



**COUNTY GOVERNMENT OF ELGEYO MARAKWET**

**THE COUNTY TREASURY**

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**COUNTY FISCAL STRATEGY  
PAPER (CFSP)**

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# FOREWORD

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This County Fiscal Strategy Paper (CFSP) was prepared in the backdrop of the new financial governance framework in the country under the Constitution of Kenya and the Public Finance Management Act, 2012. This together with the already prepared and approved County Integrated Development Plan (CIDP) and its yearly Annual Work-Plans will guide development initiatives' implementations and the required governance objectives such as efficiency, effectiveness and economy in financial management.

Given that this is the first CFSP for the county under the new devolved governance structure, its preparation comes at a time when the county is settling down to implement its development aspirations within a workable structure while at the same time aligning its broad strategic development priorities and its policy goals with those of the national and global development entities. Development objectives identified in the CIDP and upon which the CFSP is anchored were identified to be in tandem with those of the Vision 2030 and the Millennium Development Goals (MDGs). However, these priority proposals can only succeed in a stable macro-economic environment that is linked with the national broad macro-economic development strategies. This document thus provides a fiscal framework which is important for the success of the county development executions through informed budgeting.

The overriding goal for this County Fiscal Strategy Paper (CFSP) therefore will be to provide a fiscal management basis that will enable a priority-based budget and thus effective implementation of the investment arrangements such as the Public Private Partnerships (PPP) approach. CFSP seeks to explore the global and national economic development outlook and how this will affect the county economic outlook and fiscal performance in the medium term while highlighting projections for county revenue and expenditure for both recurrent and development. During the 2013/14 financial year the county attained the mandatory 30% of its expenditures dedicated to development. This CFSP seeks to continuously increase the proportion initially to 36% in coming financial year and strive to attain 45% in the medium term. The county will have to rationalize the pressure of the growing recurrent expenditure through monitoring and analyses of the overall financing, the underlying risks, structural measures and strategic interventions.

Amongst the broad strategic priorities that will inform fiscal framework going forward in the county, identified and captured in the CIDP include; ***Enhancement of health service delivery, Poverty reduction interventions through agricultural and livestock development, Infrastructural developments in Roads, sports and energy, Educational enhancements, Water access, Tourism and Environmental development, amongst other priorities.*** In delivering these priorities, macro-economic stability alone may not guarantee objectives achievement. Therefore public participation in budget and development decisions is vital.

**GABRIEL LAGAT**

**DEPUTY GOVERNOR & COUNTY EXECUTIVE MEMBER, FINANCE AND PLANNING**

## **ACKNOWLEDGEMENTS**

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The Public Finance Management (PFM) Act, 2012, introduced reforms in the public financial management system and entrenched financial discipline and fiscal responsibility principles for our respective governments as a country. As provided for under the PFM Act, one of the budget instruments at the county that enhances financial discipline and fiscal responsibilities within the county financial management framework is the County Fiscal Strategy Paper (CFSP).

This being the first County Fiscal Strategy Paper (CFSP), its preparation process needed comprehensive consultations and collective and cooperative efforts in designing its structure and the actual preparation itself. However, the enthusiasm of the officers involved in its preparation and the eager and resourceful members of the public made the preparation of the document a success.

Much of the contents in this document came from inputs from all departments and agencies within the county. We wish to appreciate them for their inputs for which the strategic priorities and policy goals in this document have been derived. Members of public within and outside the county who participated in the preparation process for this document through the various public participation platforms such as memoranda submissions, consultative forums and representation at the County Economic and Budget Forum for their valued contribution.

A core team in the County Treasury comprising of the Finance, Budget and Economic Planning sections spent a significant time collecting, collating and compiling this document. We particularly wish to thank Mr. John Maritim, Head of Economic Planning, Mr. John Keen Murkeu, Head of Budget, Mr. Samuel Kibirong, Accountant at the County Treasury and Mr. Titus Kosgei, Mr. Felix Kipngetich, and Elisha Tanui who are all Economists at the County Economic Planning Unit, for their enthusiasm, dedication and support in preparing this document. Special thanks also go to all the staff at the County Treasury who in one way or another enabled the completion of this document.

We look forward to working together with all development stakeholders at the county in delivering on our desired development aspirations.

**JOHN MARITIM**  
**HEAD OF ECONOMIC PLANNING**

## **ABBREVIATIONS AND ACRONYMS**

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|       |  |
|-------|--|
| BPS   | Budget Policy Statement                            |
| CBROP | County Budget Review and Outlook Paper             |
| CEC   | County Executive Member                            |
| CFSP  | County Fiscal strategy Paper                       |
| CIDP  | County Integrated Development Plan                 |
| DRR   | Disaster Risk Reduction                            |
| ECDE  | Early Childhood Development Education              |
| EMCA  | Environmental Management and Coordination Act      |
| FY    | Fiscal Year  |
| HHI   | Human Health Indicators                            |
| ICT   | Information Communication Technology               |
| IFMIS | Integrated Financial Management Information System |
| KARI  | Kenya Agricultural Research Institute              |
| MDGs  | Millennium Development Goals                       |
| MIS   | management Information Systems                     |
| MTEF  | Medium Term Expenditure Framework                  |
| NCPB  | National Cereals and Produce Board                 |
| PBB   | Performance Based Budgeting                        |
| PFM   | Public Financial Management Act                    |
| PPP   | Public Private Partnership                         |
| REA   | Rural Electrification Authority                    |
| SMEs  | Small and Medium Enterprises                       |

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# CHAPTER ONE

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## 1 INTRODUCTION

### 1.1 Rationale for County Fiscal Strategy Paper (CFSP)

The main objectives for preparing the CFSP are to specify;

- Mechanism for aligning it with the national objectives contained in the Budget Policy Statement before the national budget is finalized
- Broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year
- Financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term
- Details of the sector and departmental ceilings for the Medium Term Expenditure Framework (MTEF) Period to ensure continuity in resource allocation from the last financial year consistent with the MTEF budgeting approach.
- Create a mechanism for public participation in the budgeting process thus informing priority choices for development.
- The overall deficit and financing, the underlying risks, structural measures and strategic interventions for development initiatives to be undertaken in the coming Financial Year and in the medium term

### 1.2 Roles in CFSP Preparation

#### 1.2.1 County Treasury

The PFM Act 2012 Section 103 states that “There is established for each county government, an entity to be known as County Treasury” in each county. The PFM Act 2012 legal framework is

firmly anchored in **Article 201** of the Constitution of Kenya and gives effect to **‘the Principles of public finance’**

The PFM Act states that the County Treasury to be headed by the County Executive Member in charge of Finance and Planning shall comprise the Chief Officer and the departments of the County Treasury responsible for financial and fiscal matters with the following responsibilities of monitoring, evaluating and overseeing the management of public finances and economic affairs of the county government as per the financial responsibilities provided for in the Constitution.

The County Treasury has been structured into six units comprising of Finance, Budget, Audit, Procurement, Revenue and Economic Planning and each with its mandates and responsibilities structured to achieve the roles of the County Treasury. The Treasury is thus tasked with the responsibility of preparing the County Fiscal Strategy Paper (CFSP) in collaboration with the other departments in the county to ensure strategic priorities and policy goals informs the preparation of the budgets

### **1.2.2 Role of other Sectors/Departments**

In the preparation of the CFSP and consequently the county budget, all sectors and departments in the county submits their respective strategic priorities and policy goals which would have been agreed upon by the various development actors within their sectors

### **1.2.3 Role of Commission of Revenue Allocation (CRA)**

The role of CRA in the CFSP involves calculating the amounts to be allocated to each county from the 15% of the national revenue and communicating the same to the counties to be used in the budgeting process in arriving at the resource envelop for the county

### **1.2.4 Role of the public**

Apart from the requirements of openness, accountability and public participation in decision-making matters, the Constitution introduced fundamental changes to Public financial management and specifically to the budget process. Stakeholders’ participation is thus useful in the identification of stakeholders’ social and developmental challenges and homegrown interventions to address the challenges and the enhancement of greater ownership, and participation of citizens in budget implementation, monitoring and evaluation via inclusivity in the planning and budget making process.

Therefore in complying with these provisions, the CFSP preparation considers public participation as vital. The CFSP will be tabled at the County Economic and Budget Forum whose

membership includes community representatives for approval before submission to the County Assembly.

### **1.2.5 Role of Other Development Actors**

The County will continue to seek and sustain support from donors and other development partners to fill the resources gap in the CIDP projected budget. Therefore for accountability, openness and shared objectives, the CFSP preparation involved all developments partners in its preparation and the budget process as a whole.

### **1.2.6 Role County Assembly**

The County Assembly plays a very important role in the budget process including the preparation of the CFSP. These roles include;

- Receiving and approving among other documents the County Fiscal Strategy Paper (CFSP)
- Approve financial borrowing to finance deficit in the budget by the county government in accordance with Article 212 of the Constitution
- While respecting the principle of separation of powers, the county assembly may exercise oversight over the county executive committee and any other county executive organ on the implementation of the budgeted priorities
- County Assembly Speaker organizes and determines business to be conducted in the house including those regarding CIDP approval and implementation.
- County Assembly Speaker Receives bills, motions and questions and prepares an order paper for house business including those relating to CIDP.

## **1.3 Legal Framework for County Fiscal Strategy Paper (CFSP)**

The preparation of the County Fiscal Strategy Paper (CFSP) is provided for in the Public Finance Management (PFM) Act section 117. Some of the provisions in this section state that;

- (1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28<sup>th</sup> February of each year.

- (2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- (3) In preparing the County Fiscal Strategy Paper, the County Treasury shall 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.
- (4) 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.

PFM Act 2012 section 117 also states that in preparing the County Fiscal Strategy Paper (CFSP), the County Treasury shall seek and take into account the views of the Commission on Revenue Allocation, the public, any interested persons or groups and any other forum that is established by legislation. It further states that The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.

#### **1.4 Fiscal responsibility management (section 107)**

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

- (1) Over the medium term, a minimum of 30% of the county budget shall be allocated to development expenditure
- (2) The county government's expenditure on wages and benefits for public officers shall not exceed a percentage of the county government's revenue as prescribed by the regulations
- (3) Over the medium term, the county government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
- (4) Public debt and obligations shall be maintained at a sustainable level as approved by county assembly
- (5) Fiscal risks shall be managed prudently

- (6) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future

## **1.5 Outline of the County Fiscal Strategy Paper (CFSP)**

### **1.5.1 CFSP Overview**

It is in compliance with the PFM Act 2012 legal provisions that the County Treasury has prepared this document. The document will cover five chapters. Chapter one highlights the justification for the preparation of the document while at the same time detailing the legal framework for the CFSP. In Chapter two, recent economic developments on the global and national level and the impact that they have had on the recent county economic development have been highlighted. Chapter three explores the fiscal and budget framework that will inform the budgetary process. Chapter four details the sector and departmental ceilings for the Medium Term Expenditure Framework (MTEF) Period. Chapter five highlights the conclusions and finally, the Annexes section contains documentations that have informed the preparation of this County Fiscal Strategy Paper (CFSP).

### **1.5.2 Economic Environment and Outlook**

The county's performance is largely dependent on the formulation and implementation of prudent policies to guide service delivery. The county's performance will also depend highly on the country's economic performance. Generally, the county operates under a stable macroeconomic environment. The largest expenditure driver in the first half of the Financial Year 2013/14 was infrastructural development and the promotion of access to markets especially given that the county economy is heavily dependent on agriculture and livestock. Therefore, market access is vital for employment and equitable income distribution. It is important however to note that to ensure equitable development, resource distribution is sensitive to regional, as well as demographic considerations both regarding equity and efficiency to be realized.

### **1.5.3 Fiscal and Budget Framework**

The county government will pursue prudent fiscal policy to ensure macroeconomic stability. In addition, our fiscal policy objective will provide an avenue to support economic activity while allowing for implementation of devolution mandates within a sustainable public finances management system. With respect to revenue, the county will maintain a strong revenue effort over the medium term. Measures to achieve this effort include improved tax and cess compliance with enhanced administrative measures and adoption of national and international revenue

enhancement best practices. In addition, the county Government will rationalize existing tax and cess incentives, and expanding revenue base. The county Government reviewed all other tax and cess policies as per the approved Finance act 2013, in order to simplify and modernize them. On the existing mining activities and the prospects on the exploration of minerals in our country, the county Government has developed a comprehensive policy and legislative framework covering licensing, revenue sharing, taxation and sustainable use of the resources. This will ensure that we derive maximum and sustainable benefit from these natural resources.

On the expenditure side, the county Government will continue with rationalization of expenditure to improve efficiency and reduce overlaps and wastage. Expenditure management will be strengthened with implementation of the Integrated Financial Management Information System (IFMIS) and other appropriate financial management systems across all Departments. In addition, the PFM Act, 2012 is expected to accelerate reforms in expenditure management system at the county.

#### **1.5.4 Medium Term Expenditure Framework**

Going forward, and in view of the macroeconomic circumstances since the inauguration of the county government and the limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority ones.

The priority social sectors, education and health, will continue to receive adequate resources though they are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors. The economic sectors including agriculture and livestock will receive increasing share of resources to boost agricultural productivity and initiating value addition ventures as the county deals with threats of food insecurity and poor market returns for agricultural produce.

With the County Government's commitment in improving infrastructure countywide, the share of resources going to priority physical infrastructure sector, such as roads, energy and water and irrigation, will continue to rise over the medium term. This will help the sector provide reliable and affordable energy, as well as increased access to water and development of irrigation projects across the county. All the other sectors will continue to receive adequate resources in line with our county's commitment to a balanced sector development so as to enhance the quality of life for the residents of the county

### **1.5.5 Conclusions**

The fiscal outlook presented in this CFSP will seek to achieve the objectives outlined in the PFM Act and lay ground for the next financial year in terms of preparing the budget. Fiscal discipline will be important in ensuring proper management of funds and delivery of expected outputs. Effective and efficient utilization of funds will be crucial in ensuring that the county gets to deliver on its functions.

## CHAPTER TWO

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### 2 ECONOMIC ENVIRONMENT AND OUTLOOK

#### 2.1 Global Economic Environment Impacts

Five years after the global financial crisis, the world economy is showing signs of bouncing back this year, pulled along by a recovery in high-income economies according to the World Bank's latest *Global Economic Prospects* report, issued on January 14, 2014. Global growth is now projected to be slightly higher in 2014, at around 3.7 percent, rising to 3.9 percent in 2015, a broadly unchanged outlook from the October 2013 World Economic Outlook (WEO). But downward revisions to growth forecasts in some economies highlight continued fragilities, and downside risks remain. In advanced economies, output gaps generally remain large and, given the risks, the monetary policy stance should stay accommodative while fiscal consolidation continues. In many emerging market and developing economies, stronger external demand from advanced economies will lift growth, although domestic weaknesses remain a concern. Some economies may have room for monetary policy support. In many others, output is close to Potential, suggesting that growth declines partly reflect structural factors or a cyclical cooling and that the main policy approach for raising growth must be to push ahead with structural reform. In some economies, there is a need to manage vulnerabilities associated with weakening credit quality and larger capital outflows.

Developing-country growth is also firming, thanks in part to the recovery in high-income economies as well as moderating, but still strong, growth in China. Growth prospects for 2014 are, however, sensitive to the tapering of monetary stimulus in the United States, which began earlier this month, and to the structural shifts taking place in China's economy.

Kenya has maintained economic stability and fiscal discipline even in the face of fiscal pressure from the March 2013 elections, a new devolved system of governance, public sector pay pressure and rising security costs associated with security operations in Somalia. The economy is expected to grow at 5.8-6% this year, even after the temporary shock of the September 17, 2013 terrorist attack in Nairobi, according to projections by the World Bank and the International Monetary Fund (IMF). This will be a significant improvement over the 4.6% gross domestic product (GDP) growth rate it recorded in 2012, and inflation is also expected to remain at single digit. For the first time in recent years, Kenya is likely to match the average growth rate of 6% of its peers in the East African Community and Sub-Saharan Africa, but it will still be significantly short of the Vision 2030 target growth rate of 10%.

In line with the constitution and PFM Act 2012 requirement, the county has developed its CIDP with clear set priorities to be implemented within 2013-2017 plan period to foster the county's development agenda. Emphasis has been put on agriculture with 76 percent of the population depending on it. Infrastructure, Health, Education, tourism and Sport being the other sector aimed at driving the county's economic growth

## **2.2 National Economic Situation**

The CFSP being the first to be prepared at the county level following successful transition to devolved system of governance sets out the priority programs to be implemented at the county in line with national goals for a shared prosperity.

The national economic growth prospects remain strong despite instability witnessed in the sub region particularly in Central African Republic, Somalia and southern Sudan. This resilience is attributed to the implementation of bold economic policies and structural reforms as well as sound economic management over the last decade and as a result, the economy recovered steadily from levels as low as 1.6 percent in 2008 to 4.6 percent in 2012 and is expected to grow by at least 5.0 in 2014.

Prudent economic policies have helped anchor the conditions for strong and stable growth. Fiscal discipline has improved both the external and domestic debt positions. The ability to significantly contain inflation to single digits and maintain strong supervision over the financial sector has greatly influenced the current economic stability. The financial sector reforms and innovation have significantly expanded financial inclusion to more than 70 percent of the population.

The foundation upon which to build an economic transformation agenda is now in place. However, contrasting challenges remain. The challenge of high cost of living driven by high food and energy prices; the rising imports and minerals against stagnating exports, food insecurity due heavy reliance on rain-fed agriculture and high cost of inputs, declining agricultural and manufacturing productivity, inadequate and high cost of energy, insecurity, weak transport and logistics, unemployment especially among the youth, women and persons with disability as well as weak investment climate will continue to constrain the economy from achieving its full potential. The emerging high and unsustainable public sector wage and fiscal related challenges surrounding devolution particularly the long bureaucratic processes in approval of county finances, in addition the current standoff between the various institutions involved in devolution might adversely affect the timely disbursement of funds thus impacting negatively on service delivery and implementation of planned programs and projects.

The need to address these challenges and build on our successes forms the basis of the national government's development strategy for achieving economic transformation for a shared prosperity in line with the vision 2030, 2nd MTP and MDGs. This strategy covers five broad pillars. These five pillars together with the vision 2030, 2<sup>nd</sup> MTP and MDGs must be incorporated in the County Fiscal Strategy Paper for accelerated economic growth and shared prosperity.

Despite the teething challenges, there are good prospects for our county social-economic growth. These prospects include;

- Expansion of credit access for youth and women especially through the roll-out of UWEZO Fund and the establishment of innovative instrument for their small and medium enterprises. This combined with the requirement for at least 30 percent of all public procurement to be reserved for the youth, women and persons with disability will provide job opportunities to a large section of the county population, thus there is need for sensitization of the YWPD on the requirements.
- The scale-up investments towards social safety nets by the national government would cushion the vulnerable sections of the county residents from welfare shocks.
- Reduced fertilizer costs would reduce the cost of agricultural production consequently improving food security and enhancing the farmers' incomes
- Protection of catchment areas especially Cherangany water tower after resettlement of squatters from Embobut forest would positively impact on agricultural activities along the Kerio valley due to increased river volumes.

## **2.3 County Economic Performance and Prospects**

### **2.3.1 Overview of county economy**

Human development indicators show that the county has 57 percent of residents live below the poverty line compared to the national poverty level of 46 percent. The levels of poverty in the county are geographically distributed. At the Escarpment and The Kerio Valley, poverty levels are as high as 67 percent of the population while in the Highlands poverty levels average 47 percent.

The county's economy and livelihood is driven by agriculture which is depended upon by over 76 percent of county's rural population. Crop farming, livestock production and fisheries whose optimum harnessing could lead to enhanced food security, employment creation, related sectors'

development and natural resource conservation, are the sub-sectors under agriculture. More than 80 percent of the county's income is from agro-based economic activities. This income status effectively requires a well-managed and reliable physical infrastructure that supports and sustains progressive and efficient output optimization. The county currently has a total road network of 1,579.4 km of which 152 km (9.6 percent) is Bitumen (tarmac), 996.2 km is gravel surface (63.1 percent) and 431.2 km is earth (27.3 percent). The county has 2 Airstrips; Tot and Chepsirei, though these airstrips have not been utilized optimally coupled with irregular maintenance.

Electricity coverage in the county averages 6% of households with the main source of energy for cooking being firewood thus exacerbating the already existing environmental degradation. There is low electricity coverage and other renewable energy like hydro, solar, wind and biogas has been minimally tapped. On ICT, the required infrastructure is poorly developed with no single fiber cable linking the county other parts of the country.

### **2.3.2 Growth Prospects and challenges**

The three ecological zones in the county have varied levels of socio-economic developments and resource endowments. A review of these zones show that for the overall socio-economic development to be realized, there is need to invest in improvement in quality education at all levels, improving road network and power supply, eradicating alcoholism and drunkenness, improving value and quality of agricultural products through value addition and intensifying irrigation in the Kerio Valley. In addition, intensifying protection and rehabilitation of environment; it should be noted that the county has achieved strides with embobut forest rehabilitation though the exercise has resulted in multiplier effect of exerting pressure on existing infrastructure along the forest with already allocated resource on institutions inside the forest having to be reallocated , disaster response mechanism, improving and maintaining the literacy levels and enhancing tourism and exploitation of natural resources as a major source of revenue will enhance the socio-economic status of the residents in the county.

Nevertheless, in the face of these challenges lies growth potential that can propel the county to higher economic possibilities. These growth prospects include; enhanced tourism, value addition ventures, improved agricultural productivity, revamp irrigation investments and economic gains from sports related activities amongst others.

### **2.3.3 Strategic priorities and policies**

- 1. Investing in health care, education and social protection for improved livelihoods.**  
These focused investments include; in education ECDE improvement strategy, schools

infrastructural enhancement, vocational and tertiary training strategy and quality enhancement in educational institutions are amongst flagships that will be focused on. In Health and Sanitation, improvement and upgrading of health facilities, service delivery enhancement, community health strategy, efficient drugs and commodities management strategy and cemetery and mortuaries will be focused on

2. **Food security and Enhanced returns to agricultural investments:** Cash crops development, productivity and technology adoption, Kerio Valley irrigation strategy, horticultural development, fish farming promotion and support, livestock production enhancement initiatives, value addition and marketing, and value chain linkages
3. **Creating a development strategy that enhances services delivery in a peaceful, issue-oriented and people centered environment.** This can be achieved through enhancement of communities' capacity to manage viable and sustainable projects and undertaking community self-reliance initiatives that are sustainable
4. **Focusing on infrastructural developments including those for roads, energy and sports.** This infrastructural developments are geared towards market accessibilities, electricity for value addition industries and office space for enhanced service delivery
5. **Water access, Tourism and Environmental Development**
6. **Creating a development strategy that enhances services delivery in a peaceful, issue-oriented and people centered environment.** This can be achieved through enhancement of communities' capacity to manage viable and sustainable projects and undertaking community self-reliance initiatives that are sustainable

#### **2.3.4 CFSP Priorities' Alignment to Budget Policy Statement**

The county CFSP's strategic priorities and policy goals have been aligned with the national Budget Policy Statement (BPS) 2014 which classifies the national strategic priorities and policy goals into five broad pillars, namely;

**Pillar 1:** Creating conducive business environment

**Pillar II:** Investing in agricultural transformation and food security

**Pillar III:** Investment in first class transport and logistics

**Pillar IV:** Investing in quality and accessible healthcare services, quality education as well as social safety nets

**Pillar V:** Further entrenching devolution for better service delivery and enhanced rural economic development.

The CFSP's strategic priorities and policy goals have therefore been aligned as follows;

1. **Creating conducive business environment** - Enhanced development cooperation, networking and collaborations through Public Private Partnerships (PPP) approach which will ensure faster development, replication of best development practices and increasing the network base that will spur development even further
2. **Investing in agricultural transformation and food security** - Food security and Enhanced returns to agricultural investments through cash crops development, productivity and technology adoption, Kerio Valley irrigation strategy, horticultural development, fish farming promotion and support, livestock production enhancement initiatives, value addition and marketing, and value chain linkages
3. **Investment in first class transport and logistics** - Focusing on infrastructural developments including those for roads, energy and office buildings for administrative purposes arising from the devolution responsibilities. This infrastructural developments are geared towards market accessibilities, electricity for value addition industries and office space for enhanced service delivery
4. **Investing in quality and accessible healthcare services, quality education** as well as social safety net: Investing in health care, education and social protection for improved livelihoods. These focused investments include; in education ECDE improvement strategy, schools infrastructural enhancement, vocational and tertiary training strategy and quality enhancement in educational institutions are amongst flagships that will be focused on. In Health and Sanitation, improvement and upgrading of health facilities, service delivery enhancement, community health strategy, efficient drugs and commodities management strategy and cemetery and mortuaries will be focused on
5. **Further entrenching devolution for better service delivery and enhanced rural economic development:** Creating a development strategy that enhances services delivery in a peaceful, issue-oriented and people centered environment. This can be achieved through enhancement of communities' capacity to manage viable and sustainable projects and undertaking community self-reliance initiatives that are sustainable

### **2.3.5 Risk to implementation of priorities**

Appreciation of the shilling could erode Kenya's competitiveness and lead to a stifling the export sector. The macroeconomic management and performance of most of the sectors under the National Government have a ripple effect on how some sectors in the county will perform. The risks to the 2013/14 financial year's budget include challenges in revenue performance as the county continues to put structures in place, seal loop holes and expand the revenue base. The current process of county restructuring, recruitment and rationalization of staff is expected to exert pressure on wage expenditures. With commitment in improving infrastructure within the county, the share of resources going to priority physical infrastructure sector, such as roads and water will rise over the medium term.

## **CHAPTER THREE**

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### **3 FISCAL AND BUDGET FRAMEWORK**

#### **3.1 Overview**

The fiscal performance since FY 2013/14 has been generally satisfactory, despite the challenges emanating from shortfall in revenues as a result of delay in the passing of the Finance Act 2012. However, due to economic challenges experienced in the first half of the financial year 2013/14 and the non-passage of the Finance Act in 2013 as planned, tax collection is bound to fall short by 50% from the target amount of Kshs.85M from local revenue sources.

On the expenditure side, the County Government had to incur higher expenditure on salaries mainly accruing to staff from the devolved functions whose personal emoluments were not accurately captured in the initial stages of the budget preparation for 2013/14. Another challenge experienced in budget execution was the low level of absorption of funds. This was due to delays in the disbursement of funds from the National Government. However, the county has enough capacity to handle all the devolved functions outlined in the Constitution. Adjustments to the original budget were approved by County Assembly through a supplementary budget in February, 2014.

#### **3.2 Fiscal Performance**

##### **3.2.1 Fiscal policy**

Collection for the first half of the year from local revenue sources amounted to Kshs21M which translates to 25% of the targeted budget figures i.e. 85M. The underperformance in tax revenue was largely on account of agriculture produce cess, market fees and livestock auction fees. In order to improve performance in revenue collection the county has undertaken various strategies, namely;

- Introducing information technology based systems that ensures compliances and eradicates corrupt practices in local revenue collection

- Partnering with financial institutions on revenue collection and remittances to maximize on revenue collection
- Training workers on revenue handling and collection strategies

On management of expenditure, the proposed budget will be guided by Programme Based Budgeting (PBB) concept which is an approach and process that relates resources to proposed and actual results. PBB allocates money to functions/activities and focuses on total cost of providing a service. These together with monitoring and evaluation concept and expenditure controls such as audits will achieve the intended impacts in expenditure.

**Table 1: Revenue for 1<sup>st</sup> Half of 2013/14**

| Revenue Source         | Budgeted Amount   | ACTUAL RECEIPT | Percent ( % ) |
|------------------------|-------------------|----------------|---------------|
|                        |                   | Total          |               |
| Game Park Fees         | -                 | -              | 0%            |
| Animal Stock Sale Fees | <b>2,300,000</b>  | 1,429,500      | 62%           |
| Produce & Other Cess   | <b>34,051,762</b> | 11,707,249     | 34%           |
| Single Business Permit | <b>8,254,000</b>  | 2,180,091      | 26%           |
| Plot Rent/ Rates       | <b>6,871,790</b>  | 938,383        | 14%           |
| Buspark/motorbikes     | <b>2,580,000</b>  | 1,000,250      | 39%           |
| Trade Application      | <b>1,250,000</b>  | 269,020        | 22%           |
| House/stall/ground     | <b>1,550,000</b>  | 552,900        | 36%           |
| Conservancy            | <b>1,096,000</b>  | 143,350        | 13%           |
| Plan approval          | <b>580,000</b>    | 63,135         | 11%           |
| Slaughter fees         | <b>491,500</b>    | 90,600         | 18%           |
| clearance              | <b>50,000</b>     | 2,200          | 4%            |
| Hides and Skins        | <b>3,000</b>      | 4,550          | 152%          |
| Promotion/advert       | <b>368,356</b>    | 30,200         | 8%            |
| Tender Document        | <b>60,000</b>     | 57,000         | 95%           |
| Hire of Grater         | <b>3,000,000</b>  | 1,025,000      | 34%           |
| Industrial rates       | -                 | 317,572        | 0%            |

| Revenue Source       | Budgeted Amount   | ACTUAL RECEIPT    | Percent ( % ) |
|----------------------|-------------------|-------------------|---------------|
|                      |                   | Total             |               |
| Miscelaneous         | <b>19,641,971</b> | -                 | 0%            |
| Market Fees & Others | <b>2,875,000</b>  | 1,360,216         | 47%           |
| <b>Total</b>         | <b>85,023,379</b> | <b>21,171,216</b> | 25%           |

**Table 2: Expenditure Analysis for 1<sup>st</sup> Half of 2013/2014**

| Vote | Sector/Department                              | Allocation           | Expenditure        | Balance              |
|------|--|----------------------|--------------------|----------------------|
| 0001 | County Assembly                                | 328,736,215          | <b>55,733,990</b>  | <b>273,002,225</b>   |
| 0002 | Governor/County Executive services             | 228,771,082          | <b>50,550,694</b>  | <b>178,220,388</b>   |
| 0003 | Deputy Governor                                | 30,876,612           | <b>2,169,455</b>   | <b>28,707,157</b>    |
| 0004 | County Treasury Services                       | 152,030,304          | <b>38,003,013</b>  | <b>114,027,291</b>   |
| 0005 | County Public Service Board                    | 56,561,000           | <b>17,327,693</b>  | <b>39,233,307</b>    |
| 0006 | Transport and Infrastructure                   | 269,109,918          | <b>8,079,153</b>   | <b>261,030,765</b>   |
| 0007 | Industrialization, Commerce and Tourism        | 65,357,612           | <b>3,870,678</b>   | <b>61,486,934</b>    |
| 0008 | Education, Sports, Culture & Art               | 198,182,027          | <b>12,048,581</b>  | <b>186,133,446</b>   |
| 0009 | Health   | 782,720,008          | <b>157,059,092</b> | <b>625,660,916</b>   |
| 0010 | Housing & Urban Development                    | 42,582,200           | <b>6,279,740</b>   | <b>36,302,460</b>    |
| 0011 | Agriculture, Livestock, Fisheries & Veterinary | 201,890,518          | <b>33,059,177</b>  | <b>168,831,341</b>   |
| 0012 | Water & Irrigation                             | 116,132,061          | <b>6,392,205</b>   | <b>109,739,856</b>   |
|      | <b>TOTAL</b>                                   | <b>2,603,670,555</b> | <b>390,573,471</b> | <b>2,213,097,084</b> |

### 3.2.2 Fiscal Reforms and Policy

The medium term fiscal framework aims at striking an appropriate balance between fiscal consolidations and supporting devolved service delivery, all these within a sustainable public financing as per the county fiscal strategy paper which emphasizes the following strategies;

- Reduction in recurrent expenditure to devote more resources to development
- Continued reforms in expenditure management and revenue collection so as to create fiscal space for spending on infrastructure and other priority development programmes
- Efficiency and improving the productivity of expenditure while at the same time ensuring that adequate resources are available for operations and maintenance
- Increase the absorption of allocated resources, this will give impetus to economic growth and further improve budget credibility. This will be done through strengthening ongoing reform engagements with development partners as well as strengthening project planning and management.

It is worth noting that the county government will moderate spending which will help assure debt sustainability and intergenerational equity in line with the constitution and fiscal responsibility in the PFM law

### 3.3 2014/15 Budget Framework

**Table 3: Revenue Projections by Source**

| Revenue Type                            | 2013/14 Estimates | 2014/2015 Estimates |
|---|-------------------|---------------------|
| <b>Local Revenue</b>                    |                   |                     |
| Single Business Permit                  | 8,659,239         | 11,257,010.70       |
| Potatoes/Vegetables/Maize/Charcoal Cess | 15,745,869        | 20,469,629.70       |
| Market fees                             | 645,200           | 838760              |
| Plot rent                               | 1,935,600         | 2516280             |
| Cattle auction fees                     | 1,804,620         | 2346006             |

| <b>Revenue Type</b>              | <b>2013/14<br/>Estimates</b> | <b>2014/2015<br/>Estimates</b> |
|----------------------------------|------------------------------|--------------------------------|
| Sand cess                        | 2,229,300                    | 2898090                        |
| Wool cess                        | 6,300                        | 8190                           |
| Land rates                       | 225,663                      | 293361.90                      |
| Bus park/motor bikes fees        | 1,400,445                    | 1820578.50                     |
| Trade applications fees          | 958,200                      | 1245660                        |
| Slaughter fees                   | 815,040                      | 1059552                        |
| House rent/Stall/Ground.         | 263,460                      | 342498                         |
| Timber cess                      | 2,828,535                    | 3677095.50                     |
| Conservancy fees                 | 213,150                      | 277095                         |
| Plan approval fees               | 129,000                      | 167700                         |
| Clearance fees                   | 20,700                       | 26910                          |
| Hide & skins                     | 3,600                        | 4680                           |
| Promotion/advert                 | 633,000                      | 822900                         |
| Hire of Grater & other machinery | 1,542,600                    | 2005380                        |
| Tourism                          | -                            | -                              |
| Fines                            | -                            | -                              |
| Exhauster hire fees              | -                            | -                              |
| Others                           | 44,963,858                   | 2395809                        |
| Rolled over funds (B/F)          | 126,635,585                  | -                              |
| <b>Sub total</b>                 | <b>211,658,964</b>           | <b>85,023,379</b>              |
| Central Government Transfers     | 2,392,011,591                | 2,784,490,888                  |
| <b>GRAND TOTAL (REVENUE)</b>     | <b>2,603,670,555</b>         | <b>2,869,514,267</b>           |

### **3.3.1 Deficit, Debt policy and Debt Sustainability**

With the coming of the devolved system, legal framework has been laid to guide deficit and debt policy of the county. Currently the county has no public debt but strategies should be laid down in subsequent financial years to address debt sustainability since the county will be anticipating deficit financing that will exist in the budget

### **3.4 Compliance with Fiscal Principles**

Fiscal responsibility is important since the constitution requires the county government to progressively provide for a minimum basic standard of economic and social rights to its citizens with available resources as per finance act in order for spending to increase on a sustainable basis to meet the basic needs, there is need to increase revenue yield through efficient collection and widening of revenue sources therefore it is imperative to reform and modernize the revenue collection to ensure stability.

So far, the fiscal performance in has been generally satisfactory, despite the challenges with shortfall in revenues, the transition financial demands and increased expenditure pressures, the government will ensure strict adherence to PFM act to comply with fiscal principles.

## CHAPTER FOUR

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### 4 MEDIUM TERM EXPENDITURE FRAMEWORK

#### 4.1 Resource Envelop

##### 4.1.1 Revenue Allocations

**Table 4: County and National Government Revenue Allocations**

| <b>REVENUE SUMMARY</b>       | <b>FY 2013/2014</b>  | <b>FY 2014/2015</b>  |
|------------------------------|----------------------|----------------------|
| Local Revenues               | 211,658,964          | 85,023,379           |
| National Government Revenues | 2,392,011,591        | 2,784,490,888        |
| <b>TOTAL COUNTY REVENUES</b> | <b>2,603,670,555</b> | <b>2,869,514,267</b> |

##### 4.1.2 Grants and Borrowing

In addition to the equitable share of revenue, EMC expects to get additional resources from the following sources:

- Additional conditional and unconditional allocations from the share of the national government as contemplated under Article 202(2) of the constitution
- Grants and donations from development partners in accordance with section 138 and 139 of the public finance management act, 2012

## **4.2 Recurrent and Development Expenditure Allocations**

### **4.2.1 Expenditure Priorities and Justification**

In view of the macroeconomic circumstances since the inauguration of the county government and the limited resources, effective budgeting will entail adjusting non-priority expenditures to cater for the priority ones. The first County Integrated Development Plan (CIDP) for the county forms a basis for informed decision making regarding resource allocation in terms of equity, efficiency and value for money.

The priority social sectors, education and health, will continue to receive adequate resources. The two sectors are already receiving a significant share of resources in the budget though they are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors. The economic sectors including agriculture and livestock will receive increasing share of resources to boost agricultural productivity and initiating value addition ventures as the county deals with threats of food insecurity and poor market returns for agricultural produce.

With the County Government's commitment in improving infrastructure countywide, the share of resources going to priority physical infrastructure sector, such as roads, energy and water and irrigation, will continue to rise over the medium term. This will help the sector provide reliable and affordable energy, as well as increased access to water and establishment of irrigation projects across the county.

All the other sectors will continue to receive adequate resources in line with our county's commitment to balanced sector development so as to enhance the quality of life for the residents of the county while complying with national and global standards of in budgetary levels.

### **4.2.2 Savings and Value for Money**

County human resources restructuring will receive greater attention in terms of their number as well as their capacity. Going forward, implementation pace in the spending units will be monitored closely especially with regard to the development expenditures and uptake of grant resources. These will inform appropriate measures to be taken in the context of the next budget process and savings for reallocation

Adjustments to the budgets will take into account actual performance of expenditure and absorption capacity. Because of the resource constraints faced, the county government will rationalize expenditures by scaling down on those that are non-priority.

#### 4.2.3 Role of Public Private Partnerships (PPPs)

The CIDP targets 50% of its financial requirements by 2017 to be met under the Public Private Partnership (PPP) strategy including corporate sponsorships in form of Corporate Social Responsibilities (CSR) and scholarships will also be encouraged and sustained. The role of the county government in this regard will be to provide the required infrastructure and services which includes; roads, energy, legislations and water amongst others. The CFSP therefore recognizes the importance of these infrastructural developments in its budgetary process.

#### 4.2.4 Baseline Budget Ceilings

**Table 5: Revenue Ceilings for FY 2014/2015**

| <b>Details</b>                    | <b>RECURRENT ESTIMATES FY 2013-2014</b> | <b>DEVELOPMENT ESTIMATES FY2013-2014</b> | <b>TOTAL FY 2013-2014</b> | <b>RECURRENT ESTIMATES CEILING FY 2013-2014</b> | <b>DEVELOPMENT ESTIMATES CEILING FY2014-2015</b> | <b>TOTAL EXP.CEILING FOR FY2014-2015</b> |
|-----------------------------------|---|--|---------------------------|---|--|--|
| Office of the Governor            | 117,235,496                             | 111,535,586                              | 228,771,082               | 121,249,449                                     | 142,308,813                                      | 263,558,262                              |
| Office of the Deputy Governor     | 30,876,612                              | -  | 30,876,612                | 32,731,735                                      | 0  | 32,731,735                               |
| Administration                    | 111,726,871                             | -  | 111,726,871               | 122,649,055                                     | 0  | 122,649,055                              |
| County Assembly                   | 308,736,215                             | 20,000,000                               | 328,736,215               | 266,673,372                                     | 26,226,173                                       | 292,899,545                              |
| Finance and Economic Planning     | 114,030,304                             | 38,000,000                               | 152,030,304               | 119,438,786                                     | 48,666,724                                       | 168,105,510                              |
| Roads, Public Works and Transport | 36,909,918                              | 232,200,000                              | 269,109,918               | 38,858,818                                      | 295,755,325                                      | 334,614,143                              |

| <b>Details</b>  | <b>RECURRENT ESTIMATES FY 2013-2014</b> | <b>DEVELOPMENT ESTIMATES FY2013-2014</b> | <b>TOTAL FY 2013-2014</b> | <b>RECURRENT ESTIMATES CEILING FY 2013-2014</b> | <b>DEVELOPMENT ESTIMATES CEILING FY2014-2015</b> | <b>TOTAL EXP.CEILING FOR FY2014-2015</b> |
|---|---|--|---------------------------|---|--|--|
| Education, Youth Affairs,Culture, Children and Social services        | 121,182,027                             | 77,000,000                               | 198,182,027               | 125,297,440                                     | 98,343,735                                       | 223,641,175                              |
| Health Services   | 649,720,008                             | 133,000,000                              | 782,720,008               | 667,423,360                                     | 170,950,302                                      | 838,373,662                              |
| Land, Housing and Physical Planning                                   | 33,582,200                              | 9,000,000                                | 42,582,200                | 35,445,549                                      | 11,542,511                                       | 46,988,060                               |
| Trade Tourism Wildlife,Industrialization and Co-operative Development | 30,857,612                              | 34,500,000                               | 65,357,612                | 32,650,916                                      | 44,005,420                                       | 76,656,336                               |
| Water, Irrigation and Environment                                     | 36,132,061                              | 80,000,000                               | 116,132,061               | 38,060,963                                      | 108,954,379                                      | 147,015,342                              |
| Ministry Of Agriculture, Livestock and Fisheries Development          | 151,890,518                             | 50,000,000                               | 201,890,518               | 156,795,401                                     | 74,039,718                                       | 230,835,119                              |
| County Public Service Board-CPSB                                      | 56,561,000                              | -  | 56,561,000                | 58127448  | 0  | 58,127,448                               |
| ICT and Public Service  | 18,994,127                              | -  | 18,994,127                | 20,520,166                                      | 11,695,143                                       | 32,215,309                               |
| <b>TOTAL</b>  | <b>1,818,434,969</b>                    | <b>785,235,586</b>                       | <b>2,603,670,555</b>      | <b>1,836,489,131</b>                            | <b>1,033,025,136</b>                             | <b>2,869,514,267</b>                     |

#### 4.2.5 Explanations of Basis for Budget Ceilings

Fiscal policy will continue to support economic activity within a context of sustainable public financing. The county government will reorient its expenditure towards priority programs in health, agriculture, education and infrastructure under the medium term expenditure framework. It's against this premise that the county's budget ceilings were reviewed upwards in light of improved revenue collections mainly due to strict enforcement of the finance Act 2013, upward adjustment of the CRA allocation to counties and widening of the revenue base. It should be

noted that fiscal prudence and efficiency will significantly improve the budget ceilings on the subsequent financial years.

#### **4.2.6 Review towards Final Budget Estimates**

Over the medium term, a minimum of 30% of the county budget shall be allocated to development expenditure. In its bid to meet its strategic priorities and policy goals the county has planned to allocate approximately 36% of its total revenue to development which is also in line with the PFM Act.

### **4.3 Departmental Priorities and Budget Estimates**

#### **4.3.1 Importance and Challenges of Each Sector**

##### **a) Agriculture**

##### **Importance**

The county's economy and livelihoods is driven by agriculture which include crop, livestock production and fisheries which is depended on by over 76% of county's rural population. Agriculture also provides food and income to urban population through trade and if the full potential is harnessed well then the sector will turn around the socio-economic development of the county.

##### **Challenges**

Agricultural productivity is constrained by a number of factors such as high cost of inputs, poor livestock husbandry, overdependence on rain-fed agriculture, lack of markets and limited application of agricultural technology and innovation.

##### **b) Education**

##### **Importance**

Education equips citizens with understanding and knowledge that enables them to make informed choices about their lives and those facing the society, the sector will provide the skills required to steer the county to the economic and social goals of vision 2030.

##### **Challenges**

- The quality of education and skills acquired by the youth is not in tandem with the vocational industrial requirements.
- Poor infrastructure in most primary and secondary schools compounded with lack of electricity
- Existing youth polytechnics are not fully utilized. Early Childhood Education (ECE) is also poorly established in the county and requires urgent attention, especially in infrastructure and teachers.

### **c) Health and Sanitation**

#### **Importance**

Good health plays critical role in boosting economic growth, poverty reduction and the realization of social goals however majority of the county's still do not access to affordable health care. Several Human Health Indicators (HHI) fall below WHO and other International standards. Sanitation standards fall below acceptable international standards at 15%.

#### **Challenges**

The health sector is faced with serious challenges of HIV/AIDS, lack of drugs and limited numbers of staff, lack of electricity affect storage of vaccines and poor infrastructural facilities.

### **d) Tourism, Trade and Wildlife**

#### **Importance**

The nation aims to be among the top ten long haul tourist destinations globally, with this objective set the county will benefit immensely since it boosts of scenic escarpments, game reserve and an ideal climate for sports and cultural tourism. The trade sub sector will link production and consumption both of which are expected to expand substantially as the economy heads towards 10 percent growth envisioned in the vision 2030

#### **Challenges**

A big majority of county residents have limited capacity to engage in trade and commerce besides being less industrious in exploiting the tourism potential. Furthermore, the sector is hampered by the poor road network, the poorly established SMEs parks and poorly organized business groups in the county.

### **e) Social Protection, Culture and Recreation**

#### **Importance**

This sector covers a large proportion of population which consists mainly of youth and women affairs. Despite playing a critical role in the county's socio-economic development, youths and women have been disadvantaged in accessing labour markets and productive resources.

#### **Challenges**

The county faces serious socio-cultural challenges associated with drunkardness, illiteracy and discriminative cultural practices, limited access to capital, education, training and healthcare.

### **f) Physical Planning, Urbanization and Housing**

#### **Importance**

This sector determines the quality of human settlements and related developments in the county due to their inputs on spatial planning of natural resources and zoning of the county for specific activities like economic development, settlements and natural economic resources.

#### **Challenges**

The urban and rural areas in the county are facing problems related to poor infrastructure, poverty, environmental degradation and declining urban areas. All these have a direct implication on the wellbeing of the society and the physical and economic planners of today are duty-bound together with other stakeholders to provide solutions to tackle these issues.

### **g) Energy, Infrastructure and ICT Sector**

#### **Importance**

This sector is composed of several sub-sectors roads, energy, minerals and development of ICT infrastructure in the county. This sector is expected to transform the socio-economic development of the county through increased transportation of residents and goods to output markets, improving the livelihoods and security. In addition, increased electricity coverage and installation of ICT infrastructure is expected to create a favourable and conducive business environment.

#### **Challenges**

Currently the sector is poorly developed with very low tarmac road coverage (9.6%) and electricity coverage which range from 10% in Marakwet to as high as 92% in some Wards in Keiyo South. ICT infrastructure is poorly developed with no single cable linking the county including the county headquarters at Iten.

## **h) Environment, Water and Natural Resources Sector**

### **Importance**

This sector is the main support of several sectors, namely, agriculture, health and sanitation apart from producing major sources of energy (firewood and charcoal) and all other materials required in industry. The county has large forest cover of approximately 32% which is above the required national requirement of 10%. The forest ecosystem has more than 16 rivers supplying water to various parts of the county.

### **Challenges**

The current forest resources are facing danger of extinction due to excessive deforestation and encroachment from settlements especially in Embobut forests, there is a lot of pollution taking place especially in the rivers and other riparian reserves and the Escarpments have also been over-cultivated and have become serious sites of disaster through frequent landslides that have killed residents and rendered others homeless.

## **Governance, Justice, Law and Order and Public Administration Sector**

### **Importance**

This sector covers the governance, the County Assembly, Security and Justice, Devolution and Planning and Political leadership in the county. This sector is important because it influence the overall service delivery and inclusion of county residents in decision making.

### **Challenges**

Key challenges affecting this sector include lack of infrastructural support to accommodate the governance structures, however the county strives to align its public service towards responsive service delivery.

## **4.4 Sector Priorities**

Development initiatives that will be implemented in the coming Fiscal Years are contained in the County Integrated Development Plan (CIDP) whose development proposals were identified by stakeholders through a consultative process. All the sectors in the county had priority development proposals identified. These proposals will drive budget process for the county in the respective sectors. These sector priorities include;

- Agriculture: cash crops development, productivity and technology adoption, Kerio Valley irrigated farming strategy, fruits and vegetables enhancement, fish farming promotion

and support, livestock production enhancement initiatives, value addition and marketing, and value chain linkages

- Education: ECDE strategy, schools infrastructural enhancement, vocational and tertiary training strategy and quality enhancement in educational institutions
- Health and Sanitation: improvement and upgrading of health facilities, service delivery enhancement, community health strategy, efficient drugs and commodities management strategy and cemetery and mortuaries
- Infrastructure, Energy and ICT, roads and Airstrips construction and improvement, public works quality assurance, street lighting, energy generation (hydro, solar, wind, biogas), electricity reticulation, management Information Systems (MIS) and ICT in public institutions and communities
- Environment, Water and Natural Resources: improvement of water supply infrastructure, water management systems and waste disposal systems. Others are environmental conservation strategies and other natural resources management and harnessing systems
- Tourism, Trade and Wildlife: Kerio Valley (Rimoi) Game Reserve, Niche tourism, Sports tourism, Tourism quality and management strategies, Tourism marketing strategies, Trade promotion and marketing strategies
- Sports, Youth, Social Protection and Culture: Sports Stadia development, sports activities enhancements, talents development and mentorship programs, women, special needs groups and youth empowerment, and culture promotion and development
- Physical Planning, Urbanization and Housing: County spatial planning, urban areas land use Plans, land demarcation, adjudication and registration, urban and rural housing development
- Governance and Public Administration: County legislations, capacity building for development, public service performance management, county governance infrastructure and security and peace building

#### **4.5 Collaboration with National Government**

Close collaboration between our county and the national government in terms of implementing the national development agenda and critical policy directives will be encouraged to ensure that devolution achieves the objectives of better service delivery and rapid local economic development as well as jobs creation in line with our Vision 2030. It is therefore imperative to develop strategic networking and collaborations based on the needs and policy direction of the county as per the CIDP especially on the following areas;

#### **4.5.1 Security and Peace Building**

The county has witnessed several insecurity incidences in the past. Cattle rustling, illicit brews, proliferation of illegal fire arms, land disputes, general theft and burglary need sustainable solutions less they threaten development initiatives proposed to be undertaken by the county under its CIDP, therefore both levels of government must initiate several initiatives and targets that will increase security and enhance peace building. These include;

- Setting up of a County Policing Authority
- Designing collaborative networks with the national security agents to fight insecurity
- Through the County Policing Authority, identify security needy areas and resource mobilization strategies
- Liaise with the national government on mopping of illegal fire arms through voluntary disarmament programme
- Put in place mechanisms that ensures security officers' offices and residential house units
- Establish and support Peace Secretariats to manage and sustain peace building dialogues and activities to be initiated within the Plan period

#### **4.5.2 Environmental conservation**

Environmental conservation and sustainable access to water is essential for sustained agricultural transformation. Priority will be given to sustainable exploitation, utilization, management and conservation of the environment and protection of Cherangani water catchment area through strict enforcement of EMCA 2006 and county legislations.

#### **4.5.3 Enforcement of Laws**

Collaboration between the two levels in enforcement of both national and county legislations and other regulations is critical for improved service delivery and socio-economic growth, the national government plays a very vital role in enforcement since it is in charge of security agencies like the police and the provincial administration.

#### **4.5.4 Disaster Mitigation and Management**

Drought, landslides, floods and lightening are some climatic and man-made disasters that have been witnessed in some parts of the county in the recent past. The unpredictability of the weather patterns have made it difficult to contain the impacts of these disasters especially at the Kerio Valley and parts of the Escarpment which have already been made vulnerable by unplanned human settlements and environmentally destructive human economic activities.

Both levels of government should initiate the following mechanisms to mitigate and manage disasters;

- Discouraging human settlements and resettling households living in disaster prone areas; this is carried out mainly by the national government thru the ministry of interior.
- Mainstreaming of Disaster Risk Reduction (DRR) Strategies in development planning and implementations
- Establishment of a County Disaster Management Committee to coordinate prevention, mitigation and management of disasters. The committee should be a point of liaison with the national disaster operation Centre

#### **4.5.5 Infrastructure Improvement**

The medium term investment in roads network in the county will be aligned to support agricultural transformation by linking farmers with markets and facilitating access to key tourist attractions. Both levels of government have a role in the county road network system thus collaboration should be strengthened to ensure improved road network thus accelerating economic growth. Also CRC work plans must be aligned to the CIDP as per the local prioritization by the sub-counties.

Access to adequate, affordable and reliable energy supply is necessary to reduce cost of doing business, spur growth of enterprises and industries and accelerate the realization of the planned economic transformation agenda at both levels. The national government will undertake reforms in the energy sector to ensure efficiency in the transmission and distribution of power. Collaboration should be strengthened in increasing rural access to electricity especially to schools, health facilities, public utilities and households through match up program by REA.

#### 4.5.6 Agricultural Transformation and Food Security

Prioritizing investments in agriculture is central to Kenya's economic transformation for a shared prosperity. Expanded agricultural output will increase food supply, reduce food related prices and bring down the cost of living, create employment and promote overall rural development and improve welfare of county residents. Therefore, collaboration is necessary especially in

- a) **Provision of farm inputs:** the national government is still in charge of fertilizer imports, production of quality seeds and purchase of produce through NCPB while the county government oversees agricultural extension services so close collaboration is imperative to ensure timely provision of fertilizers, provision of financial support, dissemination of good practices and access to markets and value addition.
- b) **Research and extension:** collaboration between the county government and research institutions like KARI, KEPHIS and universities especially in research and extension services, soil management, high yielding seeds, application of appropriate technology and mechanization to achieve highest level of production.

#### 4.5.7 Governance

To achieve all round socio-economic development in the county, there is need by both levels to collaborate and work together in governance issues especially in coordination of departments of both national and county governments; this would eliminate duplication of programs and projects and ensure significant impact of prioritized projects if resources are pooled together in implementation of high priority needs like access roads, school infrastructure, health facilities and other public utilities. This can be achieved through formation of an all-inclusive County Consultative Development Forum (CCDF) decentralized to the lowest levels bringing together all stakeholders in development.

## **CHAPTER FIVE**

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### **5 CONCLUSION**

The County Fiscal Strategy Paper (CFSP) presented herein seek to achieve the objectives outlined in the PFM Act and lay ground for the next Financial Year's budgeting process informed by the county's strategic priorities and policy goals for the next fiscal year. These strategic priorities and policy goals have been devived from the county's CIDP which was prepared in a participative and all-inclusive process. In addition to the budget process informed by CFSP, expenditure discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds especially on capacity building on different sectors of the county will be crucial in ensuring that the county gets to deliver on its functions.

## ANNEXES

### COUNTY BUDGET CALENDAR

| ACTIVITY  | RESPONSIBILITY  | TIMELINE                   |
|---|---|----------------------------|
| Preparation of the County Budget Review and Outlook Paper (CBROP) | County Treasury   | July - September           |
| Under take departmental expenditure review                        | MDAs  | 30 <sup>th</sup> September |
| Submission of the County Budget Review and Outlook Paper (CBROP)  | CEC, Finance and Economic Planning                      | 30 <sup>th</sup> September |
| County Budget Circular  | CEC, Finance and Economic Planning                      | 30 <sup>th</sup> August    |
| Convene Sector working groups (SWG)                               | County Treasury   | 1 <sup>st</sup> October    |
| Preparation of Annual Development Plans (Work-Plans)              | Sector Working Groups                                   | July - September           |
| Submission of Development Plan to County Assembly                 | CEC, Finance and Economic Planning                      | 1 <sup>st</sup> September  |
| Inputs from Departments and Agencies                              | Sector Working Groups                                   | 30 <sup>th</sup> October   |
| Stakeholder Consultations   | Sector Working Groups                                   | January - February         |
| County Fiscal Strategy Paper (CFSP)                               | County Treasury   | 28 <sup>th</sup> February  |
| Sector Hearings   | Sector Working Groups                                   | 15 <sup>th</sup> March     |
| Budget Preparation and Finalization                               | County Treasury   | March - April              |
| CRA Revenue Allocation Advisories                                 | CRA   | 15 <sup>th</sup> March     |
| Budget Approval by County Executive                               | County Executive Committee & County Economic and Budget | 30 <sup>th</sup> March     |
| Publicization of budget estimates                                 | Treasury  | 15 <sup>th</sup> April     |
| Submission of Budget Estimates to County Assembly                 | CEC, Finance and Economic Planning                      | 30 <sup>th</sup> April     |
| Consolidation of the Final Budget Estimates                       | County Treasury   | 30 <sup>th</sup> June      |
| Budget Approval   | County Assembly   | 30 <sup>th</sup> June      |
| Appropriation and Finance Bill Approval                           | County Assembly   | 30 <sup>th</sup> June      |
| Budget Execution  | Departments & Agencies                                  | July - June                |