COUNTY GOVERNMENT OF WEST POKOT

WEST POKOT COUNTY FISCAL STRATEGY PAPER

2014/2015

Office of the Governor

County Government of West Pokot

P.O. Box 222-30600

Kapenguria

Telephone: 0532014000

Email:info@westpokot.go.ke

Website: www.westpokot.go.ke

Transforming lives through equitable and sustainable development

FOREWARD

This is the first county fiscal strategy prepared by the county government of West Pokot as part of the efforts to ensure effective linkage between policy, planning and budgeting. It provides an updated resource envelope of Ksh. 3.7 Billion for the 2014/2015 county budget, presents a fiscal framework and ministerial ceilings for the fiscal year and the medium term.

The 2014 County Fiscal Strategy Paper is the County Government's effort to specify the broad strategic priorities and policy goals that will guide the county in preparation of its budget for 2014/15 financial year and over the medium term. It provides the county resource envelop and presents a fiscal framework for the next budget and the medium term. It also sets indicative ministerial ceilings in line with outlined sector key strategic objectives as set out in the County Integrated development plan. It has been informed by the priorities identified in the first county integrated development plan which was developed through a participatory process.

The strategy paper has been prepared against the back drop of slightly improving global economic recovery although downside risks remain. Kenya's Real GDP is expected to grow by 5.8 percent in 2014 up from 4.6 percent in 2012 and an estimated 5.1 percent in 2013, while over the medium-term, growth is expected to pick-up gradually and cross the 7 percent mark by 2017, as global conditions improve and macroeconomic stability is sustained. The recovery of the advanced economies from recession is expected to have a positive impact on the county. This is due to the fact that as an agricultural based economy, the county is expected to benefit from these advanced economies as more agricultural products will find its way into these economies.

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

The ministerial priorities for the 2014/2015 fiscal year include investment in agriculture and irrigation to boost county food security, health, road infrastructure, education, water, strengthening business environment and support to Small and Micro enterprises to boost job creation more specifically for the youth. Other sectors have also been given prominence due to their contribution towards citizen socioeconomic transformation. Allocation of resources has been premised on the county strategic priorities and on the principle of "funds follow functions".

The unveiling of this fiscal strategy paper with a budget estimate of Ksh 3.7 Billion for the 2014/2015 fiscal year is a clear demonstration of our commitment to the realization of our county vision of being the leading county in effective and efficient resource management, sustainable development and service delivery. I call upon all our stakeholders and the national government to continue supporting us on the basis of mutual respect, cooperation and consultation.

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

ACKNOWLEDGEMENT

The West Pokot First County Fiscal Strategy Paper has been prepared through a consultative process involving varied stakeholders within the county. First, I would like to thank H.E the Governor Mr Simon Kachapin, His Deputy Mr. Titus Lottee and the County Executive Members for their invaluable input and for dedicating their time to provide leadership in the process.

We are also grateful with the leadership of Mr. Joel Ngolekong (*County Executive* Member *_Finance and Economic Planning*) and Mr. Maurice Wanyonyi (*County Secretary*) for their continued support and guidance throughout the entire FSP preparation process. The county treasury also contributed immensely to the production of this FSP. We therefore wish to appreciate the head of accounting treasury, Mr. Charles Kahono and the Head of County budget, Ms Priscilla Mungo.

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Kennedy Tegeret
Interim Chief Officer -Finance and Economic Planning
West Pokot County

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LIST OF ACRONYMS AND ABREVIATIONS

BPS	- Budget Policy Statement
CEC	- County Executive Committee
CIDP	– County Integrated Development Plan
CRA	- Commission for Revenue Allocation
ECD	- Early Childhood Development
EDE	- Ending Drought Emergencies
ERSWEC	- Economic Recovery Strategy for Wealth and Employment Creation
FSP	– Fiscal Strategy Paper
FY	- Fiscal/Financial Year
GDP	– Gross Domestic Product
ICT	- Information, Communication and Technology
LAPSSET	- Lamu Port, Southern Sudan and Ethiopia Transport
MTEF	- Medium Term Expenditure Framework
MTP	- Medium Term Plan
PFMA	– Public Finance Managing Act
PPP	- Public Private Partnership
SME	- Small and Micro Enterprises
TB	- Tuberculosis
IFMIS	- Integrated Public Financial Management Information System
IFI	- International Financial Institutions

1.0 CHAPTER ONE: OVERVIEW

1.1. Introduction

Since independence, Kenya's economic development focused on alleviation of poverty, improvement of literacy levels, and reducing incidence of diseases. The Sessional paper No. 10 of 1965 focused on the elimination of poverty, disease and ignorance. The paper also supported a policy of rapid economic growth in order to generate resources to meet the equity goal. Subsequent national development plans, the poverty reduction strategy paper, and the economic recovery strategy for wealth and employment creation (ERSWEC) 2003-07 have pursued goals that were closely focused on growth, poverty reduction, employment creation and improvement of the general wellbeing of the people. The Kenya Vision 2030 has similar objectives that aim at socioeconomic transformation of the Kenyan people.

Under this blueprint, Kenya aims to be a middle-income, rapidly industrializing country by 2030, offering all its citizens a high quality of life. Its first Medium Term Plan was implemented between 2008 and 2012. This Second Medium Term Plan outlines the policies, programmes and projects to be implement during the five year period starting 2013 to 2017 in order to deliver accelerated and inclusive economic growth, higher living standards, better education and health care, increased job creation especially for youth, commercialized agriculture providing higher rural incomes and affordable food, improved manufacturing sector and more diversified exports. However, over the years, these national strategies have not been so successful to achieve the planned objectives. This has been so due to poor linkages between planning, budgeting and implementation. The decentralized units were charged with planning but budgeting was centralized.

However, over the years, these national strategies have not been so successful to achieve the planned objectives. These have been due to poor linkages of planning, budgeting and implementation. The decentralized units were charged with planning but it budgeting was centralized. The Constitution of Kenya 2010 introduced devolution with the introduction of new devolved units taking off immediately after 2013 general elections.

The Constitution of Kenya 2010 provides for a devolved system of government in which, the sovereign power of the people is exercised at the national and county levels. The Constitution requires that revenue raised by the national government is shared equitably between the national government and the county governments. It also provides that the territory of Kenya is divided into the counties as specified in the first schedule and that the governments at the national and county levels are distinct and inter-dependent and shall conduct their mutual relations on the basis of consultation and cooperation. One of the objects of the devolution of government is the promotion of social and economic development and the provision of proximate, easily accessible services through out Kenya. Moreover devolution ensures equitable sharing of national and local resources. Treasuries will therefore play a major role in economic and financial matters within the counties.

1.2 County Treasury

There is established for each county government, an entity known as county treasury which comprise of:

- County Executive Committee member for finance.
- The chief officer.
- The department or departments of the county treasury responsible for financial and fiscal matters.

A county treasury has the following responsibilities and powers;

- monitor, evaluate and oversee the management of public finances and economic affairs of the county government
- Developing and implementing financial and economic policies in the county
- Mobilising resources for funding the budgetary requirements of the county government and putting in place mechanisms to raise revenue and resources
- Preparing the annual budget for the county and co-ordinating the implementation of the budget
- Mobilising resources for funding the budgetary requirements of the county government and putting in place mechanisms to raise revenue and resources;
- Managing the county government's public debt and other obligations and developing a framework of debt control for the county;
- Consolidating the annual appropriation accounts and other financial statements of the county government ;
- Acting as custodian of the inventory of the county government's assets ;
- Ensuring compliance with accounting standards prescribed and published by the Accounting Standards Board from time to time;
- ensuring proper management and control of, and accounting for the finances of the County government and its entities in order to promote efficient and effective use of the county's budgetary resources;
- Maintaining proper accounts and other records in respect of the County Revenue Fund, the County Emergencies Fund and other public funds administered by the county government;

- Monitoring the county government's entities to ensure compliance with public finance management Act 2012 and effective management of their funds, efficiency and transparency and, in particular, proper accountability for the expenditure of the funds;
- assisting county government entities in developing their capacity for efficient, effective and transparent financial management
- Providing the National Treasury with information which it may require to carry out its responsibilities under the Constitution and the PFM Act;
- Issuing circulars with respect to financial matters relating to county government entities; advising the county government entities, the County Executive Committee and the county assembly on financial matters;
- Strengthening financial and fiscal relations between the national government and county governments and
- Reporting regularly to the county assembly on the implementation of the annual county budget.

1.3 Rationale for the Fiscal Strategy Paper

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

- Specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
- Provides Linkage with the national objectives in the Budget Policy Statement.
- Provides the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- Provides a basis for stakeholder engagement in the formulation and implementation of county priorities and budgeting.

1.4 The Role of Stakeholders

Stakeholder	Role
County executive committee	Provides policy direction and leadership
Ministries/departments	Policy implementation
Commission on revenue allocation	Make recommendations concerning the basis for the equitable sharing of revenue raised by the national government between national and county governments, and among the county governments. Make recommendations on matters concerning the

	financing of, and finance management by county governments as required by the constitution. Determine publish and regularly review policy that sets out criteria for identifying marginalized areas.
Public	Participation in policy making, identification and prioritization of projects and programs.
Other interest persons or groups	Participation in policy making, advocacy and agenda setting.
County assembly	Approves policy documents.
Parliament	Legislation and Oversight in public finance and policy formulation

1.5 Legal Framework

The Constitution of Kenya 2010 provides for a devolved system of government in which the sovereign power of the people is exercised at the national and county levels. Article 202 (1) of the Constitution requires that the national and county governments share revenues raised national equitably.

Article 203(2) requires that for every financial year, the equitable share of revenue raised nationally that is allocated to county governments be at least fifteen per cent of all revenue collected by the national government.

Article 202 (2) provides that county governments may be given additional funding from the national government share through either conditional or unconditional grants.

Section 15 (2) (a) and Section 107 (2) (b) of the Public Finance Management Act, 2012 requires that over the medium term, a minimum of 30 per cent of the national and the county government budgets be allocated to the development expenditures.

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

In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of:

(a) The Commission on Revenue Allocation (CRA);
(b) The public;

(c) Any interested persons or groups; and

(d) Any other forum that is established by legislation.

1.6 PFMA Regulations

Not later than the 15th day of February of each year in the case of the National Treasury and 28th day of February in each year in the case of each County Treasury, the National or County Treasury as the case may be, shall submit to Parliament or their County Assembly, a budget policy statement or county fiscal strategy paper for the next three years.

The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

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

The fiscal framework may be revised as a result of—

(a) A fundamental revision of macroeconomic aggregates;

(b) A significant and unexpected worsening of some of the macroeconomic indicators; or

(c) Change of government.

1.7 Fiscal responsibility management

PFM Act 2012 section 107 states that; in managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

(a) The county government's recurrent expenditure shall not exceed the county government's total revenue;

(b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;

(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 as approved by county assembly;

(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.

The PFM act and regulation provides for the effective management of public finances by the national and county governments; the oversight responsibility of Parliament and county assemblies; the different responsibilities of government entities and other bodies, and for connected purposes.

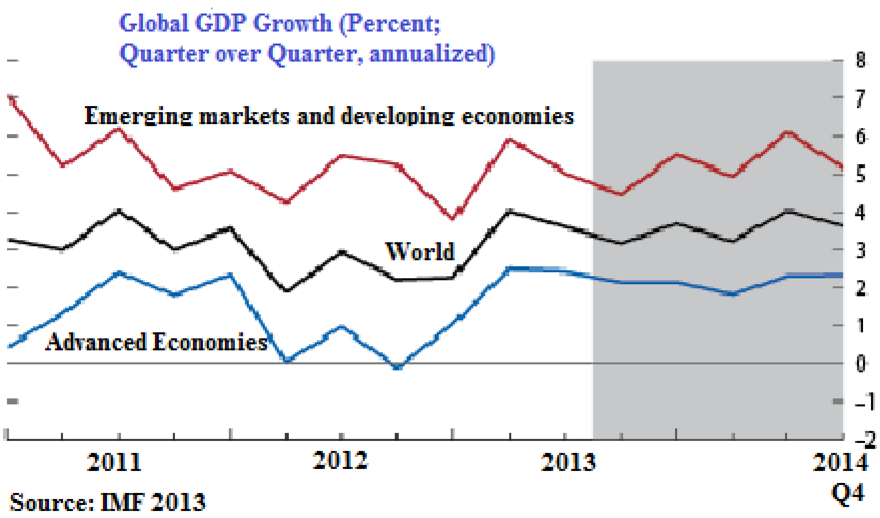
In summary, this section provides a snapshot summary of the overview of devolved system of governance, the object and purpose of the existing laws in regulating and prescribing the structure and functioning of public finance management, the preparation and implementation of the public policies, budgets, the accounting and reporting of all financial transactions, the conduct of fiscal relations between the national and county governments, and financial control in line with the service delivery objectives covered in the development plans and programs, in order to ensure accountability, transparency and the effective, economic and efficient collection and utilization of public resources.

2.0. CHAPTER 2: ECONOMIC ENVIRONMENT AND OUTLOOK

2.1. Global environment

The global economic recovery is now on an improvement path, although downside risks remain. According to the IMF's world economic outlook for October 2013 (Table 2.1.1), world output is projected to expand by 3.6 percent in 2014 and accelerate to 4.1 percent in the medium term

Table 2.1.1



Advanced economies are gradually strengthening with policy makers having successfully defused two of the biggest short-term threats to global recovery, the threat of a Euro area break-up and a sharp fiscal contraction in the United States. Growth in the U.S economy has been hobbled by excessive fiscal consolidation as well as political uncertainty. The core economies of Europe show some signs of recovery though progress on improving competitiveness and increasing exports is not yet strong enough to offset depressed internal demand.

Growth in emerging market economies for 2013 has been revised downwards to 4.5 percent down from 5.3 percent. This slowdown reflects both cyclical factors and a decrease in potential output growth. As commodity prices stabilize and financial conditions tighten, potential growth is lower, leading in some cases to a sharp cyclical adjustment. Growth in China is slowing, which will affect many other economies, notably commodity exporters among the emerging market and developing economies.

Emerging market and developing economies are facing new policy challenges. The appropriate policy mix and the pace of adjustment will differ across economies, in view of the differences in output gaps, inflation pressure, central bank credibility, room for fiscal policy maneuvering, and the nature of vulnerabilities.

In Sub-Saharan Africa, commodity related projects are expected to support higher growth and forecasts include no further disruptions. Growth in sub-Saharan Africa for 2013 has been revised to 5.0 percent down from 5.6percent forecast earlier. This is as a result of weaker growth prospects in many Countries caused by spill-overs from sluggish external demand, reversal of capital flows and decline in commodity prices.

2.2 National situation: Growth, Challenges and Prospects for National Economy.

Real GDP is expected to grow by 5.8 percent in 2014 up from 4.6 percent in 2012 and an estimated 5.1 percent in 2013, while over the medium-term, growth is expected to pick-up gradually and cross the 7 percent mark by 2017, as global conditions improve and macroeconomic stability is sustained. In terms of fiscal years, the projections translate to 5.5 percent in 2013/14, 6.1 percent in 2014/15, 6.6 percent in 2015/16 and 6.9 percent in 2016/17

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

As global prospects improves together with the recent peaceful elections, prospects for the Kenyan economy remains bright. Kenya is well integrated with the world economy and the positive developments are likely to impact positively our growth prospects, assuming normal weather patterns while recent successful general elections is expected to boost investors‘ confidence. Furthermore, continued implementation of robust economic policies and structural reforms as well as sound economic management is expected to yield efficiency and translate to faster growth of our economy and creation of more jobs in Kenya.

Kenya today is already a "*frontier*" economy. The impressive turnaround in its performance is the outcome of important changes in the economic, political, and social landscape over the past few years. At the *economic* level, prudent policies have helped anchor the conditions for strong and stable growth. Fiscal discipline has improved both the external and domestic debt positions. A more modern framework for monetary policy has helped keep inflation expectations in check, despite adverse shocks. And stronger supervisory powers have maintained financial stability, even as the financial system is expanding rapidly and capital markets opening up. As a result, Kenya has built a strong external position and is now in a favorable condition to tap international financial markets with the planned Eurobond issue.

Regional integration has opened up new markets, supported the emergence of a middle class, and enabled domestic demand to become an engine of growth. Over the past several years, Kenya has embarked upon a successful journey that has transformed its economy. This has been achieved with the leadership and support from the public sector, but also largely through the efforts of a vibrant private sector. This partnership has increasingly helped to lift the Kenyan people out of poverty and generate job opportunities.

Some of the challenges that may impact the growth prospects of the country in the next budget cycle include continued weak growth in advanced economies that will impact negatively on our exports and tourism activities. Further, geopolitical uncertainty on the international oil market will slow down the manufacturing sector. Public expenditure pressures, especially recurrent expenditures also pose a fiscal risk. Wage pressures and implementation of the Constitution of Kenya, 2010 and the devolved government may limit continued funding for development expenditure. The continued high capital imports and high investment demand to finance infrastructure investments and mineral explorations within the country will continue to drive the level of current account balance

2.3. Likely impact on economic performance of the county

The recovery of the advanced economies from recession is expected to have a positive impact to the county. As an agricultural based economy, the county is expected to benefit from these advanced economies as more agricultural produces will find its way in these economies. In addition, positive economic outlook may attract more tourists in to the country and the county too.

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

2.4 National Objectives and Economic Policies

In the medium term, the National Government through the Medium Term Plan (2013-2017) for Vision 2030 will be implementing the following key strategic objectives:

Constitution and Devolution: The Government is committed to full implementation of the Constitution to ensure the rapid set-up of all the county institutions. Chapter Two, Article 6 (1) to (3) and the Fourth Schedule of the constitution will be implemented without disrupting public service delivery at national and county levels. Priority will be given to the development of the capacity of all county governments, improve policy coordination and implementation in order to get the full benefits of devolution.

In support of this objective, the county government will be supporting entrenchment of new units to the lower levels of the county to boost the participation of the locals in county matters. The sub county and ward administration units shall be opened to bolster devolution.

National cohesion: The government believes in unity with diversity as a principle. It will therefore build peace, reduce ethnic rivalry and promote issue-based politics by providing a framework for inter-ethnic peace building founded on mutual respect and resolution of conflicts.The county shall continue to boslter national cohesion specifically by being an equal employer for all. Equitable development is the theme for the medium term plan and deliberate efforts shall be made to ensure all county residents enjoy their fair share of the county resources

Security: Security in the country will be addressed in order to provide individual safety to Kenyans and to investors. The National Police Service will therefore be better trained and equipped and the operational capability improved. In line with the Constitution, security regulations and behavior must conform to local and international human rights standards.

The county policing authority will be established to help boster security in the county. The county will also continue providing logistical support to the police service at the county level.

Drought Emergencies and Food Security: The Government will prioritize implementation of the Ending Drought Emergencies (EDE) plan as an integral part of the MTP. Priority will also be given to increasing investment in irrigation to reduce the country's dependence on rain-fed agriculture. Strategies to mechanize agriculture, revive cooperatives and farmers unions and subsidize farm inputs will be undertaken. Additionally, emphasis on value addition in the production and supply chain will be prioritized.

A Contingency plan for drought emergencies has been prepared through the county drought management office and the county is set to create a contingency fund to support emerging disasters. various stakeholders will be rallied by the county to support the contingency plan to mitigate and reduce the impact of the natural disasters.

Equity in access to opportunities and lower cost of living: The government will lay emphasis on implementation of affirmative action in employment opportunities in public sector, and ensure resource distribution addresses regional imbalances. Another key priority will be to reduce the cost of living through lowering the cost of food and other basic needs. The government will therefore support expansion of production of food through irrigation, use of local competitively priced supply chains to deliver food to consumers more cheaply and improved management of the marketing systems.

As an agriculture based economy, the county will increase the investment in this sector to create more opportunities in a more equitable manner and lower the cost of living. Irrigaion program will be initiated to reduce the cost of food and reduce hunger and starvation.

Health: Kenya has made major gains in health care especially in tackling communicable diseases such as HIV-AIDs, T.B and Malaria, however, a lot still needs to be done to improve the overall health care system. The Government will put emphasis on universal access to health care, preventive and primary health care, clean water, management of communicable disease, maternal and child health, and non-communicable diseases. It will also invest in medical research, pharmaceutical production and health tourism as a means of diversifying external revenue sources and serve as a regional hub for health services.

To achieve the goal of health for all, the county has employed new health personel to increase the ratio of health personnel to patient. Improvement of the health facilities is set to improve the provision of quality health care.

Education: Significant progress was made under First MTP but several challenges persist and in particular, quality. The Government will therefore focus on addressing low enrollment in areas that remain below the national average, retain students in school up to 18 years, provide education more effectively through a digital platform, and match education and training with the demand for the skills required in the workplace. In addition, the Government will hire additional teachers in order to lower pupil-teacher ratio and improve quality as well as ensure that teachers devote the required time to teaching and learning.

The foundation of child education is at the Early Childhood Development and in recognition of this, county government shall hire ECD teachers to improve the quality of eduction at the county. To ensure proper transition rate from primary to secondary as well as from secondary to higher learning institutions, the county government will establish a bursary fund to assist needy students. This fund will also be used to deliberately train specialized personel that are currently unavailable in the county.

Infrastructure: The Second MTP will build on successes of the First MTP. New investments will include cheaper and adequate electricity; local and regional rail and road networks that provide safe, efficient and cost effective transport; adequate water for households and industry; affordable quality housing and sustainable environmental management.

As an important infrastructure to the economy with a higher multiplier effect, continous improvement of road network shall be undertaken to open new areas and also to maintain existing roads. Provision of clean drinking water is a priority of the county and thus new Water supply systems shall also be implemented at various wards.

Industrialisation: The Kenyan economy is still reliant primarily on agriculture and services. The growing consumer demand for manufactured goods has been met mainly by imports. The government will facilitate growth of the manufacturing sector; make agriculture competitive and diversify the economy for employment creation. The government will also support local entrepreneurs to increase their share in local and external markets through better supply chain and making local enterprises more price-competitive in order to serve a growing local, regional and continental market.

Support of Small and Medium Entreprises as a means of employment creation shall be done through joint loan programme, construction of fresh produce markets, material support of youth polytechnics, provision of cooling plants to milk farmers, support of agro processing plants and creatinga conducive environment for new investors.

Improved Trade: The country will focus on expanding trade to increase its share in the fast expanding regional and other emerging markets. Trade in the broader region will be backed by joint infrastructural investments with neighboring countries. During the plan period, the government will facilitate research in business development and entrepreneurship under a new entity called "Biashara Kenya" to provide funding and leverage investment from local banks. This will develop capacity and productivity of local manufacturing geared to competitively priced quality exports to Africa and the global market.

Investment to support growth/ land reforms: The strategies in the Second MTP are designed to increase investment to GDP ratio by investing prudently in key sectors. Land reforms and registration will be undertaken to make land a productive asset. In addition, new initiatives will be undertaken to encourage the financial sector mobilize savings and improve resource allocation to key growth sectors.

Competitiveness and Rebalancing Growth: To make Kenya globally competitive, the government will increase investment in expansion, development and modernisation of roads, rail, ports, ICT and telecommunications in order to make Kenya a top logistics hub. In addition, priority will be given to development of the Lamu Port, Southern Sudan and Ethiopia Transport (LAPSSET) corridor and the oil, gas and other mineral resources sector to spur higher economic growth. Priority will also be given to implementing the National ICT Master Plan (2012-2017), and the implementation of reforms to improve World Bank. The PPP Act will be operationalized to facilitate private sector investment in infrastructure in order to enhance efficiency and competitiveness of the economy.

The National Land Policy of 2007 will be reviewed to align it with the Constitution. Land will be adjudicated and title deeds issued to individuals and communities that presently lack these in order to promote secure land ownership and more investment.

Land reforms in the county is envisaged to improve economic transformation of many households and the county is set to increase adjudicated land to place ownership of land under individual ownership.

Strengthening social protection: The Government will deepen the effectiveness of social protection by bringing more areas and groups under social protection coverage. This will be done by enhancing social assistance, social security and health insurance.

Governance and Public Financial Management Reforms: The Public Financial Management Act (2012) will be implemented with the aim of exercising controls in public spending and improving the quality of public expenditure through full implementation of the Integrated Public Financial Management Systems (IFMIS) at national and county levels. Further training of public officials involved in budgeting and expenditure at both levels of government will be undertaken.

Reforms in public financial management will be guided by transparency, cost- efficiency better delivery of public services, and accountability to the public on taxation and the use of public funds.

Arts, Sports and Culture:Investment will be made to position creative arts, cultural heritage and sports as major sources of employment and income earning opportunities especially for the youth. The strategy will be to identify and nurture talents, support its commercialisation and provide necessary infrastructure at national and county levels.

Nurturing of sports talent will continosly be supported by supporting the establishment of an high altitude training camp for athletes in Pokot South. Marketing of the pokot and sengwer cultural heritage shall be undertaken as an investment to improve the income opportunities for the county residents.

Budget policy statement (2014)

The National Budget Policy statement for 2014/2015 budget also has given the following strategic policy directions to be financed. These pillars provides a guide to the county policy direction for the 2014/15 county budget. These are:

- **Pillar I**: creating a conducive business environment.This include macro economic stability,structural and governance treforms and security.
- **Pillar II** :investing in Agricultural transformation and food security.These include irrigating atleast 1 million acre to expand food supply,reduce food prices,support growth of agro processing export and associated services.
- **Pillar III** :Investing in first class transport and logistics hub,energy and water to reduce cost of doing business sand make our products competitive.
- **Pillar IV** :Investing in quality and accessible education ,health care and social protection to sustain high productivity for long term development.
- **Pillar V** :Further entrenching devolution for better service and local economic developmnent.

2.5. County economic performance and prospects

Overview of county economy

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

The county internal revenue is very low to cover the needs of the county and supplements the grant from the national government. A total of Kshs 38M was projected to be generated for the financial year ending 30th June 2014. This makes the county highly dependent on the national government and increases the risks and votality associated with the economic shocks affecting the national government. Internal Revenues include levies, rates, fees and entertainment taxes and charges for its services. Making the county investor friendly and also improving on tax collection modalities as well as broadening the tax base can help in improving the total revenue base.

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

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

Growth prospects and challenges

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

The county is likely to face public expenditure presurres especially on recurrent expenditures. Lagged expenditure execution is also expected due to new structures in place and also delay in release of funding. Challenges associated with financial management system (IFMIS) also abounds as it may constrain on budget execution.

2.6. Strategic Priorities and Policies

In the next budget cycle for 2014/2015, the followng strategic priorities shall be pursued;

1. Investing in Agriculture and irrigation programme to enhance food security.
2. Continous investment in physical infrastructure of roads and water.
3. Investing in quality and accssible education and health care services.
4. Adressing the business environment to create a competetive business environment in the county.
5. Tourism development
6. Support of SMEs, Agribusiness and youth development to support job creation.
7. Enhancing citizen participation and inclusive development.
8. Land reforms
9. Support to county contigency plan through the contigency fund

2.7. Linkage of county priorities to national objectives

The Kenyan Vision 2030 identified 3 pillars for socio economic transformation; economic, social and political pillars.

The Economic pillar has the mission of “Moving the Economy up the value chain”. The National Medium Term Plan 2013-2017 has identified seven priority sectors to raise the national GDP growth rate to 10 per cent. The sectors under this pillar include Tourism, Agriculture and Livestock, Wholesale and retail trade, manufacturing, Business process Outsourcing and Financial services and Oil and Mineral resources.

Under this pillar, the county envisage to undertake investments in agriculture, agribusiness and SME support, tourism development, road infrasructure and provision of conducive environment for business.

Social pillar aims at building a just and cohesive society that enjoys equitable social development in a clean and secure environment. It has the following sectors; education and training, health, environment, water and sanitation, population, urbanization and housing and gender, vulnerable groups and youths.

To achieve the aim of the social pillar, investments in education,health , youth development, irrigation and water sectors shall be undertaken.

The political pillar has a mission of ensuring that all the Kenyans move to the future as one nation. It envisages a democratic political system that is issue based, people centred, and result oriented and accountable to the public. The projects and programmes under this pillar aims at strengthening national cohesion and integration, judicial transformation, promoting transparency, leadership and integrity in the conduct of public affairs and entrenching the rule of law.

Citizen participation in policy making decisions is key to the sustainability of projects and programmes as this enhances ownership. In support of the political pillar of vision 2030, citizen participation shall be sought. This increases transparency and social accountability thus boosting public confidence in public affairs. Capacity building programs tailored for the public shall be undertaken.

Land reforms in the county need to be undertaken to boost development initiatives and enable accessibility of bank funds through loans. This is one of the foundation for achieving Vision 2030. The land reforms include formation and strengthening of land control board for the county and land adjudication.

The identified county priorities for 2014-2015 budget has heavily borrowed from the following pillars as identified under the national budget policy statement 2014.

Pillars Under Policy Budget Statement	Linkage with County Strategic Policy
Pillar I: Creating conducive business environment by maintaining macroeconomic stability, deepening structural and governance reforms to reduce the cost of doing business and improving security in order to encourage innovation, investment, growth and expansion of economic and employment opportunities;	Adressing the business environment to create a competetive business environment in the county.
Pillar II: Investing in agricultural transformation and food security, including opening up at least one million acres of new land under irrigation in order to expand food supply, reduce food prices so as to bring down the cost of living, support expansion of agro-processing industries and spur export growth and support other sectors such as manufacturing and tourism;	Investing in Agriculture and irrigation programme. Support of SMEs, Agribusiness and youth development. Tourism Development Land reforms
Pillar III: Investment in first class transport and logistics, including investment in standard gauge railway, modernization of our seaport and airport to position Kenya as regional port and aviation hubs, and scaling up investments in other key infrastructure such as road networks, energy and water supplies to reduce cost of doing business and make our products cheaper and competitive in	Continous investment in physical infrastructure of roads and water.

the domestic and international markets. With the recent discoveries of oil, the Government will fast track construction of an oil pipeline to evacuate crude oil;	
Pillar IV: Investing in quality and accessible healthcare services and quality education as well as social safety net to reduce burden on the households and complement and sustain our long term growth and development; and	Investing in quality and accssible education and health care services.
Pillar V: Further entrenching devolution for better service delivery and enhanced rural economic development.	Enhancing citizen participation and inclusive development.

2.8. Risk to implementation of priorities

Operating in a political system may pose implemetation challenges as political scenarios changes and its unpredictability becomes a major risk in the operationalization of the policies and programs planned in the medium term.

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

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 and completion of projects.

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

Many projects and programmes being rolled on in one financial year requires regular supervision during implementation. However, the county faces inadequate technical personel thus posing a risk to the quality works and planned completion time frame.

3.0 CHAPTER THREE: FISCAL AND BUDGET FRAMEWORK

3.1. Overview

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

3.2. Fiscal Policy

Resources are a means to achieving the county government's vision and mission. As a result, the county government of West Pokot will continuously aim to strengthen local capacities to attract investment and increase its contribution to development in the county.

There is need for the county government to diversify its resource base and strengthen revenue collection. To achieve this, the county government will undertake the following steps to enhance revenue collection and the management of expenditure.

a) Strengthening Governance, Management and Organizational Structure and Systems

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

b) Adopting electronic revenue collection and monitoring systems for services provided by the county government.

The county is set to adopt an electronic payment system that will be linked to the existing financial management system (IFMIS). This will also include payments via Mobile money transfers and agency banking systems.

c) Enacting Cost-saving Measures

Another way of mobilizing resources will be through reduction of overheads within the organization. The county government will substantially invest in ICT in order to enhance effective revenue collection. It will also cut down on non priority expenditure.

d) Enhancing Transparency, Accountability Financial Reporting and Auditing

The county government is committed to openness, transparency and accountability and service delivery to all the stakeholders. It will ensure that the burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations and promote an equitable and just society. Anti corruption measures will also be strengthen in all the county departments to ensure public funds are not siphoned.

e) Strengthening planning, monitoring and evaluation and procurement systems

This will ensure proper identification and prioritization of essential expenditures and that value for money is realized. Proper system to ensure value for money in project implementation will be strengthened through close supervision and ensuring that all completed projects goes through acceptance and inspection committees before handing over to the client.

Strong monitoring system will be adopted to track expenditures as well as attainment of the project objectives.

f) Asset Management

County government assets include land, buildings, revenue, human resources, vehicles and other machinery. The county government will manage its assets efficiently to ensure that it receives value for money when acquiring, using or disposing them. Continuous maintenance and improvement of its buildings will be undertaken. All grabbed public land will be repossessed.

It will also ensure that the respective county government entities have adequate systems and processes in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the County Treasury or the Auditor-General;

All public officers are also expected to provide information on any frauds, losses, or any violations of the existing legislation on asset management.

Continuous investment on human resource to achieve the best result will be enhanced. A strong workforce can be a great asset to the achievement of the county's economic potential.

3.3. Fiscal performance

The total revenue for the financial year 2013/14 was Ksh 3,631,252,476.20, and revenue from local sources stood at Ksh 38,350,593. The Total expenditure amounted to Ksh 3,631,252,476.20 reflecting balanced spending.

Development partners' financing strategy in the county has not been harmonized. They operate directly with the projects as separate entities from county operations (off budget). A policy guideline on reporting finances and development projects and programs will be developed to ensure development partners are brought on board to participate in the collective development agenda of the entire county, in implementing the county integrated development plan.

Summary of county expenditure(Fiscal performance)

	Ministerial department	Recurrent estimates 2013/2014	Development estimates 2013/2014	Total in Kshs	Percentage to total budget %
1.	Office of the Governor	260,685,106.10	20,000,000	280,685,106.10	7.73
2.	Office of D/Governor and urban areas /devolved service	198,652,861.60	49,055,730	247,708,591.60	6.82
3.	Finance & Economic planning	283,072,033.70	22,595,740	305,667,773.70	8.42
4.	Roads,Public works,Transport and communication	170,750,582.10	529,191,480	699,942,062.10	19.28
5.	Health and sanitation services	367,508,207.60	621,840,923	989,349,130.60	27.25
6.	Education and ICT	28,863,830.10	20,319,150	49,182,980.10	1.35
7.	Agriculture and irrigation	61,536,170.60	14,276,600	75,812,770.60	2.09
8.	Livestock,Fisheries and co-operative development	48,851,063.10	129,240,420	178,091,483.10	4.90
9.	Trade,industry and energy	26,600,000	34,021,280	60,621,280	1.67
10.	Lands,physical planning & housing	39,329,805.20	25,191,480	64,521,285.20	1.78
11.	Water dev.Environment,Natural resources and disaster management	79,474,916.50	133,085,100	212,560,016.50	5.85
12.	Tourism,culture,sports and social development	39,688,732.30	22,574,460	62,263,192.30	1.71
13.	Westpokot county assembly	377,123,404.30	27,723,400	404,846,804..30	11.15
	TOTAL	1,982,136,713.20	1,649,115,763	3,631,252,476.20	100
	Percentage allocation	54.59	45		

Recurrent and development Balances

Vote	Approved Estimates (Net) Ksh	Cumulative Expenditure Ksh	Outstanding Commitments Ksh	Total Payment/ Commitments	Balance as at 26th February 2014 Ksh
Total Net Expenditure vote R324	1,887,735,975	519,069,105	105,275,986	624,345,091	1,263,390,884
Total Net Expenditure vote D324	1,149,338,720	40,571,050	166,859,693	207,430,743	941,907,977

3.4. Fiscal reforms

To ensure continued strong revenue performance underpinned by improved tax payer service delivery, and a level ground floor facilitating trade and business growth various tax reforms will be implemented in the medium term. Some of these reforms include:

- Introduction of parking fees at Makutano town upon completion of renovation works.
- Introduction of electronic revenue collection of taxes, rates and fees.

3.5. 2014/15 Budget Framework

Revenue projections by source

Financial year REVENUE	**2013/14** Ksh	**2014/15** Kshs	**2015/16** Kshs
National revenue			
a) Equitable share	3,155,124,840	3,672,727,375	
b) Equalization fund	-	-	
c) Donor projects	437,777,043	96,432,418	
d) rural electrification		121,452,823	
Own revenue sources			
a) Revenue from local sources	38,350,593	50,000,000	
Total	**3,631,252,476.20**	**3,940,612,616**	
2014/15 County budget (equitable share +Own revenue)		**3,722,727,375**	

The table above provides estimates of revenue allocation to the county for the financial year 2014/15. The allocations comprise of the equitable share of Ksh.3,672,727,375. In addition, county government will also get an additional conditional allocation of Ksh. 121,452,823 to finance rural electrification projects. The allocation is shared among counties in accordance with the revenue sharing formula approved by Parliament. This function is yet to be transferred to county governments by the Transition Authority. The allocation will therefore be managed by the national government on behalf of the county governments and therefore will be part of the national government vertical share of revenue.

An additional conditional allocation of Ksh.96,432,418 will also be allocated to the county government from the loans and grants received from development partners and the government counterpart funding derived from the national government's share. The conditional allocations from proceeds of loans and grants, however, will not be transferred to county governments in the financial year 2014/15 due to the following reasons:

- Loans and grants earmarked for devolved functions are tied to on-going contracts with suppliers, the alteration of which may have legal and cost implications;
- Loans and grants earmarked for devolved functions are tied to on-going contracts with suppliers, the alteration of which may have legal and cost implications;
- There exists financing agreements guiding the structures and management framework of all the programmes/projects, the alteration of which would take long and delay implementation of programmes/projects;
- Some of the programmes/projects funded by loans and grants have agreed implementation structures transcending more than one county and therefore it may not be possible to place the responsibility for their management in one county government; and
- The financing agreements also specify the funds flow modalities which may not be consistent with what is contemplated under the intergovernmental arrangement.

It is therefore expected that the loans and grants under the existing financing agreement will be managed by the national government but with involvement of county governments in the Project Steering Committees and Project Implementation Units for each programme/project. In addition, reporting arrangements as well as the conditions attached to the implementation of the programme/project will be clearly spelt out in Project Implementation Frameworks to be agreed with county governments prior to the release of the funds and implementation of the projects.

From the foregoing, the county government will only factor its own internal revenue as well as equitable share amounting to Kshs 3,722,727,375 in the 2014/2015 budget. This is to eliminate risks associated with deficit budgets as it occurred in 2013/14 budget which had factored in donor funds.

Expenditure forecasts by function; including capital expenditures

	Financial year	**Total in Kshs 2013/14**	**Percentage to total budget %**	**Total in Kshs 2014/15**	**Percentage to total budget %**
1.	Office of the Governor	280,685,106.10	7.73	544,050,189	14.65
2.	Office of D/Governor and urban areas /devolved service	247,708,591.60	6.82	-	-
3.	Finance & Economic planning	305,667,773.70	8.42	240,000,000	6.46
4.	Roads,Public works,Transport and communication	699,942,062.10	19.28	333,662,954	8.99
5.	Health and sanitation services	989,349,130.60	27.25	800,926,989	21.57
6.	Education and ICT	49,182,980.10	1.35	312,654,559	8.42
7.	Agriculture and irrigation	75,812,770.60	2.09	261,272,737.60	7.04
8.	Livestock,Fisheries and co-operative development	178,091,483.10	4.90	140,091,483.10	3.77
9.	Trade,industry and energy	60,621,280	1.67	114,164,548.50	3.07
10.	Lands,physical planning & housing	64,521,285.20	1.78	138,381,062	3.73
11.	Water dev.Environment,Natural resources and disaster management	212,560,016.50	5.85	269,890,916.25	7.0
12.	Tourism,culture,sports and social development	62,263,192.30	1.71	137,972,729.06	3.72
13.	Westpokot county assembly	404,846,804..30	11.15	380,846,804	10.26
14	Contigency fund			48,812,404	1.31
	TOTAL	**3,631,252,476.20**	**100**	**3,722,727,375**	**100**

Deficits and financing

No deficits in the 2014/15 budget are anticipated since the resource envelope available shall be used to finance the identified priority recurrent and development expenditure.

Level of public debt

The county government has no outstanding public debt inherited from the defunct local government.

3.6. Strategy to realize the Fiscal Responsibility Principles

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

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

Deficit and debt policy, debt sustainability

The county government has taken a bold step to ensure that there is no deficit in the 2014/15 budget. Budgeting process would therefore ensure a balance between the resources available and the priorities identified for implementation.

The borrowing plans will remain anchored in the medium term debt management strategy which is built on ensuring public debt sustainability. The County Government will in future ensure that the level of domestic borrowing does not crowd out the private sector given the expected increase in private investment with accelerated economic expansion brought about by devolved system of governance.

With the increased appetite for funding of heavy capital projects there is need of being cautious on the levels of debt accumulation. The county government will therefore first establish a debt management office that will be responsible for formulating debt strategy and ensure prudent management of debt.

3.7 Challenges

The following challenges are anticipated during budget preparation and execution:

- Delay in disbursement of equitable share from the national government.
- Human resource capacity gaps in the county with regard to budget preparation and budget execution.
- Economic shocks e.g livestock disease outbreaks affecting revenue generation, drought and other macroeconomic shocks.
- The challenge of resource allocation and coordination of the shared functions.
- Lengthy procurement procedures.
- Changes in community priorities over medium term thus affecting the planned activities

The county government will put in place measures to address these challenges through capacity building, contingency planning and consultation with the national government.

3.8 Summary

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

4.0 CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK

4.1. Resource Envelope

The following sources will provide the basis for funding the county development budget.

County Government Allocation Revenue

This is the equitable share of the revenue raised nationally that is allocated to county governments. Just like other counties, it is the main source of revenue for the county government of west Pokot for financing both recurrent and development expenditure.

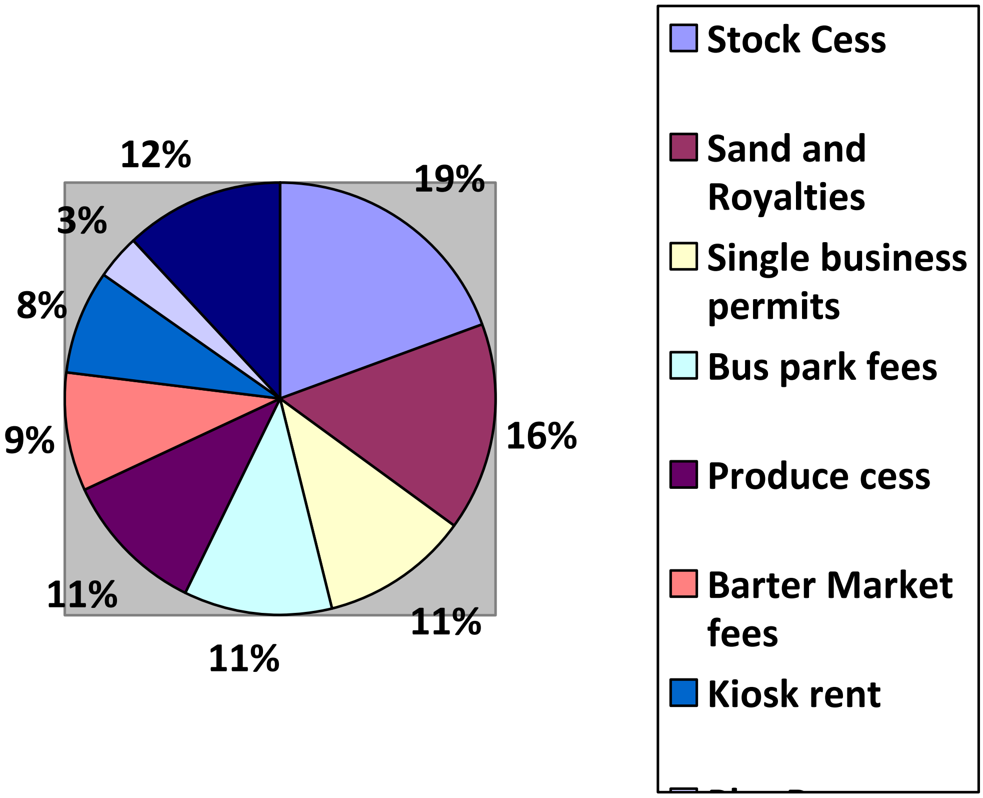
The county government will lobby with the Commission for Revenue Allocation, Members of the Senate and National Assembly to enact legislation that will allow for decentralization of more funds to the counties so that the goals of devolution are met. It is expected that Ksh 3.6 billion revenue will be realized for the 2014/15 budget period from this allocation.

County Government Internal Revenue and Investments

County government revenue is all money derived by or on behalf of a county government from levies, rates, fees, charges or any other source as authorized by the Constitution or an Act of Parliament. The county government will continue to levy rates on property, entertainment taxes, and charges for its services and expand it revenue base by weeding out corruption, adopting electronic payment and monitoring systems for charges, rates and fees for its services. It will also explore investments in housing, hospitality, tourism, mining, agriculture and livestock subsectors. The county will also boost road infrastructure, provide an enabling business environment to improve trade and economic integration as an indirect means of boosting revenue generation for the county.

An annual revenue forecast of Ksh 50 million is expected and the revenue generated would support priority programmes and projects identified for implementation over the budget period.

In the last four months (October to January), a total of Kshs 12,007,633.50 was collected. This trend is able to ensure the projection of Kshs 38M will be attained for the fiscal year 2013/14. Stock cess has been the highest earner for the period. Other notable revenue streams emanate from single business permits, sand and royalties, Bus park fees, produce cess and barter market fees. The following pie chart reflects the share of the revenue from the different streams;



The stock cess has been the main revenue stream for the county and due to the foot and mouth outbreak, there has been a quarantine placed on livestock movements therefore affecting the income from this category.

Borrowings Guaranteed by the National Government

Since there will be no budget deficit for the fiscal period under consideration and the county government is still at its nascent stage, the county government of West Pokot will not take any loan from financial institutions. However, in future the county government will take loans within and outside Kenya to finance capital projects. This will be done with the approval of the county assembly and guarantees from the national government. While raising these loans either for cash management purposes or for project financing, it will ensure that the loan and the terms and conditions for the loan are set out in writing and are in accordance with;

a) Article 212 of the Constitution,

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

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

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

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

Development partners' support

Voluntary contributions to finance the priority projects and programmes of West Pokot County will be sought from governments, UN Agencies, Multi-Donor Trust Funds, Inter-Governmental Organizations, International Financial Institutions (IFIs) and private donors, including private sector entities and foundations.

Funds received in the form of grants or donations from development partners/donors will only be spent in accordance with Articles 221 and 223 of the Constitution and regulations approved by Parliament which provides for the procedures on administration, control and management of grants, including;

a) Procedures to ensure that grants are spent on the basis of the integrated national development plan;
b) Procedures for the allocation and disbursement of the grants
c) Requiring that grants be used only to finance programmes within the integrated development plan;
d) The publication of transparent criteria for the allocation of grants;
e) Requiring specific terms and conditions in agreements to which grant recipients are subjected
f) Procedures for the budgeting, financial management, accounting and reporting of grants by grants recipients;
g) Procedures under which a third party may be authorized to receive, control or pay public money as a grant; and
h) Measures to ensure that a third party authorized to receive control or pay public money as a grant, or responsible for any other aspect of administration of a grant, is subject to the same obligations as a public officer.

The county government will support its service departments on proposal development initiatives with the aim of securing development support from development partners. It will also ensure public participation, transparency and accountability in the utilization of donor funds. An annual revenue forecast of Ksh 100 million is expected and could be on or off budget.

Corporate Social Responsibility

The county government will be seeking support from corporate companies to offer support in the areas of health, education, environment, entrepreneurship, water and sanitation, welfare and sports. The county government believes corporate institutions in west Pokot and other areas will continue to be a caring partner for all our communities, and at branch levels. This will be exhibited through their support for a number of local needy institutions, school events, charity walks and sponsorship towards deserving causes.

Public Private Partnerships

This is an arrangement between a contracting authority (county government) and a private party under which a private party

a) Undertakes to perform a public function or provide a service on behalf of the contracting authority;

b) Receives a benefit for performing a public function by way of-

-Compensation from a public fund;

-Charges or fees collected by the private party from users or consumers of a service provided to them; or

c) A combination of such compensation and such charges or fees; and

d) Is generally liable for risks arising from the performance of the function in accordance with the terms of the project agreement

Public private partnerships provide for the participation of the private sector in the financing, construction, development, operation, or maintenance of capital intensive infrastructure or development projects of the government through concessions and other contractual arrangements. Public private partnerships also provide the means for risk spreading, injecting additional investment in a public infrastructure, risk transfer to the private sector, lowering project costs, foreign investment injection and Technology Transfer to the county. Scrutiny of PPP projects will be done carefully to preserve fiscal discipline and safeguard the interests of taxpayers. The county government will promote this initiative to contribute to the socioeconomic transformation of the people of West Pokot. However, Scrutiny of PPP projects will be done carefully to preserve fiscal discipline and safeguard the interests of taxpayers

4.2. Ministerial Expenditure Priority Sectors and their Justification

Public Administration, Decentralized Units and Disaster Management

The sector is strategic in providing sound leadership through coordination of sub counties, wards and Villages; disaster management and soundcounty public service management. In the fiscal year 2014/15, the following projects shall be undertaken; construction opf governor's official reidence, completion of sub county offices and construction of 20 wards administrative offices.

Agriculture and irrigation

The sector is critical to economic growth, employment creation and poverty reduction. Majority of the population derive their livelihoods from agricultural related activities. The sector also plays a pivotal role in the success of other sectors in the economy.

In the medium term, the sector will focus its efforts on:

- Promotion of competitive an innovative, commercially oriented and modern agriculture, and promoting better land use policies.
- Promotion of good agricultural practices through establishment of the demonstration plots.
- Development and utilization of high quality seeds including promoting pyrethrum and banana farming.
- Establishing storage facilities for potatoes.
- 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.
- Carry out agricultural exhibitions/shows.

The sector intends to expand and rehabilitate irrigation schemes and construct new rural water schemes to increase land acreage put under irrigation. The development of irrigation infrastructure has a positive impact on the farming community with respect to sustainable economic growth. The development of sustainable farmer-owned and managed irrigation and drainage projects will therefore increase returns for the farming communities. Enhancing irrigation farming will increase food production thus improving food security in the Sub-Counties that relies mainly on relief food.

In the budget FY 2013/14 the sector was allocated Ksh, 75,812,770.60. which was 2.09% of the total budget. This sector was underfunded and the budget is expected to increase in FY 2014/15 to 7% of the budget, reflecting the increasing important role of agriculture and irrigation in promoting growth, food security and poverty reduction. Priority consideration will be given to on-going projects, and wards which identified agriculture and irrigation projects as ward flagship projects.

Livestock development, Veterinery Services and Fisheries

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.

Sector medium term priorities include will include establishment of improved livestock breeds, development, conservation and utilization of high quality livestock feeds, development of a sound marketing system in both rural and urban areas, disease control measures. This will be achieved through appropriate technological development and development of markets. The sector will also improve livelihoods of Kenyans through promotion of fisheries development.

During the FY 2013/14 the sector was allocated Ksh 178,091,483.10 which was 4.9% of the total budget. In the FY 2014/15 the sector needs to allocate more resources to implement wards priorities (development) which identified livestock projects as flagship.

Roads, Public works and Transport

The Kenya Vision 2030 recognizes the importance of development infrastructure as critical for socio-economic transformation. The Sector aims to provide efficient, affordable and reliable infrastructure for sustainable economic growth.

The strategic objectives of the sector over the medium term include: improvement in the maintenance and rehabilitation of roads, ensuring timely implementation and completion of roads projects, opening up new roads in rural areas to open up business opportunities with urban areas. Emphasis will be on labour intensive methods as a way of empowering the locals economically especially in rural and minor feeder roads.

During the FY 2013/14 the sector was allocated Ksh 699,942,062.10 to undertake its functions, which was 19.28% of the total budget. In the FY 2014/15, the sector budget ceiling may be maintained or slightly reduced with priority given to on-going projects. The reduction in allocation is aimed at having an equitable distribution among all the sectors.

Health and sanitation services

Good health is a prerequisite for enhanced economic growth and poverty reduction. Further, the Constitution of Kenya under the Bill of Rights provides that access to equitable healthcare is a right to every Kenyan. Against this background, the county Health Sector is re-positioning itself to fulfil the expectations of county through improved health infrastructure and service delivery systems.

The strategic objectives of the sector over the medium term include: To promote provision of preventive, curative, health care services, supplies and equipment of drugs to health facilities, improving sanitation and waste management disposal, rehabilitate and expand health facilities to improve service delivery to citizens, establishing medical training college, upgrading health facilities and improving human resource manpower.

The sector budget allocation for FY 2013/14 was Ksh 989,349,130.60 taking 27.25% of the total county budget,which most went to development projects.The sector budget in FY 2014/15 priority will be considered to on-going and new projects, and wards that identified health projects as flagship projects. The sector budget may slightly be reduced but more funds allocated for recurrent expenditure.

Trade, Industry, Cooperative Development and Energy

The Sector plays a vital role in creating an enabling environment for trade development; promotion of industrial development and investment. The industrialization is a key productive sector for economic growth and development due to its immense potential for wealth and employment creation as well as poverty alleviation. Trade sub-sector programmes are geared towards creating an enabling business environment and implements a core poverty programme that provides affordable business credit and entrepreneurial business development services to Micro and Small Enterprises (MSEs) with the aim of reducing poverty and unemployment.

The sector priorities over the medium term include: improving business environment for trade and investment; improving market infrastructures, supporting entrepreneurship among the SMEs, industrial development through development of market shades, and establishing an effective coordination with private investors. The sector so envisages to promote cooperative movement in the county by strengthening cooperatives through sound policies and regulations and value addition technologies especially on milk through establishing more milk cooling plants and milk processing plants.

In FY 2013/14 the sector allocation was Ksh 60,621,280 which was 1.67% of the total budget.An allocation of about 3% is made to this sector in the next budget.

Tourism, culture, gender, sports and social development

The tourism sub-sector remains one of the leading foreign exchange earners and a major contributor of employment in Kenya, contributing about 10% of the GDP and also providing a market for goods produced in other sectors and is thus key to attainment of the economic pillar of Vision 2030. The sub-sector wills implements policies that will ensure sustainable tourism development in the county.

The sector priorities over the medium term include: promotion of tourism potential in the county, protection of tourist sites, mapping tourist sites, promotion of hospitality industry, improving community cultural centres, restocking libraries, capacity training for youths and women, promote sports development through improving stadiums and developing high altitude training camps and sports academy and improving and maintaining youth polytechnics. In FY 2013/14 the sector was allocated Ksh. 62,263,192.30 which is 1.71% of the total budget.This allocation is expected to rise to 3.7% in the 2014/15 budget.

Water development, Environment and Natural resources

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

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

In the medium term, 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. During the FY 2013/14 the sector was allocated Ksh. 212,560,016.50 which is 5.85% of the total county budget, more of which were donor funds that are yet to be received. More resources will be allocated to the sector in the FY 2014/15(7%) to meet the scarcity of water in the county. Consideration will be given to wards with water projects identified as flagship projects.

Lands, Physical Planning, Urban Development and Housing

Land is the most important natural resource that West Pokot county is endowed with. It is critical to economic, social, political and cultural development. It is also considered as the principal source of livelihood and material wealth by playing host to natural resources. Secure access to land, sustainable land use planning and equitable distribution of land remain immensely important for food and nutrition security, attraction of investors, employment, growth of industries and generally the socio-economic development of the county.

The sector priorities over the medium term include: Construction of Ardhi House in Kapenguria to safeguard land records, general planning of urban areas, develop the county spatial plan and land adjudication. In FY 2013/14 the sector was allocated Ksh.64, 521,285.20 which was 1.78% of the total budget. In FY 2014/15 the sector budget needs more resources to accomplish development of county spatial plan, planning of urban areas, continuation of land adjudication,and consideration to be given to on-going projects. The allocation is expected to rise from 1.78% to 3.7%.

Education, Communication and Information Technology

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

The sector priorities over the medium term include: establishment of ECD and youth polytechnics infrustructures, employing ECD teachers, supporting busary scheme and Integrating ICT in the county activities

In FY 2013/14 the sector was allocated Ksh. 49,182,980.10 which accounts for 1.35% of the total budget. there is need to allocate more resoureces in FY 2014/15 to improve the school infrustructure and quality of education.The sector also need to prioritise to facilitate and mobilize resources to help wards access funds to implement wards projects identified as flagship projects under education.The allocation is expected to rise to 8.4% of the budget.

Finance & Economic planning

The treasury plays a crucial role in planning and management public of finances in the county.The county procurement ,facilitates procurement of goods and services.The county planning unit deals with formulation of policies,facilitating public participation in policy making and monitoring and evaluation of policies,projects and programmes.The county treasury, procurement and economic planning unit are critical departments for the success of county development services.

In 2013/14 FY the sector was allocated Ksh 305,667,773.70 which was 8.42% of the total budget.Most of the spending went to infrustructure development specifically the construction of county treasury building, buying of vehicles and construction of pokot south sub-county planning unit.The 2014/15 budget sector priorities over the medium term include: completion of pokot south sub-county planning unit,completion of treasury building and the implementation of Masol integrated development programme.Masol integrated programme is expected to accelerate the realization of MDGs goal for the ward.The MDGs indicators have not been good in this ward.

County Assembly

The county assembly deals with oversight role, representation of the people and making legislations for the county. In FY 2013/14, the county assembly was allocated Ksh. 404,846,804.30 accounting for 11.15% of the total budget. Most of the spending went to recurrent expenditure which accounted for 93.15%.The next allocation is expected to reduce from 11.15% to 10.26% of the budget.

Emergency fund and Disaster Risk Reduction

The National strategic goals and priorities for action as contained in the country’s Vision 2030 includes among other targets, building the resilience of the nation to disasters.

A disaster is a serious disruption in the functioning of a society that results in widespread human, social, economic or environmental losses which exceed the ability of the affected society to use its own resources. Disasters can occur as a consequence of the impact of a natural or a human instigated hazard. The most prevalent disaster risks in the County include: include natural phenomena such as drought, floods, fires landslide, lightning strikes and effects of climate change. Man-made risks, such, as road accidents, ethnic violence, deforestation, soil erosion and fire. Other risks involve health related disasters such as epidemic outbreaks e.g. malaria and HIV Aids, livestock diseases.

An Emergency kit needs to be established in the County to take care of the unforeseen disruptions of the mother nature.This will ensure prompt response to these calamities when they occur so as to help people and institutions recover from them, mitigate their effects, reduce the risk of loss, and prevent disasters.

During FY 2013/14 there was no clear framework for disaster management budgeting framework. An allocation of Ksh 48.8 million is provided in FY 2014/15 to respond to disasters occurring in the county to build citizen resilience through capacity building, strengthening recovery and early warning system.

All Ministries/departments in the county will be required to mainstream disaster risk reduction in their work plans.

4.3. Areas to review levels of expenditure

These areas include:
-Purchase of additional vehicles.The 2013/14 budget made significant allocation for this and county department should cut down on this expenditure in the 2014/2015 budget.
-Renovations of old government buildings. Efforts to cut down on this should be made.
-Travel costs: Unnecessary travel costs should be avoided where possible especially on travels that do not improve on productivity,performance, efficiency and effectiveness in service delivery.

4.4. Measures to generate savings and ensure value for money

The county government has implemented steps to generate savings and ensure value for money.These steps include:

- Control on use of county govermnment vehicles and fuel.
- Strengthening procurement systems
- Strengthening inspection and acceptance committees
- Strengthening monitoring and evaluation and audits of projects and programmes

4.5. Baseline Budget Ceilings

Table indicating ceilings

			Total in Kshs	% to total budget	Total in Kshs	Percentage to total budget %
	Financial year		**2013/14**		**2014/15**	
1	Office of the Governor	subtotal	280,685,106.10	7.73	544,050,189	14.65
		Rec. gross	260,685,106.10		372,954,822	
		Dev. Gross	20,000,0000		171,095,367	
2	Office of D/Governor and urban areas /devolved service	subtotal	247,708,591.60	6.82	-	-
		Rec. gross	198,652,861.60		-	
		Dev. Gross	49,055,730		-	
3	Finance & Economic planning	subtotal	305,667,773.70	8.42	240,000,000	6.46
		Rec. gross	83,072,033.70		150,000,000	
		Dev. Gross	22,595,740		90,000,000	
4	Roads, Public works, Transport and communication	subtotal	699,942,062.10	19.28	333,662,954	8.99
		Rec. gross	170,750,582.10		80,099,447.00	
		Dev. Gross	529,191,480		253,563,507	
5	Health and sanitation services	subtotal	989,349,130.60	27.25	800,926,989	21.57
		Rec. gross	367,508,207.60		540,889,721	
		Dev. Gross	621,840,923		260,037,268	
6	Education and ICT	subtotal	49,182,980.10	1.35	312,654,559	8.42
		Rec. gross	28,863,830.10		212,335,409	
		Dev. Gross	20,319,150		100,319,150	
7	Agriculture and irrigation	subtotal	75,812,770.60	2.09	261,272,737.60	7.04
		Rec. gross	61,536,170.60		110,536,170.60	
		Dev. Gross	14,276,600		150,736,567	
8	*Livestock, Fisheries and co-operative development	subtotal	178,091,483.10	4.9	140,091,483.10	3.77
		Rec. gross	48,851,063.10		38,851,063.10	
		Dev. Gross	129,240,420		101,240,420	
9	*Trade, industry and energy	subtotal	60,621,280	1.67	114,164,548.50	3.07
		Rec. gross	26,600,000		32,600,000	

		Dev. Gross	34,021,280		81,564,547.50	
10	*Lands, physical planning & housing	subtotal	64,521,285.20	1.78	138,381,062	3.73
		Rec. gross	39,329,805.20		59,329,805	
		Dev. Gross	25,191,480		79,051,257	
11	Water dev. Environment, Natural resources and disaster management	subtotal	212,560,016.50	5.85	259,890,916.25	7
		Rec. gross	79,474,916.50		55,474,916	
		Dev. Gross	133,085,100		204,416,000.25	
12	Tourism, culture, sports and social development	subtotal	62,263,192.30	1.71	137,972,729.06	3.72
		Rec. gross	39,688,732.30		49,688,732	
		Dev. Gross	22,574,460		88,283,997.06	
13	West pokot county assembly	Subtotal	404,846,804..30	11.15	380,846,804	10.23
		Rec. gross	377,123,404.30		355,123,404	
		Dev. Gross	27,723,400		25,723,400	
	Emergency fund		-		48,812,404	1.31
	TOTAL		3,631,252,476.20	100	3,712,727,375	100

Note: * denotes departments that have been rationalized. Cooperatives moved to Trade; Veterinary Services moved to Livestock while urban development was moved to lands

4.6. Explanations of basis of the ceilings

Public administration, Decentralized Units and Disaster Management

Recurrent expenditure as well as development expenditure were increased. Recurrent expenditure is expected to cater for the new officers to be employed especially the sub county, ward and village administrators.

The following sub heads shall form part of the Governor's vote;

- Headquarters administration services
- Public Administration and decentralized units
- Disaster management
- County Public Service Board

Some of the envisaged projects under this vote include construction of ward administrative offices, Governor's official residence, completion of sub county offices and public service board offices.

All the functions previously under the vote of the office of the deputy governor were moved to the vote under governor's office as there is only one accounting officer responsible for the two previous votes.

Finance and Economic planning

Recurrent expenditure was reduced. Development expenditure was increased to allow for completion of treasury building and pokot south sub county planning unit, and implementation of Masol integrated development programme indentified in the CIDP.

Roads, Public works and Transport

Ceilings were reduced for both development and recurrent with development being slightly reduced to cater for the ongoing projects. This would allow for rationalization of funding to all the departments. The purchase of dozer and graders was deemed as a capital projects that will help ease pressure on the development funds under this vote.

Health and Sanitation services

Recurrent expenditure will be maintained at the same level while development expenditure was reduced to allow for more allocation to recurrent expenditure. Total allocation to the department was reduced to allow for rationalization of funding to all the departments. Reduced expenditure on development was also done with an aim of phasing projects taking into account absorption capacities.

Education, Communication and Information Technology

To inculcate knowledge and skills necessary for uplifting the county, there was need to increase the development estimate to take care of construction of ECD schools all over the county, install ICT infrastructures in the sub-counties and construct and equip youth polytechnics. Recurrent estimate to be increased also to cater for the recruitment of ECD teachers and to cater for the county bursary to sponsor needy students and specialised courses needed for county development.

Agriculture and Irrigation

Being the backbone for economic growth and a major source of livelihood in the county both recurrent and development expenditure were increased to ensure food security and poverty reduction. Agricultural mechanization will be a priority in the next fiscal year. Irrigation projects shall be phased to improve absorption capacity of the funds.

Livestock, Veterinary services and Fisheries

To increase livestock production in the county there was need to increase the development expenditure for livestock department to cater for development of markets and value addition, disease control and technological development and other projects identified by the wards in the CIDP.

Trade, Industry, Cooperative Development and Energy

Increase recurrent expenditure to take care of the new staffs to be employed. Development expenditure will slightly be increased to improve the business environment, revitalization of cooperative movements, SME development, markets and industrial centres shall be the key initiatives under this vote.

Lands, Physical Planning, Urban Development and Housing

To secure access to land and sustainable land use there is need to increase the development expenditure to allow for the completion of Ardhi house and spatial planning for the county as well as commence adjudication process and development initiatives to be decided by the town administration.

Water, Environment and Natural Resources

Water is a priority to life and the county being an ASAL region the development expenditure was increased to address the issue of water shortage. Purchase of drilling machinery will be a first priority as well as water supplies as identified in the CIDP. Recurrent expenditure was reduced because the disaster management sector was scrapped to pave way for a contingency fund.

Tourism, Culture, Gender and Social development

To promote tourism in the county which its potential is yet to be fully exploited there is need to increase development expenditure to cater for mapping and protection of tourist sites and empowering of youths through sports facilities and social development.

Development of tourist resorts will be given priority to broaden the revenue base of the county.

County Assembly

There was increase in allocation of both recurrent and development expenditure to strengthen the institutional capacity of the county assembly. This however calls for rationalization in future to allow for allocation of more resource to development needs of the citizenry in the county.

4.7. Gross Development Fund

In overall, a total of Ksh 1.606 Billion is allocated to development. This represents 43.2 per cent of total budget for the 2014/15 fiscal year.

4.8. Collaboration with the National Government

Article 189(1) of the constitution of Kenya 2010 provides for mutual relationship between national and county governments. Governments at either level shall perform its functions, and exercise its power, in a manner that respects the functional and institutional integrity of government at the other level, assist, support, consult and liaise with government at the other level for purposes of exchanging information, coordinating policies and enhancing capacity.

It also provides that in any dispute between governments, the governments shall make every reasonable effort to settle the inter-governmental dispute by alternative resolution mechanisms, including negotiation, mediation and arbitration

4.9. Summary

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

5.0 CHAPTER FIVE: CONCLUSIONS

5.1. Overview

The 2014/15 budget will be prepared amid positive economic outlook of the country where the GDP is projected to grow at a rate of 6.1 percent. This level of growth is expected to be felt in the county as the benefits trickle down. At the county level, this growth will be exhibited by increased production in agriculture, reduced effects of hunger and increased income from the local population.

Infrastructural investments and expansion of activities in other major sectors is expected to spur economic activities of other sectors of the economy. Domestic demand is also expected to rise due to the ongoing initiatives of government spending.

The 2013/14 Budget implemented major reforms in the health sector as well as in the roads sub sector. The two sectors received a significant junk of the fiscal year budget of 46.5 percent.

The county however, will put up stringent measures to control recurrent expenditures with an intended objective of saving. The saving generated will be reallocated to finance development projects in key sectors of the economy through supplementary budget. Savings will also be realised through measures targeting increased revenue collection.

As part of fiscal responsibility principles, the county government has adopted a new set of fiscal principles clearly aimed at improving the sustainability of the county's finances. These principles are:

- Maintaining a deficit free budget thus no debt foreseen in the 2014/15 budget;
- Discretionary deductions shall be given first priority during the budgeting process. These include official's salary, collective agreement, state or statutory deductions;
- Maintain a competitive tax environment for business;
- Target funding of large projects in phases in accordance and fulfilment of MTEF process.
- The development expenditure shall be maintained at a level of not less than 40 percent of the total budget.

Despite the challenges associated with devolution and new structures of the county, the county government has clearly demonstrated its ability to manage expenditure. The hiccups that were met in the fiscal year 2013/14 have provided good lessons and experience to carry foward to the next fiscal year. Therefore, improvement in absorption capacity of the funds shall be expected.

Natural disasters especially drought, crop diseases and animal disease remains the biggest threat to the economic growth of the county.

5.2. Way forward

Execution of development expenditure in the mid fiscal year of 2013/14 was generally below target due to delay in procurement procedures that were attributed to delay in remittance from the national government. However, in the next budget cycle, procurement process is expected to start as early after the approval of the budget by the county assembly. This will help improve absorption capacities of the county departments.

The accounting officers will also be encouraged to decentralize their powers by issuing authority to incur expenditures to other lower levels to improve on the absorption rate as well as efficiency in resource management.

Departments will also be encouraged to phase their projects based on MTEF budgeting process. This will apply to development budgets that surpass Kshs 30 Million to improve on funds absorption.

An emergency fund shall be established to help in mitigating against disaster risks. This fund is expected to assist in responding to emergency situations on time without passing through the approval of the county assembly.

The actual fiscal deficit shall be maintained at zero for the period 2014/15 with the 10 county ministries/departments being given ceilings to base their budgets on.

The County Integrated Development Plan shall form the basis for county budgets and all departments shall be required to base their priorities on the approved document.