



# **COUNTY GOVERNMENT OF WEST POKOT**

## **COUNTY TREASURY**

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## **COUNTY BUDGET REVIEW**

## **AND OUTLOOK PAPER**

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**OCTOBER 2017**

## **FOREWORD**

It is with great pleasure that the County Treasury presents the County Budget Review and Outlook Paper (CBROP) for West Pokot County government for the FY 2016/17. This report has been prepared in line with Section 118 of The Public Finance Management Act, 2012 which requires every County Government to prepare and submit a County Budget Review and Outlook Paper (CBROP).

The CBROP provides an analysis of the details of the actual fiscal performance in the previous year compared to the budget appropriation for that year, the updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper. It also provides a description of how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper. Further, it sets indicative ministerial ceilings for FY 2018/19 in line with key sector strategic objectives and priorities as set out in the County Integrated Development Plan (2018-2022) and the Governor's Manifesto.

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

God bless our County.

**Francis Rutou Kitelaayan**

**CECM, Finance and Economic Planning**

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## ACRONYMS

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

## **1.0 INTRODUCTION**

### **1.1 Legal Basis for the Preparation of CBROP**

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

1. The County Treasury shall prepare and submit to the County Executive Committee for approval in each financial year, a County Budget Review and Outlook Paper by 30th September of that year.
  
2. County Executive Committee shall consider the CBROP with a view to approving it with or without amendments, not later than fourteen days after its submission.
  
3. Not later than seven days after the CBROP has been approved by Executive committee, the County Treasury shall:
  - a) Submit the paper to the Budget and appropriation Committee of the County Assembly to be laid before the County Assembly; and
  - b) Publish and publicize the paper not later than fifteen days after laying the Paper before County Assembly.

### **1.2 Specific Objectives of County Budget Review and Outlook Paper**

The main objectives of the CBROP 2017 are;

- a) To provide an analysis of actual fiscal performance in the FY 2016/2017 compared to the budget appropriation for that year.
- b) To provide updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP).
- c) To provide information on any changes in the forecasts compared with the County Fiscal Strategy Paper; or how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest CFSP; and

- d) To give the reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.

## 2.0 REVIEW OF FISCAL PERFORMANCE

### 2.1 Overview of Resource Envelope

**Table 1: Total Resource Envelope**

Revenue source	Estimates(Ksh.)	%
Equitable Share	4,654,529,143.00	88.72
Conditional Grants	223,729,117.00	4.26
Balance B/D (Health)	40,799,898.00	0.78
Balance B/D Supplementary	205,087,973.00	3.91
Internal Revenue Projection	122,245,626.00	2.33
<b>Total Budget Estimates</b>	<b>5,246,391,757.00</b>	<b>100.00</b>

*Source: County Treasury, Supplementary Estimates, FY 2016/17*

The total approved supplementary budget for FY 2016/17 amounted to Kshs.5,246,391,757.00. It comprised of Equitable Share of Kshs.4.65 billion (88.72 per cent), projected local revenue of Kshs.122.2 million (2.3 per cent), conditional grants of Kshs.223.7 million (4.26 per cent) and balance from FY 2015/16 amounting to Ksh245.8 million (3.7per cent).

A total of Ksh. 3,414,258,865.97(65.08 per cent) and Kshs. 1,832,132,891.03(34.92. per cent) was allocated for recurrent and capital expenditure respectively for the period under review.

### 2.2 Local Revenue Performance

**Table 2: Local Revenue Streams and Performance**

Revenue Source	Projected Estimates 2016/17	Actual Amount Collected	% Of revenues realised to stream target	% Of revenues realised to budget estimates
Kiosk rent	2,643,722.00	1,105,700.00	41.82	0.90
Single Business permit/Licence	13,216,000.00	8,366,560.00	63.31	6.85
Market Fee	4,019,884.00	3,123,700.00	77.71	2.56
other land Revenue(Building Approvals)	405,340.00	219,000.00	54.03	0.18
Cess Receipt	7,634,100.00	7,615,031.00	99.75	6.23
Royalties	29,523,440.00	13,739,360.00	46.54	11.24
Stock cess/Slaughter	10,175,184.00	7,057,520.00	69.36	5.78

Rent on Lands, Housing and Building(House rent)	311,115.00	320,655.00	103.07	0.26
Other taxes(Advertising Fee)	419,937.00	123,300.00	29.36	0.10
Parking Fees	4,678,070.00	1,040,900.00	22.25	0.85
Bus Parks and Motorcycle Operating fees	2,134,200.00	4,084,620.00	191.39	3.34
Receipt from Administration fees and Charges(Renewals/ Application)	2,330,990.00	1,235,800.00	53.02	1.01
Liquor Licencing	993,782.00	76,000.00	7.65	0.06
Other fees and charges(Public toilets,honey,hides&skin,firewood,tamarind,aloevera, scrapmetal,fish,penalties)	10,902,926.00	10,410,420.00	95.48	8.52
Agriculture Cess	1,500,000.00	248,750.00	16.58	0.20
Health(Cost sharing and Public health)	25,320,000.00	23,343,547.00	92.19	19.10
Lands (Plot/Land rates)	2,796,323.00	220,650.00	7.89	0.18
Livestock Permits	1,283,210.00	184,045.00	14.34	0.15
Other Local Authority Revenue(Weight and Measures Fees)	1,910,404.00	703,350.00	36.82	0.58
<b>Total Own Revenue</b>	<b>122,198,627.00</b>	<b>83,218,908.00</b>	<b>68.10</b>	<b>68.10</b>

*Source: West Pokot County Treasury 2017*

The County Government collected Kshs.83.2 Million in FY 2016/17 against a target of Kshs. 122.1 Million. This represented local revenue performance of 68.1% per cent. The local revenue raised represents a decline of 15.08 Million from the revenue collected in FY 2015/16. House rent and parking fees streams surpassed their targets by 3% and 91% respectively. Health was the largest source of Own Revenue income at 19.1%, followed by royalties at 11.2%. The least performing streams were liquor licencing and land rates which generated 7.65% and 7.89% respectively against their set targets.

### 2.3 Exchequer Issues

**Table 3: FY 2016/17 Exchequer Issues**



SOURCE	FY 2016/17 APPROVED ESTIMATES	AMOUNT RECEIVED /EXCHEQUER ISSUES
Equitable Share	4,654,529,143.00	4,654,529,143.00
Conditional Grants/Loans	223,729,117.00	140,327,400
Own Source Revenue	122,245,626.00	83,218,908.00
Balances b/d from FY 2015/2016	245,887,871.00	245,887,871.00
<b>TOTAL</b>	<b>5,246,391,757.00</b>	<b>5,123,963,322.00</b>

*Source: West Pokot County Treasury 2017*

## 2.4 Overall County Expenditure and Analysis

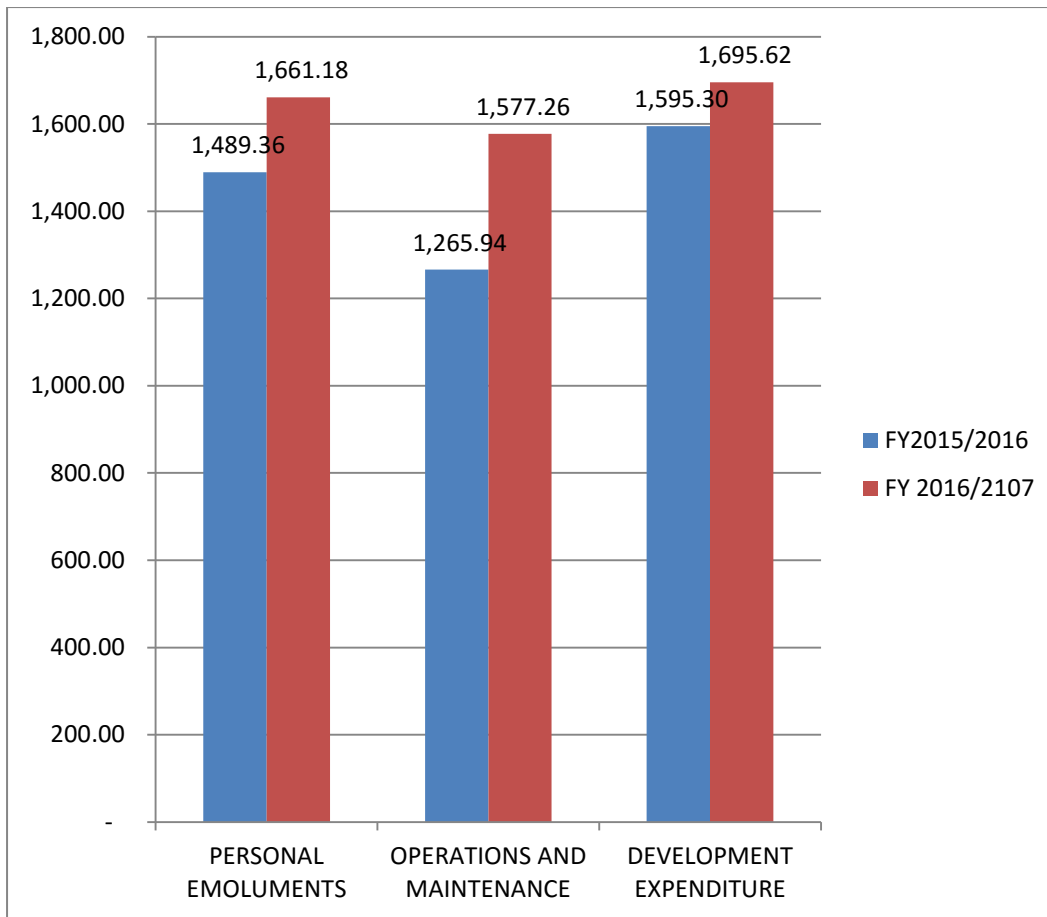
The total expenditure for the FY2016/17 amounted to Ksh.4, 969,638,452. This amount represents an absorption rate of 94.72 percent of the total budget. A total of Ksh. 3,274,012,995.00 was spent on recurrent expenditure and Kshs.1, 695,625,457.00 was spent on development.

The Ksh. 4.9 billion expenditure was an improvement from the Kshs.4.3 billion spent in the FY 2015/16. The recurrent expenditure for the period under review represented an absorption rate of 95.89 per cent of the annual recurrent budget, a slight drop from an absorption rate of 97.61 per cent realized in the FY 2015/16. Development expenditure recorded an absorption rate of 92.5 per cent of the annual development budget, an increase compared to FY 2015/16 when the county had an absorption rate of 76.27 per cent.

### 2.4.1 Analysis of Total Expenditure by Economic Classification

A comparison of the total expenditure between the FY 2015/2016 and FY 2016/2017 is shown in Figure 1 below.-

#### Figure 1: Analysis of Total Expenditure by Economic Classification

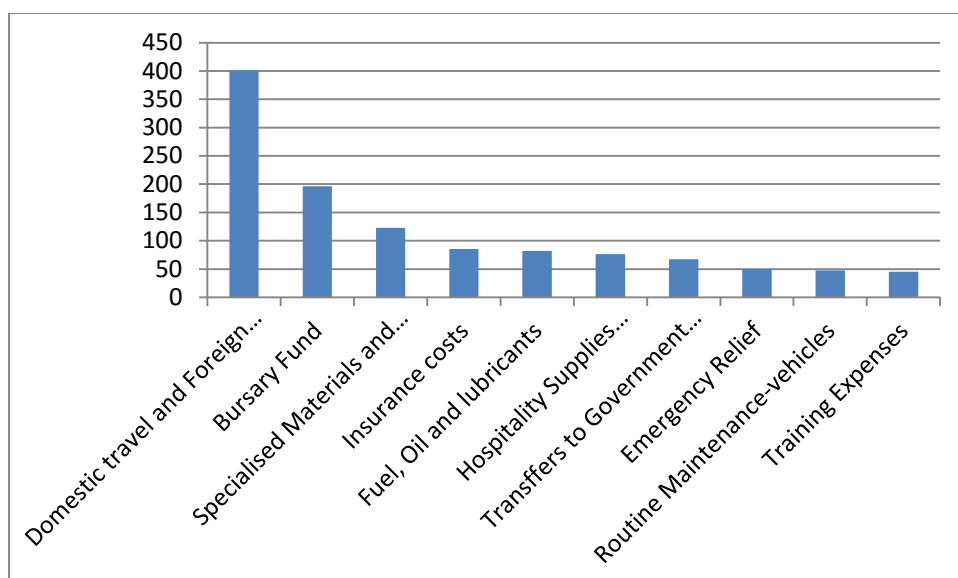


*Source: West Pokot County Treasury 2017*

In the period under review, the county government spent Kshs.1.66 billion on personnel emoluments. This expenditure is an increase from Kshs.1.489 billion spent in a similar period of FY 2015/16. A total of Kshs.1.57 billion was spent on operations and maintenance expenses during the reporting period compared to ksh. 1.26billion spent in the FY 2015/2016.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 2 below.

**Figure 2: Break down of Operations and Maintenance Expenditure**



Source: West Pokot County Treasury 2017

## 2.4.2 Summary of Recurrent Expenditure by Vote

Table 4: Summary of Recurrent Expenditure

VOTE	RECURRENT ESTIMATES	ACTUAL EXPENDITURE	% ABSORPTION
County Executive	346,850,997.81	335,031,458.00	96.59
Finance And Economic Planning	342,646,499.11	312,611,727.00	91.23
Roads ,Public Works And Transport	93,800,110.62	93,094,221.00	99.25
Health And Sanitation	1,124,421,405.91	1,088,246,745.00	96.78
Education And Ict	381,153,239.22	378,033,235.00	99.18
Agriculture And Irrigation	101,774,290.12	101,705,660.00	99.93
Livestock, Fisheries And Veterinary Services	88,369,482.58	86,527,975.00	97.92
Trade, Industry And Cooperative Development	53,092,191.30	32,498,987.00	61.21
Land, Housing, Physical Planning And Urban Development	83,764,371.32	83,746,123.00	99.98

Water Dev., Environment And Natural Resources	66,511,139.19	63,724,891.00	95.81
Tourism, Culture, Sports And Gender Dev.	40,180,999.34	37,392,115.00	93.06
West Pokot County Assembly	470,000,000.00	440,512,370.00	93.73
County Public Service Management	136,173,220.88	135,620,868.00	99.59
Intergovernmental Relations And Special Initiatives	85,520,918.57	85,266,620.00	99.70
<b>Total Expenditure</b>	<b>3,414,258,865.97</b>	<b>3,274,012,995.00</b>	<b>95.89</b>

*Source: West Pokot County Treasury, 2017*

From the Table above, the actual recurrent expenditure was within the budgeted estimates in accordance with the fiscal responsibility principles and financial objectives contained in the PFM Act.

### 2.4.3 Summary of Development Expenditure by Vote

**Table 5: Summary of Development Expenditure**

VOTE	DEVELOPMENT ESTIMATES	ACTUAL EXPENDITURE	% ABSORPTION
County Executive	125,295,297.95	113,689,883.00	90.74
Finance And Economic Planning	60,952,122.50	53,954,755.00	88.52
Roads ,Public Works And Transport	508,228,548.30	506,314,485.00	99.62
Health And Sanitation	238,676,352.55	166,767,396.00	69.87
Education And Ict	198,328,088.03	192,416,949.00	97.02
Agriculture And Irrigation	144,597,488.38	140,365,936.00	97.07
Livestock, Fisheries And Veterinary Services	67,000,881.00	60,965,173.00	90.99
Trade, Industry And Cooperative Development	30,824,165.45	28,059,657.00	91.03

Lands, Housing, Physical Planning And Urban Development	57,870,000.00	55,584,236.00	96.05
Water Dev., Environment And Natural Resources	125,147,167.59	119,848,744.00	95.77
Tourism, Culture, Sports And Gender Dev.	87,212,779.28	76,184,232.00	87.35
West Pokot County Assembly	85,000,000.00	80,942,421.00	95.23
County Public Service Management	31,000,000.00	31,000,000.00	100.00
Intergovernmental Relations And Special Initiatives	72,000,000.00	69,531,590.00	96.57
<b>Total</b>	<b>1,832,132,891.03</b>	<b>1,695,625,457.00</b>	<b>92.55</b>

*Source: West Pokot County Treasury, 2017*

An analysis of development expenditure indicates that the department of Roads, Public Works and Transport had the highest absorption rate of 99.62 per cent while Health and Sanitation had the least absorption at 69.87 percent.

## 2.5 Unspent Balance Brought Forward to FY 2017/18

**Table 6: Balances Brought Forward from FY 2016/17**

VOTE	Recurrent Balances	Development Balances	Total Unspent	%
County Executive	11,970,191.00	11,454,764.00	23,424,955.00	8.46
Finance And Economic Planning	30,034,772.00	6,997,367.00	37,032,139.00	13.38
Roads ,Public Works And Transport	705,890.00	1,914,064.00	2,619,954.00	0.95
Health And Sanitation	36,174,661.00	71,908,957.00	108,083,618.00	39.05
Education And Ict	3,120,005.00	5,911,139.00	9,031,144.00	3.26
Agriculture And Irrigation	68,630.00	4,231,552.00	4,300,182.00	1.55
Livestock, Fisheries And Veterinary Services	1,841,508.00	6,035,708.00	7,877,216.00	2.85
Trade, Industry And Cooperative	20,593,204.00	2,764,508.00	23,357,712.00	8.44

Development				
Lands, Housing, Physical Planning And Urban Development	18,248.00	2,285,764.00	2,304,012.00	0.83
Water Dev., Environment And Natural Resources	2,786,249.00	5,298,424.00	8,084,673.00	2.92
Tourism, Culture, Sports And Gender Dev.	2,788,884.00	11,028,547.00	13,817,431.00	4.99
West Pokot County Assembly	29,487,630.00	4,057,579.00	33,545,209.00	12.12
County Public Service Management	552,353.00	-	552,353.00	0.20
Intergovernmental Relations And Special Initiatives	254,298.00	2,468,410.00	2,722,708.00	0.98
Internal Revenue Deficit			(34,533,039)	
<b>Total</b>	<b>140,396,523</b>	<b>136,356,783</b>	<b>242,220,267</b>	

*Source: West Pokot County Treasury, 2017*

The table above indicates unspent balances from FY 2016/17 approved budget amounting to Ksh. 242,220,267.00. These funds will be re-appropriated in FY2017/18 Supplementary budget.

## 2.6 Pending Bills

**Table 7: Pending Bills from FY 2016/2017**

Department	Recurrent	Development	Total
County Executive	8,946,707.40	5,855,756.00	14,802,463.40
Finance & economic planning	42,123,873.45	4,665,650.00	46,789,523.45
Roads & public works	135,718,056.66	126,722,302.51	262,440,359.17
Health	15,015,477.76	22,668,342.44	37,683,820.20
Education & ICT	9,282,049.02	8,211,159.38	17,493,208.40
Agriculture & Irrigation	2,828,680.00	50,685,543.57	53,514,223.57
Livestock, Vet. & Fisheries	2,529,900.05	-	2,529,900.05
Trade & Industry	1,597,326.00	-	1,597,326.00
Lands,Phy. Planning & Urban Development	1,890,631.22	-	1,890,631.22
Water, Env. & Natural Resources	2,416,013.10	21,170,829.00	23,586,842.10
Tourism, Sports & Culture	7,285,072.00	-	7,285,072.00
Public Service Management	4,212,379.00	-	4,212,379.00
Intergovernmental Relations & Dis. Mgt	25,200.00	-	25,200.00
<b>Total</b>	<b>233,871,365.66</b>	<b>239,979,582.90</b>	<b>473,850,948.56</b>

**Note:** Pending bill Report is based on the available data.

## **2.7 Implication of FY 2016/17 Fiscal Performance on Fiscal Responsibility Principles and Financial Objectives**

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

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

### **3.1 Overview of Recent Economic Performance and Outlook**

#### ***3.1.1 Gross Domestic Growth***

The economy grew by 5.8 percent in 2016 compared to 5.7 percent growth in 2015. Growth remained fairly resilient in the first quarter of 2017, recording 4.7 percent despite prolonged drought and subdued credit to the private sector during the quarter. This strong growth was supported by improved performance in; accommodation and restaurant (15.8 percent), information and communication (11.4 percent), transport and storage (9.9 percent), mining (9.7 percent), real estate (9.6 percent), wholesale and retail trade (6.1 percent) and manufacturing (2.9 percent). The quarter witnessed contraction in agricultural activities as well as deceleration in growth of construction, financial and insurance and electricity and water supply sectors. The accommodation and restaurant sector improved by 15.8 percent in the first quarter of 2017, up from a growth of 10.4 percent in the same quarter in 2016, largely on account of a considerable boost from conference tourism due to improved security situation. The robust performance in the passenger and freight road transport favored the transport and storage sector hence recording an improved growth of 9.9 percent in the first quarter of 2017 compared to 8.9 percent during the same quarter of 2016. The information and communication sector improved by 11.4 percent up from 10.9 percent in the same quarter in 2016 on account of strong performance in the mobile telephony sub-sector.

The economy is expected to expand by 5.1 percent in 2017. This growth is lower than the 6.0 percent growth projected in the 2017 Budget Policy Statement (BPS) as a result of poor performance of the agricultural sector due to adverse weather conditions and a slowdown in the uptake of credit to the private sector. The growth in 2017 will be supported by ongoing infrastructural investments, resilient domestic demand, continued recovery in the tourism sector and growth of exports. In addition, strong consumer demand and private sector investment as well as stable macroeconomic environment will help reinforce this growth.



### ***3.1.2 Inflation Rate***

Overall month on month inflation softened for two consecutive months (in June and July 2017), as a result of improved weather conditions and government policy interventions that resulted to significant decline in prices of key food items and converged to the government's target of 5 percent (+/- 2.5 percent). It declined to 9.2 percent in June 2017 and 7.5 percent in July 2017 from a high of 11.7 percent in May 2017. However, in August 2017, the inflation rose slightly to 8.0 percent. This increase is attributed to rise in cost of food and non- alcoholic drinks and transport during the period due to depressed supply especially in the second week of the month; which can be related to the general elections conducted in the that week. Though on average the annual inflation rate increased to 8.3 percent in August 2017 compared to 6.5 percent in the same period in 2016, it is expected to converge to government's target as the demand pressures have eased and supply has normalized. It is projected to decline gradually to the government's target supported by the prevailing monetary policy stance, favorable weather conditions that will lower food prices and the increasing output of geothermal generated power which will continue to moderate electricity prices and support lower consumer prices.

### ***3.1.3 Kenya Shilling Exchange Rate***

The Kenya Shilling exchange rate remained stable against major international currencies. As at 20th September 2017, the Kenya Shilling compared with the US dollar, had depreciated by around 2.0 percent in nominal terms. Since September 2016, the currency traded at Ksh 103.3 against the dollar from Ksh 101.3 in September 2016. Against the Euro and the Sterling pound, the currency weakened to Ksh 123.7 and Ksh 139.6 as at 20th September 2017 from Ksh 113.5 and Ksh 133.2 in September 2016, respectively reflecting increasing confidence in the Euro area recovery. As compared to the regional currencies, the Kenya Shilling exchange rate has continued to display relatively less volatility. The stability of the Kenya shilling exchange rate reflected resilient receipts from tea and horticulture despite lower export volumes due to adverse weather conditions in the first quarter of 2017. Additionally, receipts from tourism, coffee exports and Diaspora remittances remained strong.

### ***3.1.4 Inter-Bank Interest Rates***

The Central Bank Rate (CBR) that was retained at 10.0 percent to anchor inflationary expectations has resulted in stabilization of liquidity conditions in the market contributing to the decline in the interest rates. The interbank rate declined to 4.5 percent as of 20th September 2017 from a high of 7.7 percent in January 2017, while the 91-day Treasury bill rate dropped to 8.1 percent from 8.6 percent over the same period. The 182 day and the 364 day Treasury bills averaged 10.3 percent and 10.9 percent, respectively in August 2017.

Following the interest rates capping law which came into effect on September 14, 2016, interest rate spread has narrowed to 6.6 percent in June 2017 from 11.2 percent in August 2016 as a result of the developments in the lending and deposit rates. Commercial banks' average lending interest declined to 13.7 percent in the first half of 2017 compared to 18.0 percent in the first half of 2016. The stability was largely reflected in all loan categories. Meanwhile, the average commercial banks' deposit rate declined to 7.2 percent from 7.6 percent over the same period.

### ***3.1.5 Money Supply***

Growth of broad money supply, M3, improved to 8.3 percent in the year to July 2017 compared to a growth of 6.9 percent in the year to July 2016. The improved growth in the year to July 2017 was largely on account of an improvement in the uptake of domestic credit mainly by the private sector and growth of net foreign assets (NFA) of the Central Bank.

### ***3.1.6 External Sector Development***

The overall balance of payments position recorded a deficit of US\$ 65.9 million (0.1 percent of GDP) in the year to July 2017 from a deficit of US\$ 1,252.9 million (2.0 percent of GDP) in the year to June 2016. The current account balance was at a deficit of US\$ 4,384.8 million (6.0 percent of GDP) in the year to July 2017 from a deficit of US\$ 3,141.6 million (4.9 percent of GDP) in the year to July 2016. This reflects a decline in the value of the merchandise account as payments for import of oil increased on account of the rebound in international oil prices and the increase in imports of machinery and transport equipment mostly on account of imports of

wagons, locomotives and associated equipment related to the ongoing second phase of the Standard Gauge Railway project.

Kenya's international trade is estimated to grow in volume terms as weather conditions have improved and thus improve earnings from tea, coffee and horticulture exports. Further, we expect low petroleum products import bill due to lower oil prices, resilient diaspora remittances, and continued recovery of tourism. These fundamental conditions will narrow the current account deficit thus strengthen the Kenya's external position. This will be further expedited by the stable foreign exchange market and diversification of export products and external markets, which are precipitates of resilience against adverse effects of external shocks on exports.

The CBK's foreign exchange reserves increased in the year to July 2017 due in part to planned external borrowings by the Government. The banking system's foreign exchange holdings increased to US\$ 10,550 million in July 2017 from US\$ 10,381 million in July 2016. This was due to the increase in reserves held by commercial banks to US\$ 2,415 million in 2017 from US\$ 2,217 million in 2016, despite the decrease in the official reserves held by the Central Bank to US\$ 8,135 million (5.4 months of import cover) in July 2017 from US\$ 8,165 million (5.3 months of import cover) in the same period in 2016.

### **3.2 Risks to the Domestic Economic Outlook**

Risks to the economic growth outlook emanate from both external and domestic factors. The external risks to the economic growth projected include, any unfavorable structural changes by advanced economies, continued uneven and sluggish growth in advanced and emerging market economies as well as falling commodity prices that may have a negative impact on our exports and tourism activities. Further, the uncertainty in the global markets due to potential tightening of US monetary policy and consequent increase in the US interest rates, Britain's vote to exit the European Union and persistent geopolitical uncertainty on the international oil markets may have an impact on our economy.

Domestically, the economy is exposed to risks including any occurrence of adverse weather conditions, public expenditure pressures especially recurrent expenditures pose a fiscal risk and any inefficiency in spending government resources that may

lower impact of development expenditure. The repeat of the presidential elections also poses risk to the growth as the resources have to be availed for the exercise and may mean foregoing some programmes. The country may also experience the possibility of slowed economic activity as investors' hold- back awaiting the conclusion of the elections. At the county level, the risks include; weakening of national economic growth, unfavourable weather conditions, delayed release of funds from the national treasury, threats of tribal/boundary conflicts between the Pokot, Elgeyo/Marakwet and Turkana counties, and changing political environment due to elections. Natural calamities may also pose the greatest risk to the county's development agenda and revenue collection. The most common disaster risks include disease outbreaks for both livestock and human, conflicts, landslides, lightning strikes, flash floods and drought. These calamities can delay programs or lead to collapse of projects.

In the event the above risks materialize the county revenue framework and the medium term sector ceilings shall be revised in the 2018 Fiscal Strategy Paper. In the meantime, the county government continues to monitor the above risks and will undertake appropriate measures to contribute to national macroeconomic stability.

## 4.0 RESOURCE ALLOCATION FRAMEWORK

### 4.1 Revenue Outlook

The resources available to be shared by the national and county governments are estimated on the basis of projections of the economy's performance. The economy grew by 5.8 percent in 2016 compared to 5.7 percent growth in 2015. Growth remained fairly resilient in the first quarter of 2017, recording 4.7 percent despite prolonged drought and subdued credit to the private sector.

The economy is expected to expand by 5.1 percent in 2017. This growth is lower than the 6.0 percent growth projected in the 2017 Budget Policy Statement (BPS) as a result of poor performance of the agricultural sector due to adverse weather conditions and a slowdown in the uptake of credit to the private sector. The growth in 2017 will be supported by ongoing infrastructural investments, resilient domestic demand, continued recovery in the tourism sector and growth of exports in the sub region. In addition, strong consumer demand and private sector investment as well as stable macroeconomic environment will help reinforce this growth.

### 4.2 Fiscal Projections for FY 2018/19- 2020/21 MTEF Period

Projected Revenue	FY 2017/18 Supplementary (Kshs)	FY 2018/19 Projection(Kshs)	FY 2019/20 Projection(Kshs)	FY 2020/21 Projection(Kshs)
a) Equitable Share	4,741,400,000.00	5,120,712,000.00	5,286,447,881	5,302,413,677
b) Conditional Allocation	228,470,719.00	228,470,719.00	301,000,501	310,056,631
c) Grants/Loans	269,723,797.00	247,723,797.00	250,981,067	253,895,000
e) Balance b/d	298,270,028.00	-		
e) Projected Internal Revenue	111,245,626.00	122,370,189.00	166,811,091	196,067,999
<b>TOTAL</b>	<b>5,649,110,170.00</b>	<b>5,719,276,705.00</b>	<b>6,005,240,540</b>	<b>6,062,433,307</b>

Equitable share is expected to rise marginally from Ksh 4.74 Billion to Ksh. 5.12 Billion in the FY 2018/19 and 5.3 billion over the medium term. In overall, the total county budget is expected to rise from the current Ksh. 5.65 billion to 5.72 billion in the FY 2018/19 and Ksh. 6.06 billion over the medium term.

#### 4.2.2 Internal Revenue Streams' Projections for FY 2018/19-FY 2020/21

Table 8: Internal Revenue Projections by Stream Targets

Revenue Source	FY	FY	FY	FY	FY
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	Actual	Projection	Projection	Projection	Projection
Kiosk rent	1,105,700.00	1,305,798	1,371,088	1,869,022.90	2,196,829.82
Singe business permit	8,366,560.00	8,566,998	8,995,348	12,262,167.98	14,412,823.07
Market fee	3,123,700.00	3,323,999	3,490,199	4,757,726.60	5,592,181.72
Building approval	219,000.00	239,997	251,997	343,514.17	403,762.94
Cess	7,615,031.00	26,302,458	28,932,704	39,440,128.02	46,357,510.97
Royalties	13,739,360.00	24,739,360	27,213,296	37,096,286.54	43,602,584.39
Stock	7,057,520.00	7,157,595	7,372,323	10,049,712.70	11,812,326.44
House rent	320,655.00	398,950	410,919	560,151.51	658,396.19
Advertising	123,300.00	175,999	181,279	247,113.68	290,454.82
Parking	1,040,900.00	1,440,965	1,484,194	2,023,205.34	2,378,054.25
Bus parks & Motorcycles	4,084,620.00	4,384,621	5,042,314.15	6,873,519.86	8,079,062.83
Renewals/Application	1,235,800.00	1,335,892	1,442,763.36	1,966,728.43	2,311,671.88
Liquor licensing	76,000.00	96,500	115,800.00	157,854.82	185,540.89
Other fees and charges (Public toilet), honey, hides & skins, firewood, tamarind alovera, scrap metal, Fish, penalties, trade)	10,410,420.00	13,410,479	15,325,843.97	20,891,695.71	24,555,879.05
Agriculture	248,750.00	628,750	660,187.50	899,946.29	1,057,787.38

Lands	23,343,547.0 0	13,343,547	15,345,079. 05	20,917,916.3 5	24,586,698. 51
Health	220,650.00	2,796,323	3,075,955.3 0	4,193,042.9 6	4,928,458.5 2
Livestock/permits	184,045.00	194,045	213,449.50	290,967.47	342,000.10
Trade	703,350.00	1,403,350	1,445,450.5 0	1,970,389.6 5	2,315,975.2 3
<b>Total</b>	<b>83,218,908.0 0</b>	<b>111,245,626.0 0</b>	<b>122,370,189. 00</b>	<b>166,811,091. 00</b>	<b>196,067,99 9.00</b>

*Source: County Treasury, 2017*

Internal county revenue is projected to increase from the current target of 111.2million to 122.3 million. This growth projection represents an increase of 10 percent from the previous target. The new target will be achieved through the widening of tax base, sealing of existing revenue leakages, strengthening of organizational structures and systems in revenue section, strengthening monitoring and evaluation of the revenue systems, and enhanced transparency, accountability and supervision in revenue collection. The highest revenue stream targets are expected from Cess(23.64%), Royalties (22.24%),land rates(12.54%)and other fees (12.52%).

#### 4.3 Projected MTEF Resource Allocation Framework

**Table 9: Expenditure Forecast for FY 2018/19-FY 2020/21**

Item	FY 2018/19 (Ksh)	%	FY 2019/20 (Ksh)	FY 2020/21(Ksh)
Projected Recurrent	3,782,965,740.11	66.14	3,831,789,091	3,895,098,000
Projected Development	1,936,310,964.89	33.86	2,173,451,449	2,167,335,307
Projected Gross Expenditure	<b>5,719,276,705.00</b>	100	<b>6,005,240,54 0</b>	<b>6,062,433,307</b>
Projected Personnel Emoluments to Gross Estimates	2,000,031,064	34.97	33.56	32.91

#### 4.4 Expenditure Priorities for FY 2018/19 –FY 2020/21 MTEF Period

The County Integrated Development Plan (2018-2022), new government Manifesto and the Medium Term Plan III of Kenya Vision 2030 are the key policy documents

that will guide the county government spending decisions. The Vision 2030 provides the overarching long term national development agenda, while the CIDP sets out the county medium term development plan.

Table 9 below indicates tentative ceiling for the different county departments for FY 2018/19 - FY 2020/21 MTEF period:



Table 10: FY 2018/19- FY 2020/21 MTEF CEILINGS

Vote	FY 2017/2018 APPROVED			FY 2018/2019 PROJECTION			FY 2019/2020 PROJECTION	FY 2020/2021 PROJECTION
	Recurrent	Development	Total	Recurrent	Development	Total	Total	Total
County Executive	364,709,303.70	96,820,188.36	461,529,492.06	437,158,021.53	50,387,618.36	487,545,639.89	511,922,922	516,798,378
Special Programmes & Directorates	100,526,574.74	4,500,000.00	105,026,574.74	230,976,365.84	18,850,000.00	249,826,365.84	262,317,684	264,815,948
Finance and Economic Planning	220,276,605.71	61,614,108.65	281,890,714.36	227,297,860.71	20,255,585.00	247,553,445.71	259,931,118	262,406,652
Public Works, Transport and Infrastructure	100,926,716.00	344,185,143.43	445,111,859.43	98,840,780.00	396,878,631.31	495,719,411.31	520,505,382	525,462,576
Health, Sanitation and Emergency Services	1,194,126,996.51	340,674,311.49	1,534,801,308.00	1,242,609,257.51	300,106,907.93	1,542,716,165.44	1,619,851,974	1,635,279,135
Education and Technical Training	389,702,094.50	211,177,967.51	600,880,062.01	402,583,214.50	335,575,756.99	738,158,971.49	775,066,920	782,448,510
Agriculture and Irrigation	96,256,873.00	99,601,140.30	195,858,013.30	91,756,873.00	121,228,026.33	212,984,899.33	223,634,144	225,763,993
Pastoral Economy	101,670,097.90	59,740,187.60	161,410,285.50	104,770,097.90	123,101,709.00	227,871,806.90	239,265,397	241,544,115
Trade, Industrialization and Cooperative Development	60,552,934.00	34,645,240.68	95,198,174.68	51,202,934.00	79,571,386.13	130,774,320.13	137,313,036	138,620,779
Lands, Housing, Physical Planning and Urban Development	89,724,512.00	33,632,376.59	123,356,888.59	73,174,512.00	119,574,102.24	192,748,614.24	202,386,045	204,313,531

<b>Water, Environment and Natural Resources</b>	79,224,853.53	135,977,739.60	215,202,593.13	66,387,940.24	186,560,060.59	252,948,000.83	265,595,401	268,124,881
<b>Youth ,Sports, Tourism, Gender and Social Development</b>	59,159,283.20	96,578,908.01	155,738,191.21	79,440,250.48	92,566,354.01	172,006,604.49	180,606,935	182,327,001
<b>West Pokot County Assembly</b>	483,519,534.00	87,000,000.00	570,519,534.00	490,880,526.00	61,000,000.00	551,880,526.00	579,474,552	584,993,358
<b>Public Service, CT and Decentralized Units</b>	127,711,226.40	25,900,000.00	153,611,226.40	185,887,106.40	30,654,827.00	216,541,933.40	227,369,030	229,534,449
<b>Total</b>	<b>3,468,087,605.19</b>	<b>1,632,047,312.22</b>	<b>5,100,134,917.41</b>	<b>3,782,965,740.11</b>	<b>1,936,310,964.89</b>	<b>5,719,276,705.00</b>	<b>6,005,240,540</b>	<b>6,062,433,307</b>

## **5.0. CONCLUSION**

In summary, the County Budget Review & Outlook Paper has provided an analysis of the actual fiscal performance in the FY 2016/17 compared to the budget appropriation for that year and the updated economic and financial forecasts. The fiscal responsibility principles and the financial objectives for the year under review were met. In addition, the tentative ceilings for the FY 2018/19 have also been provided. Going forward, the ceilings are expected to be taken into account while setting the final ceilings in the County Fiscal Strategy Paper.

