkage between policy, planning and budgeting. Further, it sets indicative ministerial ceilings for FY 2017/18 in line with key sector strategic objectives and priorities as set out in the County Integrated Development Plan (CIDP) and the Annual Development Plan (ADP).

Our commitment is to ensure that we realise the County's goal of reducing poverty and creating employment by focusing our expenditure on high impact projects and programmes. In this regard, the need for continued fiscal discipline through strategic planning, efficient resource management and prudent utilization of public resources is emphasized.

Lastly, I want to assure our development partners and all other stakeholders that the fiscal responsibility principles and the financial objectives for the year under review were met.



Hon. Joel K. Ngólekong

**CEC, FINANCE AND ECONOMIC PLANNING
WEST POKOT COUNTY**

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ACRONYMS

CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
ADP	Annual Development Plan
GDP	Gross Domestic Product
MTEF	Medium Term Expenditure Framework
PFM	Public Finance Management Act
FY	Financial Year
CRF	County Revenue Fund
CARA	County Allocation Revenue Act
SSA	Sub Saharan Africa
MTP	Medium Term Plan

1.0 INTRODUCTION

1.1 Legal Basis for the Preparation of CBROP

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

1. The County Treasury shall prepare and submit to the County Executive Committee for approval in each financial year, a County Budget Review and Outlook Paper by the 30th September of that year.
2. County Executive Committee shall consider the CBROP 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) 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. Section 107 of the PFM law states:

- (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 Specific Objectives of County Budget Review and Outlook Paper

The main objectives of the CBROP 2016 are;

- a) To provide an analysis of actual fiscal performance in the FY 2015/2016 compared to the budget appropriation for that year.
- b) To provide updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP).
- c) To provide information on any changes in the forecasts compared with the County Fiscal Strategy Paper; or 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 CFSP; and
- d) To give the reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.

2.0 REVIEW OF FISCAL PERFORMANCE

2.1 Overview of Resource Envelope

Table 1: Total Resource Envelope

Revenue Source	Estimates (Ksh)	%
Local Revenue Sources	177,308,244	3.7%
Danida Grant to Health	12,180,000	0.3%
Free Maternal Care Conditional Grant to Health	41,260,800	0.9%
Foregone User Fees Conditional Grant to Health	11,950,786	0.2%
Levy Fund Conditional Grant to Roads	54,798,238	1.1%
World Bank Grant to Health Facilities	15,799,898	0.3%
National Equitable Share	4,313,692,404	89.3%
Revenue B/f FY 2014/2015	203,497,638	4.2%
Total Budget Estimates	4,830,488,008	100.0%

Source: County Treasury, Supplementary Estimates FY 2015/16

The total approved budget for FY 2015/16 amounted to Kshs. 4,830,488,008.00. The budget was financed by approved National Equitable Share of Kshs. 4.31 billion (89.3 per cent), projected local revenue of Kshs. 177.3 million (3.7 per cent), Kshs. 12.1 million (0.3 per cent) from DANIDA grant to Health, Ksh. 15.8 million (0.3 per cent) Grant from World bank to health facilities, Kshs. 203.4 million (4.2 per cent) cash balance from FY 2014/15 and conditional grants amounting to Ksh .108.0 million (2.2 per cent) for free maternal health care, foregone user fees and roads development.

A total of Kshs. 2,823,031,764.45 (58.44 per cent) was allocated for recurrent expenditure and Kshs. 2,007,456,243.55 (41.56 per cent) was provided for capital development for the period under review.

2.2 Local Revenue Performance

Table 1: Local Revenue Streams and Performance

**WEST POKOT COUNTY CONTROL LEDGER
FY 2015/2016
OWN GENERATED REVENUE ANALYSIS**

Revenue stream	Budget estimates 2015/16	Total amount Collected	% of revenues realized	% of revenues realized to budget estimates
Kiosk Rent	3,200,000	1,784,300	1.8%	55.8%
Single Business Permits	16,000,000	6,607,420	6.7%	41.3%
Market Fees	6,000,000	3,379,335	3.4%	56.3%
Building Approval Fee	500,000	235,600	0.2%	47.1%
Other Cess	8,000,000	5,989,511	6.1%	74.9%
Royalties	30,000,000	25,772,015	26.2%	85.9%
Livestock Cess	12,000,000	7,041,955	7.2%	58.7%
House Rent	500,000	1,566,832	1.6%	313.4%
Advertising Fee	1,000,000	258,560	0.3%	25.9%
Parking Fee	500,000	696,550	0.7%	139.3%
Bus Pack and Motorcycle Operating Fee	7,000,000	6,036,988	6.1%	86.2%
Renewals/Application Fee	2,200,000	1,454,100	1.5%	66.1%
Liquor Licensing Fee	1,000,000	62,000	0.06%	6.2%
Other Fees/ Charges	11,000,000	9,402,495	9.6%	85.5%
Hire of Agricultural Machinery and Sale of Seedlings	2,500,000	364,400	0.4%	14.6%
Health (Cost Sharing & NHIF)	40,000,000	26,453,217	26.9%	66.1%
Lands Rates	30,908,244	655,280	0.7%	2.1%
Livestock Permits	5,000,000	544,555	0.6%	10.9%
TOTAL OWN REVENUE	177,308,244	98,305,114	100.0%	55.4%

Source: West Pokot County Treasury 2016

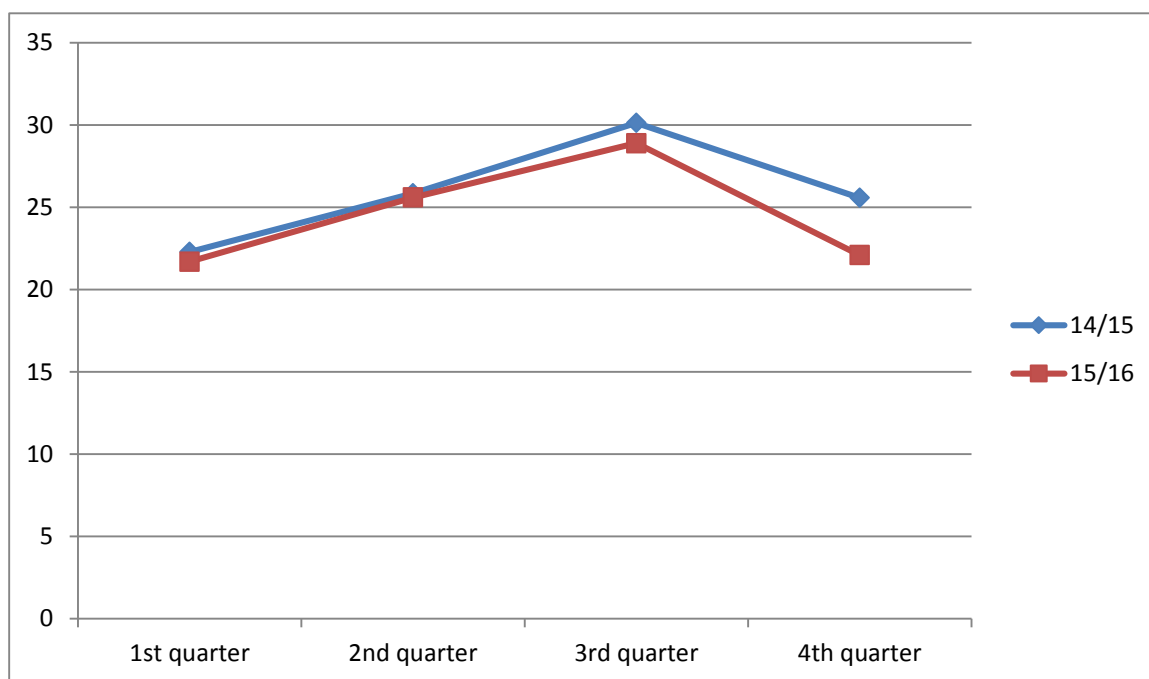
The County Government collected Kshs.98.3 Million in FY 2015/16 against a target of Kshs. 177.3 Million. This represented local revenue performance of 55.4% per cent. The local revenue raised represents a decline of 5.6 Million from the revenue collected in FY 2014/15.

Health was the largest source of income at 26.9%, followed by royalties at 26.2%. The least performing streams were liquor licensing and land rates which generated 6.2% and 2.15% respectively against their set targets. House rent and parking fees streams surpassed their targets by 213.4% and 39.3% respectively.

The shortfall in revenue collected from land rates and plot rents was due to lack of valuation roll. The roll has since been finalized and is expected to significantly contribute to increased internal revenue in the FY 2016/17.

Figure 2 shows a comparative analysis of local revenue by quarter for FY 2014/2015 and 2015/2016.

Figure 1: Summary of Local revenue Collection by Quarter



Source: West Pokot County Treasury 2016

As indicated in the figure 2 above, the highest collection of revenue in both financial years 2014/15 and 2015/16 was during the third quarters (January – March). However, there is need to address the underlying root causes of the significant variation observed in revenue collected between the months of January and June 2016.

2.3 Exchequer Issues

TABLE 3: FY 2015/2016 EXCHEQUER ISSUES

SOURCE	FY 2015/2016 ESTIMATES	AMOUNT RECEIVED/ EXCHEQUER ISSUES
EQUITABLE SHARE	4,313,692,404	4,138,293,,328

CONDITIONAL GRANTS	108,009,824	104,424,022
LOCAL REVENUE	177,308,244	98,305,114
DANIDA	12,180,000	12,180,000
WORLDBANK	15,799,898	15,799,898
BALANCE B/D	203,497,638	203,497,638
TOTAL	4,830,488,008	4,572,500,000
Recurrent	2,823,031,764.45	2,810,261,961
Development	2,007,456,243.55	1,762,238,039

Source: West Pokot County Treasury 2016

Exchequer issues into the County operational accounts amounted to Kshs.4,572,500,000 representing 94.7 per cent of the approved budget, a marginal drop from 97.4 per cent recorded in the FY 2015/2016. A total of Kshs.2,810,261,961 was released for recurrent expenditure and Kshs. 1,762,238,039 for development expenditure.

2.4 Overall County Expenditure and Analysis

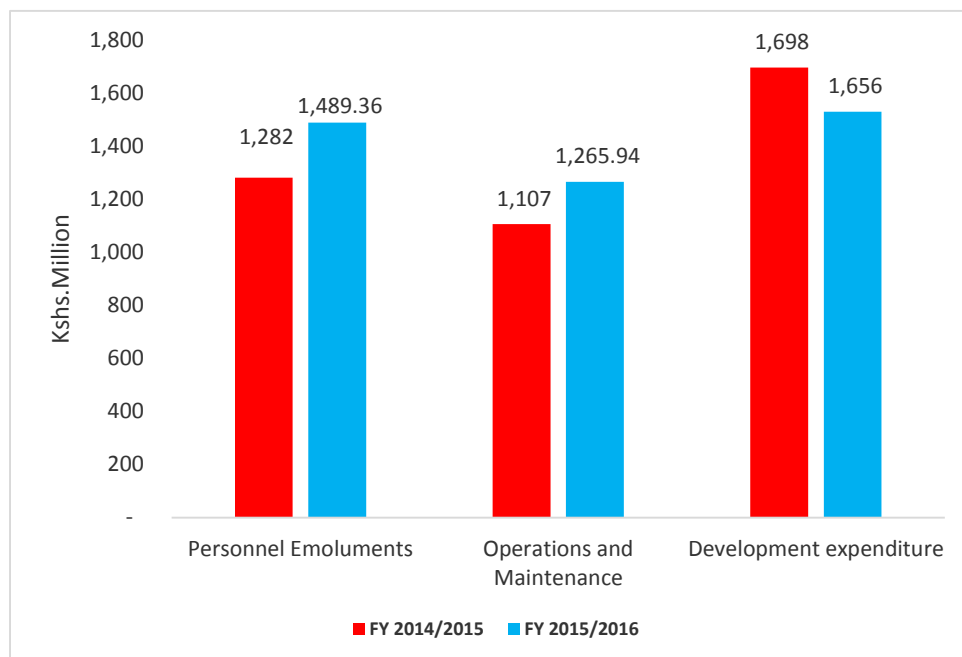
The total expenditure for the FY2015/16 amounted to Ksh.4,417,433,085.40. This amount represents an absorption rate of 95.1 per cent of exchequer issues and 90.1 per cent of the total budget. A total of Kshs.2,761,230,407.00 was spent on recurrent expenditure and Kshs.1,656,202,678.40 was incurred on development.

The Kshs. 4.4 billion expenditure was an improvement from the Kshs.4.11 billion spent in the FY 2014/15. Recurrent expenditure for the period under review represented an absorption rate of 97.81 per cent of the annual recurrent budget, a slight drop from an absorption rate of 99.55 per cent realized in the FY 2014/15. Development expenditure recorded an absorption rate of 82.50 per cent of the annual development budget, a decrease compared to FY 2014/15 when the County had an absorption rate of 91.73 per cent.

2.4.1 Analysis of Total Expenditure by economic classification

A comparison of the total expenditure between the FY 2014/2015 and FY 2015/2016 is shown in Figure 3 below.-

FIGURE 2: ANALYSIS OF TOTAL EXPENDITURE, BY ECONOMIC CLASSIFICATION



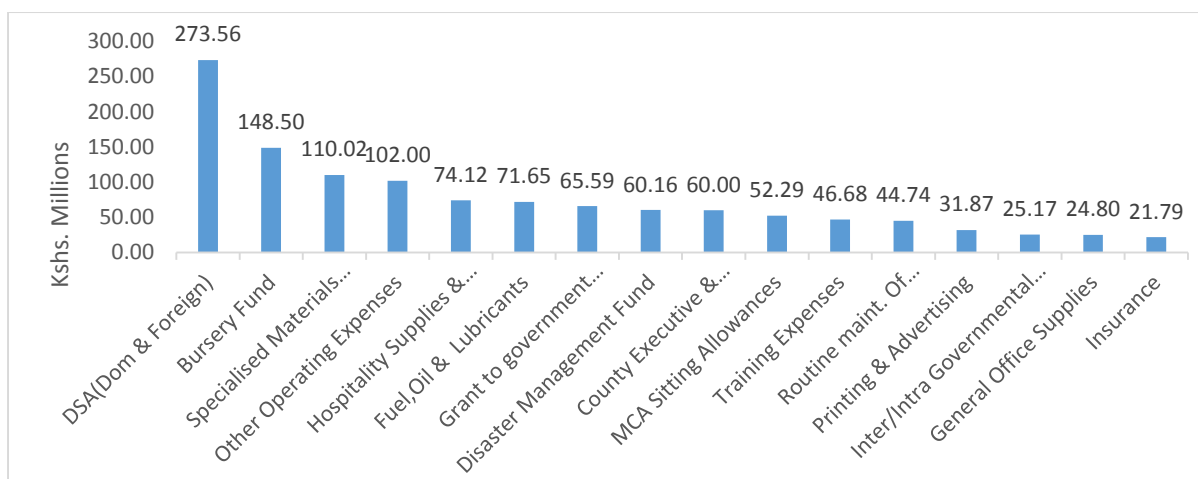
Source: West Pokot County Treasury 2016

In the period under review, the county government spent Kshs.1.489 billion on personnel emoluments, representing 52.7 per cent of the total recurrent expenditure and 31.4 per cent of total expenditure. This expenditure is an increase from Kshs.1.282 billion spent in a similar period of FY 2014/15 where personnel expenditure translated to 31 per cent of the total expenditure. Comparatively, expenditure on personnel emoluments has increased significantly in FY 2015/16 due to the newly recruited staff.

A total of Kshs.1.266 billion was spent on operations and maintenance expenses during the reporting period, which translates to 29 per cent of the total expenditure.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 4 below.

FIGURE 3: BREAK DOWN OF OPERATIONS AND MAINTENANCE EXPENDITURE



Source: West Pokot County Treasury

2.4.2 Summary of Recurrent Expenditure by Vote

TABLE 4: SUMMARY OF RECURRENT EXPENDITURE

VOTE	APPROVED 2015/2016 BUDGET	EXCHEQUER ISSUES	ACTUAL EXPENDITURE	% EXCHEQUER ISSUES	% ABSORPTION
COUNTY EXECUTIVE	439,800,765.10	438,172,517.74	437,831,153.00	99.92	99.55
FINANCE AND ECONOMIC PLANNING	116,092,972.35	115,303,666.00	113,388,350.00	98.34	97.67
ROADS, PUBLIC WORKS AND TRANSPORT	82,872,256.00	82,733,941.00	72,657,314.00	87.82	87.67
HEALTH AND SANITATION	901,023,460.00	900,103,893.00	880,371,146.00	97.81	97.71
EDUCATION AND ICT	285,357,493.00	284,848,541.00	283,255,679.00	99.44	99.26
AGRICULTURE AND IRRIGATION	94,710,995.00	94,094,436.00	94,634,404.00	100.57	99.92
LIVESTOCK, FISHERIES AND VETERINARY SERVICES	105,002,354.00	104,510,677.00	101,432,443.00	97.05	96.60
TRADE, INDUSTRY AND COOPERATIVE DEVELOPMENT	38,805,709.00	38,741,019.00	38,192,822.00	98.58	98.42
LANDS, HOUSING, PHYSICAL PLANNING AND URBAN DEVELOPMENT	64,631,150.00	64,584,974.00	64,547,136.00	99.94	99.87

WATER DEV., ENVIRONMENT AND NATURAL RESOURCES	59,913,281.00	59,499,800.00	55,829,527.00	93.83	93.18
TOURISM, CULTURE, SPORTS, YOUTH AND GENDER DEV.	42,602,048.00	42,126,430.00	40,826,194.00	96.91	95.83
WEST POKOT COUNTY ASSEMBLY	439,669,281.00	434,272,726.00	425,815,004.00	98.05	96.85
COUNTY PUBLIC SERVICE MANAGEMENT	152,550,000.00	151,269,341.00	152,449,235.00	100.78	99.93
TOTAL	2,823,031,764.45	2,810,261,961.74	2,761,230,407.00	98.05	97.61

Source: West Pokot County Treasury

From the Table above, the County's actual recurrent expenditure was within the budgeted estimates in accordance with responsibility principles and financial objectives contained in the PFM Act. The actual recurrent expenditure was 58.44 per cent of the total budget estimate.

2.4.3 Summary of Development Expenditure by Vote

TABLE 5: SUMMARY OF DEVELOPMENT EXPENDITURE

VOTE	APPROVED 2015/2016 BUDGET	EXCHEQUER ISSUES	% EXCHEQUER ISSUES	ACTUAL EXPENDITURE	% ABSORPTION
COUNTY EXECUTIVE	103,928,714.00	74,000,000.00	71.20	88,385,864.88	85.04
FINANCE AND ECONOMIC PLANNING	72,331,424.40	65,150,000.00	90.07	35,218,240.00	48.69
ROADS, PUBLIC WORKS AND TRANSPORT	390,961,845.10	348,920,000.00	89.25	391,318,456.00	100.9
HEALTH AND SANITATION	265,241,833.10	258,285,000.00	97.38	203,820,128	76.80
EDUCATION AND ICT	345,293,006.00	282,238,342.00	81.74	283,453,222	80.55
AGRICULTURE AND IRRIGATION	210,238,831.90	198,000,000.00	94.18	204,993,642.00	103.53
LIVESTOCK, FISHERIES AND VETERINARY SERVICES	111,784,542.00	86,995,000.00	77.82	82,053,233.00	74.09
TRADE, INDUSTRY AND COOPERATIVE DEVELOPMENT	71,862,561.80	69,287,505.00	96.42	54,283,045.00	74.15

LANDS, HOUSING, PHYSICAL PLANNING AND URBAN DEVELOPMENT	27,566,364.00	23,112,192.00	83.84	25,889,848.00	98.89
WATER DEV., ENVIRONMENT AND NATURAL RESOURCES	196,515,580.65	168,400,000.00	85.69	160,470,906.00	82.00
TOURISM, CULTURE, SPORTS, YOUTH AND GENDER DEV.	101,922,378.25	85,850,000.00	84.23	96,571,796.00	94.53
WEST POKOT COUNTY ASSEMBLY	87,809,162.35	80,000,000.00	91.11	68,039,656.00	70.52
COUNTY PUBLIC SERVICE MANAGEMENT	22,000,000.00	22,000,000.00	100.00	80,000.00	0.36
TOTAL	2,007,456,243.55	1,762,238,039.00	87.78	1,694,578,036.88	84.41

Source: West Pokot County Treasury

Analysis of development expenditure indicates that the department of Agriculture and Irrigation, had the highest absorption rate of 103.53 per cent County Public Service Management had the least absorption 0.36 percent.

2.5 Performance of Donor Funds and Conditional Grants

Donor/ Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
Road Maintenance Fuel Levy Fund	54,798,238	54,798,236	100.0%
Free Maternal Health Care	41,260,800	37,675,000	91.3%
User Fees Forgone	11,950,786	11,950,786	100.0%
DANIDA Grant	12,180,000	12,180,000	100.0%
World Bank Grant	15,799,898	15,799,898	100.0%
TOTAL	135,989,722	132,403,920	97.4%

Source: West Pokot County Treasury

Actual receipts for the period under review for Donor and Conditional Grants represented a performance of 97.4 per cent. The allocation for free maternal care fell short by Ksh. 3.59 Million.

2.6 Unspent Balance Brought Forward to FY 2016/17

TABLE 6: BALANCES BROUGHT FORWARD FROM FY 2015/16

VOTE	RECURRENT	DEVELOPMENT	% Unspent (Dev)	TOTAL	% Total Unspent
COUNTY EXECUTIVE	1,969,612.10	15,542,849.12	3.59	17,512,461.22	4.32
FINANCE AND ECONOMIC PLANNING	2,704,622.35	37,113,184.40	6.52	39,817,806.75	6.27
ROADS, PUBLIC WORKS AND TRANSPORT	10,214,942.00	-356,610.90	8.34	9,858,331.10	9.34
HEALTH AND SANITATION	20,652,314.00	105,804,762.23	25.67	126,457,076.23	26.62
EDUCATION AND ICT	2,101,814.00	67,144,080.36	19.24	69,245,894.36	17.87
AGRICULTURE AND IRRIGATION	76,591.00	-10,601,190.10	0.30	-10,524,599.10	0.28
LIVESTOCK, FISHERIES AND VETERINARY SERVICES	3,569,911.00	28,966,377.50	6.37	32,536,288.50	6.27
TRADE, INDUSTRY AND COOPERATIVE DEVELOPMENT	612,887.00	18,575,608.80	3.67	19,188,495.80	3.48
LANDS, HOUSING, PHYSICAL PLANNING AND URBAN DEVELOPMENT	84,014.00	305,648.72	0.04	389,662.72	0.48
WATER DEV., ENVIRONMENT AND NATURAL RESOURCES	4,083,754.00	35,377,398.24	15.05	39,461,152.24	14.07
TOURISM, CULTURE, SPORTS, YOUTH AND GENDER DEV.	1,775,854.00	5,572,074.25	1.17	7,347,928.25	1.40
WEST POKOT COUNTY ASSEMBLY	13,854,277.00	25,889,382.53	5.44	39,743,659.53	5.51
COUNTY PUBLIC SERVICE MANAGEMENT	100,765.00	21,920,000.00	4.60	22,020,765.00	4.11
TOTAL	61,801,357.45	351,253,565.15	-	413,054,922.60	-

Source: West Pokot County Treasury

The table above indicates the Unspent balances from FY2015/16 approved budget amounting to Ksh. 413,054,922. These funds will be re-appropriated in FY2016/17 Supplementary I budget and used for settlement of pending bills.

2.7 FY2015/16 Implemented Development Projects

The County priorities for the FY 2015/2016 as outlined in respective ADP and CFSP included investment in (i)road infrastructure, (ii)health, (iii)agriculture and irrigation to boost County food security, (iv)education, (v)water,

and(vi)strengthening business environment to boost job creation in the County. Allocation of resources was based on the County strategic priorities, alongside with other activities that have been given priority in the FY2015/2016.

The Annex Tables indicates the projects currently being implemented that are expected to spur economic activities and support favorable growth prospects in the County.

2.8 Implication of FY 2015/16 Fiscal Performance on Fiscal Responsibility Principles and Financial Objectives

From the above fiscal performance, it can be observed that the county total recurrent expenditure was within the county total revenue for the period under review. In addition, the expenditure on wages and benefits to its county public officers are sustainable. Further, No borrowings were made and fiscal risks were managed prudently for the period under review. A reasonable degree of predictability with respect to the level of tax rates and tax bases was also maintained. As a result, the fiscal responsibility principles and financial objectives were met.

3.0 RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

3.1 Overview of Recent Economic Performance

The Gross Domestic Product (GDP) is estimated to have expanded by 5.6 per cent in 2015 which is a slight improvement compared to a 5.3 per cent growth in 2014. This growth was mainly supported by a stable macroeconomic environment and improvement in outputs of agriculture; construction; finance and insurance and real estate. However, growth slowed in a number of sectors including; information and communication, mining and quarrying, and wholesale and retail trade. Similarly, growth in taxes on products slowed during the review period. The economy is projected to expand by 6.0 percent in 2016 and 6.5 percent in the medium term. Comparatively, the first quarter of 2016 recorded the highest growth rate in GDP since the inception of the devolved system of governance as shown in the chart below.

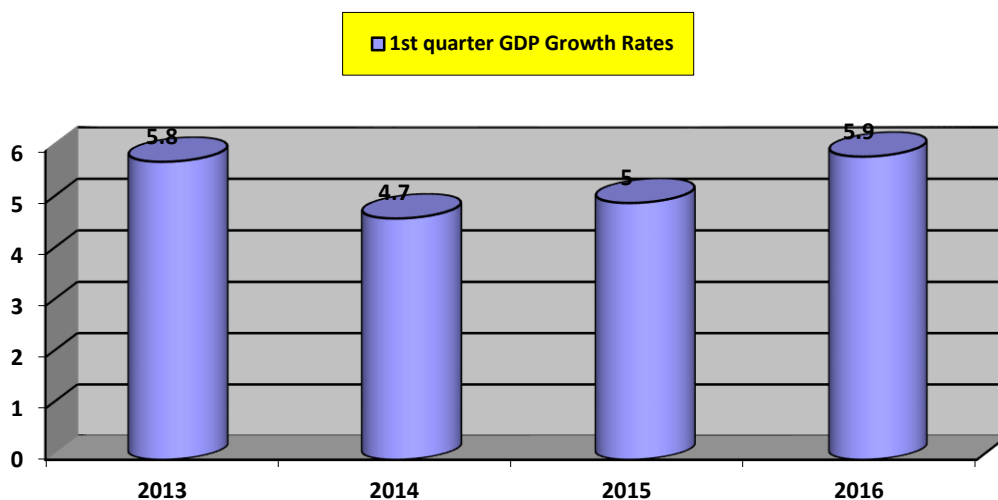


Figure 4: First Quarter GDP Growth Rate

Key macroeconomic indicators remained relatively stable and supportive of the growth during the year under review. Overall inflation eased from 6.9 per cent in 2014 to 6.6 per cent in 2015 mainly due to lower prices of energy and transport. In the first quarter 2016, the inflation level rose to 7% as compared to the first quarter 2015 level which stood at 5.8%. Monthly inflation rates fluctuated between 5.5 per cent and 8.0 per cent but were largely contained within the Central Bank's target throughout the year.

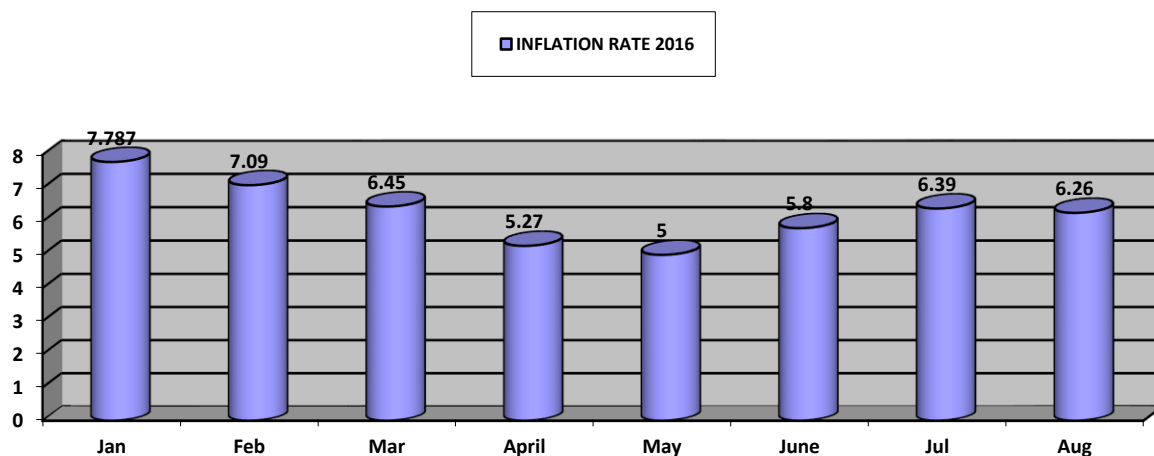


Figure 5: Inflation Rates 2016

Generally, the Shilling depreciated against its major trading currencies as reflected by the weighted trade index which worsened by 5.7 per cent during the review period. Regionally, however, the shilling appreciated against the Ugandan and South African currencies by 20.6 and 16.4 respectively. The Shilling was mainly supported by a significant fall in the international oil prices as the country cut-back expenditure on importation of petroleum fuels and increased diaspora remittances. However, lower earnings from the tourism sector impacted negatively on the exchange rate of the Shilling in 2015.

In 2015, the current account balance improved largely due to a decline in the import bill against a substantial growth in export earnings. The current account balance improved by 30.1 per cent from a deficit of KSh 101,539 million in the first quarter of 2015 to a deficit of KSh 71,018 million in the first quarter 2016. The decrease in the import bill was mainly due to the fall in the international oil prices. The growth in export earnings was largely driven by improved prices for some commodities which more than offset the effects of the fall in quantities of export. However, the country's export growth was curtailed by suppressed external demand.

Remittances from the diaspora continued to grow in the first quarter of 2016, increasing by 28.4 per cent to KSh 42,777 million from KSh 33,328 million in the first quarter of 2015. Net financial inflows declined by 27.3 per cent to a surplus of KSh 159,450 million from a surplus of KSh 219,311 million in a similar period of 2015.

Total employment outside small-scale agriculture and pastoralist activities increased by 5.9 per cent to 15,160.8 thousand persons in 2015. Informal sector employment rose by 6.0 per

cent to 12,559.6 thousand persons, and accounted for 82.8 per cent of total persons engaged during the period. Employment in the modern sector expanded by 5.2 per cent to 2,601.2 thousand persons; consisting of 2,478.0 thousand wage employees and 123.2 thousand self-employed and contributing family workers. Wage employment within the public sector increased slightly from 700.8 thousand persons in 2014 to 718.4 thousand persons in 2015. Overall, total earnings increased from KSh 1,311.1 billion in 2014 to KSh 1,497.3 billion in 2015, representing a rise of 14.2 per cent. The easing of inflation rate coupled with faster upward movement of wages led to a 2.1 per cent increase in real average earnings per employee from KSh 368,979.9 per annum in 2014 to KSh 376,577.2 per annum in 2015.

Employment in the modern and informal sectors went up by 5.9 per cent from 14,319.2 thousand in 2014 to 15,160.8 thousand in 2015. Wage employment in the modern sector recorded a growth of 4.5 per cent in 2015 compared to 3.8 per cent registered in 2014. In the year under review, total number of new jobs generated in the economy is estimated to have increased by 4.9 per cent to 841.6 thousand, of which 128.0 thousand jobs were in the modern sector.

The informal sector created 713.6 thousand new jobs in 2015 compared to 695.9 thousand new jobs in 2014. This constituted 84.8 per cent of all new jobs created outside small scale agriculture sector and pastoralist activities.

The share of private sector employment in modern sector wage employment was 71.0 per cent in 2015, slightly higher than 70.4 per cent recorded in 2014. This was attributed to the slow growth in employment in the public sector relative to the private sector. During the period under review, the private sector recorded a growth of 5.4 per cent in employment levels compared to 4.4 per cent registered in 2014. Overall, the private sector created 90.2 thousand new wage employment compared to 69.6 thousand in 2014. In 2015, the largest contributors to wage employment in the private sector were agriculture, forestry and fishing; manufacturing; wholesale and retail trade, repair of motor vehicles and motor cycles; and education accounting for 16.7, 15.3, 13.1 and 10.7 per cent of the total private sector employment, respectively.

Public sector employment increased by 2.5 per cent from 700.8 thousand persons in 2014 to 718.4 thousand persons in 2015. The slowdown in public sector employment is attributed to restricted recruitment mainly to essential services and replacement of those leaving the service through natural attrition in an effort to contain the public sector wage bill. In the

education sector, an additional 16,300 persons were employed while in human health and social work activities; and electricity, gas, steam and air conditioning supply industries , each had additional 1,600 persons in 2015. Employment in public administration and defence; compulsory social security activities recorded a decline of 2.2 per cent compared to an increase of 2.0 per cent in 2015.

The national budget in the financial year 2016/17 is at Ksh 2.05 trillion. This is a decrease from the 2015/16 figure of Ksh 2.224 trillion. The FY 16/17 budget targets revenue collection including Appropriation in Aid of Ksh 1,499 billion from Ksh 1,294 billion in FY 15/16. Ordinary revenues are projected at Ksh 1,375 billion up from the estimated Ksh 1,183 billion in FY2015/16. All sectors of the NG have registered a decline in budgetary allocations from the 2015/16 to 2016/17 with the exception of health, education, environmental protection, governance and security.

Total stock of debt as at end of 2014/15 stood at KSh 2,601.4 billion, of which external debt stock accounted for 54.7 per cent. The total stock of debt grew by 17.3 per cent to KSh 2,601.4 billion in June 2015, of which the external debt amounted to KSh 1,423.3 billion. Stock of debt from the International Sovereign Bond constituted 19.1 per cent of the total external debt as at June 2015 compared to 15.4 per cent as at June 2014. Bilateral external debt from all the traditional lenders declined with the exception of debt stock from the People's Republic of China, which grew significantly by KSh 171.2 billion to KSh 252.0 billion in June 2015. This growth was driven by the continued bilateral engagements in infrastructural development initiatives between the two countries.

The stock of debt from multilateral lenders grew by 15.4 per cent to KSh 684.6 billion in June 2015. Stock of debt from African Development Fund/African Development Bank (ADF/AfDB) registered the largest growth of 47.1 per cent while stock of debt from International Development Association/International Fund for Agricultural Development (IDA/IFAD) and International Monetary Fund (IMF) grew marginally by 10.7 per cent and 3.4 per cent, respectively, as at the end of June 2015. Debt from Commercial banks decreased significantly to KSh 5.7 billion, from KSh 59.5 billion in June 2014, attributed to the repayment of the syndicated loan using proceeds from the International Sovereign Bond during the period under review. The gross internal debt position increased by 9.6 per cent from KSh 1,284.3 billion in June 2014 to KSh 1,420.4 billion in June 2015. This growth was occasioned by the rise in stocks of treasury bonds by 13.2 per cent and the rise in treasury bills by 6.5 per cent.

In the first quarter 2016, overall balance of payments improved to a surplus of KSh 26,318 million from a deficit of KSh 17,063 million in the corresponding quarter of 2015. In 2015, the balance of trade improved from a deficit of KSh 1,081 billion recorded in 2014 to a deficit of KSh 997 billion. Total exports rose by 8.2 per cent to KSh 581 billion in 2015 while total imports declined by 2.5 per cent to KSh 1,578 billion over the same period. As a result, the volume of trade increased marginally from KSh 2,156 billion in 2014 to KSh 2,158 billion in 2015. The rise in the total export earnings compared to the decline in the total import bill led to the improvement of export-import ratio from 33.2 per cent in 2014 to 36.8 percent in 2015. The leading export earners were tea; horticulture; articles of apparel and clothing accessories; and coffee, collectively accounting for 54.6 per cent of the total export merchandise.

3.2 Kenya's Development Challenges

Kenya has the potential to be one of Africa's great success stories from its growing and youthful population, a dynamic private sector, a new constitution, and its pivotal role in East Africa. Addressing challenges of corruption, poverty, inequality, low investment and low firm productivity to achieve rapid, sustained growth rates that will transform the lives of ordinary citizens, should be a major goal for the country.

3.3 Fiscal Risks to the FY 2017/2018 Outlook

The short to medium-term positive growth projections of the Country are based on assumptions of increased rainfall for enhanced agricultural production, a stable macroeconomic environment, continued low international oil prices, stability of the Kenya shilling, improvement in the security situation and reforms in the areas of governance and justice.

Nationally, the following risks shall pose a challenge to the national growth prospects;

- *A weak currency will be the key pressure point for the Kenyan economy over the coming quarters.*

- *High inflation rate- Although we still hold a positive outlook for economic growth over this period, we expect tighter monetary conditions that will push interest rates high and impact on various sectors of the economy.*
- *The politicization of sharp ethnic divisions remains the key threat to Kenya's long-term political stability. Terrorism linked to Kenya's military involvement in Somalia is likely to remain a risk, but it does not pose a systemic threat to political stability.*

At the County level, the risk to the outlook for the year 2017/18 and Medium-Term include weakening of national economic growth, unfavourable weather conditions (Elnino), threats of tribal/boundary conflicts between the Pokot, Elgeyo Marakwet and Turkana counties, and changing of political environment due to incoming 2017 polls may pose investor confidence challenges as well as risk in the operationalization of the policies and programs planned in the medium term.

Natural calamities may also pose the greatest risk to the county's development agenda and revenue collection. The most common disaster risks include disease outbreaks for both livestock and human, conflicts, landslides, lightning strikes, flash floods and drought. These calamities can delay programs or lead to collapse of projects. Without proper contingency plans, funds meant for development programs could be redirected for humanitarian support .

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 been irregular thus affecting commencement and completion of projects and compromising service delivery. The County government will, however, undertake timely and appropriate measures to safeguard stability and early return to normalcy should these risks materialize.

4.0 REVENUE GROWTH PROSPECTS

4.1 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 Gross Domestic Product (GDP) expanded by 5.6 per cent in 2015 which is a slight improvement compared to a 5.3 per cent growth in 2014. This growth was mainly supported by a stable macroeconomic environment and improvement in outputs of agriculture; construction; finance and insurance and real estate. The economy is projected to expand by 6.0 percent in 2016 and 6.5 percent in the medium term. Comparatively, the first quarter of 2016 recorded the highest growth rate in GDP since the inception of the devolved system of government as shown in the chart below.

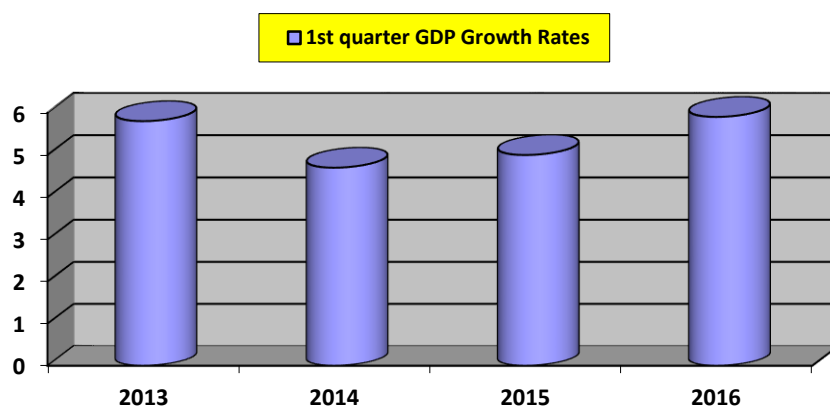


Figure 6 First Quarter GDP Growth Rate

4.2 Fiscal Projections for FY 2015/16- 2017/18

4.2.1 County Total Revenue Forecast for FY 2017/18

Equitable share is expected to stagnate at Ksh 4.657 Billion due to the revised formula for sharing revenue passed by the Senate. The formula reduced the weight on poverty parameter from 20% to 18%. Ordinary county revenue is also projected to increase through the widening of tax base, tight county fiscal policies, revenue automation, strengthening of organizational structures and systems, enacting cost cutting measures, Strengthening monitoring and evaluation of the revenue systems, and enhanced transparency, accountability and supervision in revenue collection.

As shown in the table below, the total revenue for the county is expected to grow marginally from Kshs 5.00B to Ksh. 5.05B.

TABLE 2: REVENUE FORECAST

REVENUE FORECAST	2016/2017	2017/2018
	Estimates	Projections
Equitable Share	4,654,529,143	4,657,529,143.00
Donor Funds		86,049,761.00
Internal County Revenue	122,245,626	136,320,184.00
Conditional Grants	223,759,117	165,980,000.00
TOTAL REVENUE FORECASTS	5,000,533,886	5,045,879,088.00

The largest source of revenue is expected from the equitable share accounting for 92.3 percent of the FY 2017/18 total budget. Internal county revenue will account for 3.3 Percent.

4.2.2 Internal Revenue Streams' Projections for FY 2017/18

TABLE 8: INTERNAL REVENUE PROJECTIONS BY STREAM TARGETS

REVENUE SOURCE	2014/15 ESTIMATES	2015/2016	2016/2017	2017/2018
		PROJECTIONS	PROJECTIONS	PROJECTIONS
Kiosk rent	2,517,830	3,200,000	2,643,722	2,743,078
Singe business permit	11,014,205	16,000,000	13,216,000	13,999,089
Market fee	3,828,461	6,000,000	4,019,884	4,332,000
Building approval	430,800	500,000	452,340	503,789
Cess	7,107,107	8,000,000	7,634,100	8,978,076
Royalties	25,576,500	30,000,000	29,523,440	35,000,001
Stock	9,690,651	12,000,000	10,175,184	10,867,098
House rent	296,300	500,000	311,115	325,078
Advertising	399,940	1,000,000	419,937	600,000
Parking	4,455,305	500,000	4,678,070	4,900,051
Bus parks & Motorcycles	-	7,000,000	2,134,200	2,561,236
Renewals/Application	2,219,990	2,200,000	2,330,990	2,707,090
Liquor licensing	-	1,000,000	993,782	1,200,000
Other fees and charges (Public toilet), honey, hides & skins, firewood, tamarind alovera, scrap metal, Fish, penalties, trade)	10,383,739	11,000,000	10,902,926	11,300,000
Agriculture	1,819,432	2,500,000	1,500,000	1,708,000
Lands	2,663,165	30,908,244	25,320,000	27,320,000
Health	20,609,439	40,000,000	2,796,323	3,817,919

Livestock/permits	886,465	5,000,000	1,283,210	1,450,890
Trade	-	0	1,910,404	2,006,789
Grand totals	103,899,328	177,308,244	122,245,626	136,320,184.00

Source: County Treasury 2016

Internal revenue is projected to grow to KShs 136.3M in the FY2017/18 from Ksh.122.2M in FY 2015/16. This growth projection represents an increase of 11.5 percent from the previous target. The highest revenue stream targets are expected from royalties (25.7%), land rates (20%), single business permits (10.3%), and stock cess (7.9%). With tighter measures and full automation, the county is expected to achieve its full potential over the next three years.

4.3 Medium Term Expenditure Resource Allocation Framework

The County expects to receive a total of Kshs 4,793,849,327 which includes Kshs 136,320,184 (being 2.84 percent of the total revenue share) as Internal Revenue and KShs 4,657,529,143 as equitable share.

Table 9: Expenditure Forecast for FY 2017/18

Item	Amount	Per Cent Allocation
Recurrent	3,212,356,170.88	67
Development	1,581,493,156.12	33
TOTAL GROSS EXPENDITURE	4,793,849,327	100
Personnel Emolument to Gross Expenditure Ratio	1,646,524,711.71	34.35

Note: This revenue data is less the conditional grants that are expected to boost Health and Road Departments.

4.4 Expenditure Priorities for FY 2017/18

The CIDP 2013-2017 as well as 2017-2022 CIDP, Annual Development Plan 2017/2018 and Kenya Vision 2030 are the key policy documents that will guide the County Government funding decisions. The Vision 2030 provides the overarching long term national development agenda, while the CIDP sets out the county medium term development plan.

As enumerated under the PFMA, the county shall continue enforcing fiscal responsibility principles. Personnel emolument is expected to be kept lower than 35 percent of the gross expenditure. Measures to improve County Revenue will be enhanced to ensure smooth implementation of planned activities for the fiscal year.

The total county revenue shall be expended as shown in table 9 below. Health sector continue taking the highest allocation of 27 percent followed by Education at 11.85 percent and County Assembly at 11.6 percent., Roads at 8.99 percent and lastly Agricultural sector comprising of Agriculture, Irrigation and Livestock accounting 9.18 percent.

Table 9 below indicates tentative ceiling that will be accorded to the different County Ministries during the Fiscal year 2017//2018:

Table 10: 2017/18 MTEF CEILING

Vote	2013/2014 ESTIMATES	2014/2015 ESTIMATES	2015/2016 ESTIMATES	2016/2017 ESTIMATES			2017/2018 PROJECTED			2018/2019 PROJECTED
	Total	Total	Total	Recurrent	Development	Total	Recurrent	Development	Total	Total
Office of the Governor	443,650,507.30	1,362,336,051.00	473,784,808.00	346,850,997.81	99,252,448.33	446,103,446.14	315,536,097.59	10,000,000.00	325,536,098	334,740,050.40
Intergovernmental Relations and Special Initiatives				85,520,918.57	72,000,000.00	157,520,918.57	65,073,010.43	10,000,000.00	75,073,010	123,900,000.00
Finance and Economic Planning	123,654,515.80	159,561,027.00	169,605,746.00	276,978,510.27	38,838,938.00	315,817,448.27	250,588,828.53	20,000,000.00	270,588,829	301,082,959.80
Roads, Public Works and Transport	645,142,230.20	422,336,779.00	499,752,560.00	75,880,414.62	427,328,548.30	503,208,962.92	80,468,456.08	350,445,358.55	430,913,815	609,940,336.48
Health and Sanitation	1,162,730,644.00	708,871,291.00	1,280,982,588.00	1,112,971,405.91	277,357,353.03	1,390,328,758.94	1,070,268,546.50	230,689,645.28	1,300,958,192	1,450,471,423.04
Education, Communication and ICT	148,822,690.30	298,138,780.00	556,695,532.00	364,603,239.22	228,821,584.03	593,424,823.25	367,063,563.14	200,962,796.25	568,026,359	591,871,556.06
Agriculture and Irrigation	125,424,619.60	187,340,355.00	253,189,802.00	97,274,290.12	141,597,488.38	238,871,778.50	115,001,719.13	130,111,976.16	245,113,695	305,329,729.07
Livestock, Fisheries and Veterinary Services	162,174,880.70	129,989,991.00	220,955,650.00	89,581,982.58	59,300,881.00	148,882,863.58	92,540,180.84	99,932,520.91	192,472,702	242,068,687.26
Trade, Industry and Cooperatives	61,401,380.00	130,698,491.00	105,347,916.00	62,827,191.30	31,824,165.45	94,651,356.75	65,109,910.43	40,128,267.00	105,238,177	174,773,722.20
Land, Physical Planning and Urban Development	60,792,713.60	156,587,806.00	132,242,738.00	83,005,875.32	57,870,000.00	140,875,875.32	85,306,462.85	64,209,230.94	149,515,694	167,725,757.79
Water development, Environment and Natural Resources	235,318,009.60	208,811,494.00	215,084,365.00	66,511,139.19	137,314,413.07	203,825,552.26	70,162,253.11	137,535,703.43	207,697,957	278,023,583.70
Tourism, Culture, Sports, Youth and Gender Development	67,295,892.30	120,931,103.00	91,940,504.00	40,405,999.34	87,212,779.28	127,618,778.62	42,446,599.27	177,195,657.60	219,642,257	201,899,860.68
County Assembly	404,846,804.30	387,531,896.00	489,669,281.00	450,000,000.00	85,000,000.00	535,000,000.00	460,000,000.00	100,282,000.00	560,282,000	547,219,657.95
Public Service Management			238,350,000.00	136,173,220.88	9,000,000.00	145,173,220.88	132,790,542.97	10,000,000.00	142,790,543	147,000,000.00

Total	3,641,254,887.70	4,273,135,064.00	4,727,601,490.00	3,288,585,185.13	1,752,718,598.87	5,041,303,784.00	3,212,356,170.88	1,581,493,156.12	4,793,849,327	5,476,047,324.43
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The following are expected to guide the 2016/2017 budget as priority areas;

Strategic Priority I: Infrastructure Development

In order to maximize the benefits of the massive road works that has been done, the County will continue investing in road improvements to ensure all open roads are passable and improved to all weather roads. Development of Makutano sewerage system together with improvement of roads network within Kapenguria town will be a priority for the fiscal year. ICT will be appreciated in the county through improved funding of the sector to spur economic growth, improve youth employment and revenue generation.

Construction of new water boreholes will be discouraged due to sustainability issues. Efforts to connect communities with water supply systems along the Muruny-Siyoi Water Supply will be done as well as to put up the following new water supply systems; Mtelo -Chepnyal water supply, Rurupogh – Kodich – Konyao water supply, Kamalagon-Kamelei-Sondany water supply, Sangat – Masol water supply, Parua-Ortum – Wakor water supply as well as upgrading existing boreholes to solar powered.

Strategic Priority II: Promoting Access to Education

As the corner stone of the unlocking other opportunities and potentials, investment in the Human capital will be a key priority area. The county will focus on equipping of polytechnics, improving on primary/secondary infrastructure, school retention through bursaries, school feeding program and enrolment improvement, ECD centres development and improvement of middle level colleges.

Strategic Priority III - Quality Health Care Delivery

Over the past three years, the County has invested in promoting access to health services. In the mid-term, the focus will shift from access to provision of quality health care. Therefore, completion of ongoing facilities will be prioritized as well as equipping, staffing and improving the existing facilities. Preventive health care will also be addressed.

Strategic Priority IV – Agricultural Transformation

The fiscal year will be dedicated to transformative agenda in the agricultural sector. Subsidized mechanical agriculture for farmers, operationalization of Agricultural Training Centre, supporting technological improvements and modern farming methods like green houses, small-scale irrigation system, upscaling of extension services, support of farmers with seeds and seedlings and technology transfer through extension services and demonstration plots will be pursued in the medium term.

Under livestock development, improvement of quality breeds through Artificial Insemination, purchase of improved breeds to famers to maximize farmers income. Improved livestock breeds will enhance milk

production and ensure the County has enough milk stock for commencing a milk processing plant. Disease control will be prioritized to ensure there are maximum benefits for the local farmers. The County will also prioritize opening of the County abattoir as a means to enhancing income through value addition.

Fish farming will also be promoted to ensure diversification of meals and income for the locals.

Strategic Priority V: Social Development

Investing in Tourism Development and the communities through social programs like Youth and women empowerment programs. The Hospitality Centre will be completed and promotion of sports and cultural activities as agents of a cohesive society will be done. The high altitude training centre will also be operationalized.

Strategic Priority VI: Trade and Entrepreneurship

Value addition technologies over the MTEF period will be prioritized especially for Milk. Market infrastructure development, sale yards development, industrial development centers, cottage industries as well as upscaling of Trade Loans to accommodate more business persons. Cooperative societies will also be revived and strengthened to improve farmers income.

Strategic Priority VII: Enhanced Governance

To improve on Governance in management of the County's resources, Civic education programme will be enhanced to empower the local population understand and appreciate the role of the county government. This will also ensure that the public demand good governance, transparency and accountability in county government operations.

Summary of Planned programs

Some of the notable planned activities include the following:

- Operationalization of Agricultural Training College, Nasukuta Meat processing plant, all new health facilities, ECD hostel and multipurpose hall and other newly constructed projects.
- Completion of the Pkopoch training and and hospitality centre.
- Protection and drainage works of all newly opened roads.
- Water supplies along Murung water supplies including Mtelo -Chepnyal water supply, Rurupogh – Kodich – Konyao water supply, Kamalagon-Kamelei-Sondany water supply, Sangat – Masol water supply, Parua-Ortum – Wakor water supply, Upgrade boreholes to solar and construct new boreholes.
- Issue bursary and give scholarships to students for special courses.

- Improve sanitation of the urban areas through establishing a sewerage system and a dumping site.
- Completion of a County Integrated Development Plan for 2017-2022 and a Spatial Plan.
- Urban areas development, including planning of all major urban centres.
- Animal disease control program and promotion of fish farming;
- Intensification of agricultural extension services and promoting agricultural mechanization through subsidized farming;
- Upgrading of existing facilities to cover more/improved services and construction of staff houses as well as completion of ongoing construction of health facilities and operationalizing the same.

5.0. CONCLUSION

In summary, the County Budget Review & Outlook Paper has provided the analysis of the actual fiscal performance in the FY 2015/16 compared to the budget appropriation for that year and the updated economic and financial forecasts. The fiscal responsibility principles and the financial objectives for the year under review were met.

The tentative ceilings for the FY 2017/18 have also been provided. Going forward, the ceilings are expected to be taken into account while setting the final ceilings in the County Fiscal Strategy Paper. The future outlook provides a platform for the implementation of county's strategic interventions to improve the living standards of the county residents through poverty alleviation and employment creation by focusing expenditure on high impact projects and programmes. There is therefore need for continued fiscal discipline through efficient resource management and prudent utilization of public resources.