

REPUBLIC OF KENYA



LAMU COUNTY

2016/17 COUNTY FISCAL STRATEGY PAPER

VISION

**“A PROSPEROUS COUNTY OFFERING HIGH QUALITY OF LIFE FOR ITS
PEOPLE”**

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Legal Basis for the Publication of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is published in accordance with Section 117 of the Public Finance Management Act, 2012. The law states that:

- 1) The County Treasury shall prepare and submit to 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 28th 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 their budget both 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.
- 5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of -
 - (a) the commission of revenue allocation;
 - (b) the public;
 - (c) the interested persons or groups;
 - (d) Any other forum that is established by legislation.
- 6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County Assembly, the county assembly shall consider and may adopt it with or without amendments.
- 7) The County Treasury shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned.
- 8) The County Treasury shall publish and publicise the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

Fiscal Responsibility Principles for the National and County Governments

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

- 1) Over the medium term, a minimum of 30 percent of the national and county budgets shall be allocated to development expenditure
- 2) The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.
- 3) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly.
- 4) Over the medium term, the national and County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the County Assemblies for the County Governments.
- 6) Fiscal risks shall be managed prudently; and
- 7) 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.

Table of Contents

Legal Basis for the Publication of the County Fiscal Strategy Paper	3
Fiscal Responsibility Principles for the National and County Governments	4
Foreword:	6
Acknowledgment	7
CHAPTER ONE: THE OVERVIEW	8
OVERVIEW	8
CHAPTER 2: RECENT ECONOMIC & FISCAL DEVELOPMENTS	15
County economic performance and prospects	17
Challenges	18
3. CHAPTER THREE: FISCAL AND BUDGET FRAMEWORK	19
3.1. Overview	19
Fiscal structural reforms	21
2015/2016 BUDGET IMPLEMENTATION	23
FY 2015/16 Revised Estimates	24
CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK	27
Resource Envelope	27
Ministerial Priorities and Budget Estimates	28
Table 2: ANALYSIS OF DEVELOPMENT AND RECURRENT EXPENDITURE AS AT 31 ST DECEMBER 2015	34
Table 3: 2015/2016 HALF YEAR REVENUE PERFORMANCE	35
Table 4: proposed Sector Ceiling MTEF period 2016/2017 – 2018/2019	37

Foreword:

The 2016 County Fiscal Strategy Paper (CFPS), sets our policy priorities for implementation over a three year period. The policy mix comprised of a transformative five pillar strategy aimed at transforming our county as follows:

- i. Creating conducive business environment in order to encourage innovation, investment, growth and expansion of economic and employment opportunities
- ii. Investing in agriculture and food security in order to expand food supply and reduce food prices.
- iii. Investment in key infrastructure areas, including roads, energy and water to reduce cost of doing business and improve competitiveness
- iv. Investing in quality and accessible healthcare services and education as well as social safety net to reduce the burden on the households and complement and sustain our long term growth and development through enhanced productivity.
- v. Further entrenching the further entrenching devolution for better service delivery and enhanced rural economic development.

We have made progress in most sectors so far but our economy is being held back by emerging challenges particularly insecurity and its impact on our budget implementation. We shall continue to cooperate with the national government to deal with the security threat.

Beside insecurity, there are other challenges that continue to hold our economy back from achieving its full potential. We shall build on the achievements made so far in most sectors of our economy and through the policies set out in this CFSP; we will scale up our efforts in order to address the existing as well as emerging challenges.

In this 2016 CFSP, therefore, we review the progress we have made in the five pillar thematic economic transformative strategies spelt out in the 2015 CFSP. In addition, we re-emphasize the economic transformative policy adopted in 2014 as a basis to decisively deal with the concerns on: the high cost of living, joblessness, protecting the poor and vulnerable and minimizing unnecessary public expenditures across the County Government. Through this policy paper we shall lay a firm foundation for accelerated growth and shared prosperity in which we will enjoy peace and access to gainful social and economic opportunities. As a result, we shall sustain and accelerate a strong broad-based economic growth in order to catapult our economy development.

ATWAA SALIM

COUNTY EXECUTIVE COMMITTEE MEMBER

FINANCE, STRATEGY AND ECONOMIC PLANNING

Acknowledgment

This is the third County Fiscal Strategy Paper (CFSP) to be prepared for tabling in the County Assembly under the Public Finance Management Act (PFMA) 2012. It outlines the broad strategic issues and fiscal framework together with summary of government revenues and spending, as a basis for 2016/17 budget and in the medium term. It is expected that this document will create and improve the understanding of the public finances. It is also expected it will inform and guide the public debate on the county development matters.

The preparation of the 2016 CFSP has been collaborative. The information and data used to produce the report was obtained from the ministries and other government entities. We are very grateful for the support received by the Treasury in producing this Paper. We are particularly grateful for the views received from stakeholders during the public participation forum held on all wards in the county during the month of January 2016. We would like to register sincere gratitude to the Governor and the Deputy Governor for the direction and guidance they gave us in the process of putting together this strategy. Special thanks go to the Executive Committee Members, Chief Officers, Directors, sub county administrators, ward administrators and other members of staff who participated. Special recognitions go to **Atwaa Salim** CECM Finance, Strategy and Economic Planning for overall guidance of the entire CFSP preparation process. Also special recognition Goes to Ahmed Albeit CECM ICT and public participation and entire staff from his department

A core team chaired by Treasury spent a significant amount of time putting this strategy together. We wish to express special thanks to the following members of the task force who worked tirelessly to prepare this document under my chairmanship and guidance: **Andrew Waweru, Mariam Bunu, Nana Abdulrahman and Nelly Muriuki**. Since it would not be possible to list

everybody individually in this page, I would like to take this opportunity to thank the entire staff of the Treasury for their dedication, sacrifice and commitment to public service.

ATHMAN AHMED

CHIEF OFFICER

FINANCE, STRATEGY AND ECONOMIC PLANNING

CHAPTER ONE: THE OVERVIEW.

OVERVIEW

1. The CFSP has been prepared to provide information and to explain to the public county priorities for 2016/17 and the medium-term and how the priorities are to be funded. The paper provides details of major public investments the county proposes to undertake to realize the objectives of CIDP and Kenya Vision 2030. These investments will be funded through equitable share from the national Government.
2. The third County Fiscal Strategy Paper (CFSP) continues to implement programmes set out in our Development Plans. It has outlined the broad strategic developmental issues and the fiscal framework, as well as a summary of county government spending plans that forms the basis of 2016/17 FY budget and over the medium-term. This policy paper is informed by the Lamu County Integrated Development Plan (CIDP), the annual development plan, the Kenya Vision 2030, the governor's manifesto, feedback from members of the public and National Government policies as outlined in the 2016 Budget Policy Statement (BPS).
3. The key policy for the county in implementing the 2016/17 budget will focus on investing in sectors that will lead to further economic investments in the County, improve local revenue and employment creation. The county will therefore focus on strategic physical infrastructure to facilitate the productive sectors and facilitate the private sector to expand and promote productivity.
4. Priority areas will include investment in agriculture, roads and water infrastructure, transport, trade, investment, tourism, youth and sports as well as social-economic sectors such as health, and education. This will be implemented within the available resource envelope.

5. The county Government has continued to make significant strides towards various challenges that are faced by the people of Lamu County by allocating more resources to significant sectors of economy like agriculture and fisheries development, roads and water infrastructure, transport, trade, investment, tourism, youth and sports as well as social-economic sectors such as health, and education.
6. Despite the progress made thus far, challenges remain. The challenge of high cost of living driven by high food and energy prices continues to be of concern to the Government. Food insecurity, declining agricultural productivity, insecurity, poor infrastructure development 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, if not addressed early enough, will also be a drag on our development effort in the medium term.
7. The need to address these challenges and build on our successes forms the basis of the Lamu county Government's Development Strategy of achieving economic transformation for a shared prosperity. This Strategy covers five broad pillars, namely:
 - ✚ Pillar I: Investing in agricultural transformation and food security, including opening up of new land under irrigation in order to expand food supply, reduce food prices so as to bring down the cost of living, support expansion of agro-processing industries and spur export growth and support other sectors such as manufacturing and tourism;
 - ✚ Pillar II: Investing in quality and accessible healthcare services and quality education as well as social safety net to reduce burden on the households and complement and sustain our long term growth and development; and
 - ✚ Pillar III: scaling up investments in key infrastructure such transport water supplies to reduce cost of doing business and make our products cheaper and competitive in the domestic, national and international markets.
 - ✚ Pillar IV: Creating conducive business environment by maintaining macroeconomic stability, deepening structural and governance reforms to reduce the cost of doing business and improving security in order to encourage innovation, investment, growth and expansion of economic and employment opportunities;

- ✚ Pillar V: Further entrenching devolution through strengthening sub counties for better service delivery and enhanced rural economic development.

8. The implementation of programs under the five pillars, as expounded in 2016 CFSP, is expected to raise economic efficiency, productivity and in turn, make Lamu County competitive, thus creating vast opportunities and securing livelihoods. The progress made under each pillar of the strategic plan follows in the past is as highlighted below;

Pillar 1: Investing in agricultural transformation and food security:

- 9. To improve the lives of its residents, the county shall provide economic development services that shall increase economic activities as well as attract investments and provide employment. Key areas of intervention shall include promotion of agribusiness, agriculture, trade, tourism, microenterprises and cooperative development.
- 10. The County Government increased investment towards expansion of irrigation infrastructure in various schemes throughout the county to facilitate smart agriculture, improve crop yields and sustain rural livelihoods. In the FY 2015/16 the county Government set aside Kshs 11 Millions to expand irrigation infrastructure in the county. Other measures the county has employed is through construction of grain storage facilities, mechanization of agriculture , provision of free seedlings to maize farmers and provision of subsidized fertilizers among other measures

Culture and heritage remains the cornerstone of our tourism strategy. Therefore, the strategy to transform tourism as a key driver of employment, will focus on preservation and protection of our culture, encourage growth of youth talents in sports and arts and nurture them as catalyst for growth and development. The county of Lamu held a successful Lamu culture festival in the month of November which attracted local and international visitors

The county has also embarked on an elaborate planning and surveying of land in order to empower the people by giving them title deeds. Towards this effort a total of over 4,000 titles have been processed and process is still ongoing. The county Government has also distributed over 100 fishing machines and other fishing accessories including GPRS to fishermen. Beside this the County Government is developing ice plant at Kizingitini with

the aim of helping the fishermen's with the cold storage facilities. The county Government is also revitalizing the cooperative societies in the county in order to make them strong.

Pillar II: Social Development:-

11. The County shall also focus on improving the quality of life for its residents as well as ensure the rights of the vulnerable members of the community are protected. These shall include providing essential services in ECD, polytechnic training, health, culture, and sports.
12. The County Government remains committed to addressing unemployment, especially among the youth, women and persons with disability so as to secure sharing in prosperity. Therefore, the County Government will build on on-going youth and women support programs to tap the creativity and knowledge of the young people so as to encourage entrepreneurship and innovation. Priority will also be given to skills development and accesses to credit to enable these groups are dynamic drivers of growth and employment creation. The requirement for at least 30 percent of all public procurement to be reserved for the youth, women and persons with disability is entrenched in law and currently being enforced by the county government. In addition, Ksh 8 million was set aside for the youth, women and persons with disability as grants in the FY 2015/16. The policy of how these funds are to be administered is being developed the county department of Education, Youth, Gender, Sports and Social Services.
13. In line with the Kenya Health Policy (2014-2030) and the Kenya Health Sector Strategic and Investment Plan (2014-2018), Lamu County government is leading the way to making universal health coverage a reality. Through rapid health infrastructure expansion, acquisition of specialized equipment and capacity building, we continue to register impressive gains in this sector. The County Government strategy on health care reforms aims to build a lasting healthy Kenya with higher productivity for sustained economic transformation and long term development. This strategy builds on notable progress achieved thus far, especially in controlling communicable diseases and attaining marked decrease in child mortality. To date, the County Government has been running free maternity program in health facilities and free primary health care in health facilities. The county Government of Lamu has continued to invest many resources to this sector to

rehabilitate and equip the health centers with the necessary drugs and equipments. Also recruiting of Doctors and nurses has been done in order to reduce the Doctors/nurses to patient ratio which has been high in the county.

14. Tremendous progress has been achieved, over the recent past, on ECD access, largely due to increased enrolment. Construction of 63 ECD classrooms is in the process and recruitment of 90 teachers is also underway. In its effort to impact youth with skills Ksh 12million have been set aside in revamping our youth polytechnic. The county has also set a bursary kitty of Kshs 50 Millions to help needy secondary and college students. To date 4,099 students have benefited from the bursary scheme with total of 386 male and 364 females benefiting at tertiary colleges bursaries and 1,88 males and 1,468 females benefiting at secondary level .
15. The County has continued to face both internal and external challenges as it implements its set policies and programmes. As a way forward the County government has come up with some measures to address these challenges, strengthen resistance to shock and nurture growth that opens economic opportunities and provides a better future for all the residents of Lamu. The County government, therefore, is focusing on programs to improve public finance management and governance; entrepreneurship development, promoting/facilitating trade and employment creation; improving agricultural performance; County infrastructure development; and improving social services especially education and ICT.

Pillar III: Infrastructure Development

16. The County lacks basic infrastructure for its residents and for delivery of services. As a matter of priority, the County shall focus on providing basic infrastructure to facilitate delivery of other services. These shall include roads, water, and other related public works.
17. Much progress has been achieved in the implementation of road rehabilitation and construction program. To date, the County Government installed street lights in major towns in the county like Amu and Mpeketoni town centres amongst others while street lights in other towns like Faza, Shella and Kizingitini are scheduled to commence soon. Other major achievements are cabro also in Amu town and Mpeketoni towns. Going forward, the county Government will continue to invest in expansion of road network to open up rural areas,

ease movements of goods and passengers and encourage growth of commerce throughout the county.

18. Safe drinking water and sanitation also complement efforts towards improved primary health care and productive of labor force. For this reason, Government has embarked on various water projects like rehabilitation of Djambias, vumbe water project which was commissioned in January, Mangani water projects, Baragoni among others with a view arresting the perennial water problems in the county. In addition the County Government has supported the water company with ksh 3 million in the current financial year. The county Government has invested significantly to enhance access to sustainable water supplies.

Pillar V: Entrenching devolution:

19. The county government of Lamu has continued to empower the local people by involving them and seeking their inputs in preparation of any county policy documents before their implementation. The county is also strengthening the devolved units by constructing the sub county and ward offices, equipping them and provision of the necessary personels. This is aimed at entrenching the devolution to the lowest level. These units are expected to play a critical level in planning, implementation and monitoring of county projects and programme in future. The County has also established two information centres in Mpeketoni and Faza where residents can get all the county information on the projects, programmes and policies that the county government is developing and implementing.

Outline of the 2016 County Fiscal Strategy Paper

20. Global and National economic outlook - Section II of this C-FSP outlines the economic context in which the 2016/17 MTEF budget is prepared. It provides an overview of the recent economic developments and Macroeconomic outlook covering the global and domestic scene. 28. Fiscal framework and structural measures for the following financial year and the Medium - term - Section III outlines the fiscal framework that is supportive of growth over the medium-term, while continuing to provide adequate resources to facilitate

social services, the policy priorities of the Government while at the same time ensuring that the public debt is sustainable.

21. Medium - T e r m E x p e n d i t u r e F r a m e w o r k – Section I V & V p r e s e n t s t h e r e s o u r c e envelope, criteria for resource allocation, and details of sector priorities and ceilings for the proposed 2016/17 MTEF budget and the medium term. Department priorities are also reviewed, along with their indicative costing for the 2016/17 MTEF period. Overall, Roads &Transport, Water, Public Health, Medical Services & Sanitation departments account for the highest allocation, followed by Public Service, Special Programs & Decentralized Units and Agriculture, Livestock & Livestock Development departments.
22. Summary - This fiscal strategy paper outlines the broad strategic macroeconomic objectives and fiscal framework, together with a summary of county government spending plans, as a basis of 2016/17 budget and medium-term. In this regard, it contributes to the improved understanding of the state of Lamu Government’s public finances, thereby helping to guide public debate on economic and development matters. Of course, Vision 2030 Medium Term Plan and CIDP provide the longer-term perspective on the county’s growth and development challenges.
23. Section VI shows the Annexes.

CHAPTER 2: RECENT ECONOMIC & FISCAL DEVELOPMENTS

RECENT ECONOMIC DEVELOPMENTS

Overview of Recent Economic Developments

24. Kenya's economic growth has been robust supported by significant infrastructure investments, construction, mining, and lower energy prices and improvement in agriculture following improved weather. The economy grew by 5.3 percent in 2014 and is projected at 5.6 percent in 2015, 6.0 percent in 2016 and 6.5 percent in the medium term.
25. Macroeconomic stability has been preserved with inflation remaining on average within target. Overall month on month inflation was at 8.0 percent in December 2015 from 6.0 percent in December 2014. This was attributed to the increase in prices of several food items which outweighed the decreases as well as increase in the Alcoholic Beverages, Tobacco & Narcotics index.
26. The Kenya Shilling exchange rate has stabilised following increased foreign exchange inflows in the money market. The current level of foreign exchange reserves, backstopped by the precautionary program with the IMF, continues to provide an adequate cushion against exogenous shocks. Furthermore, the current account deficit narrowed, mainly due to a lower oil import bill, and a slowdown in consumer imports.
27. Short term interest rates have declined following improved monetary conditions that led to increased liquidity in the money market. The interbank rate was at 6.2 percent as of 21st January 2016 while the 91 day Treasury bill rate was 11.4 percent as of 22nd January 2016.

Growth Update

28. The economy grew by 5.3 percent in 2014 (Chart 2.1) supported by strong performance in most sectors of the economy which offset the contraction in the tourism sector. Kenya's

economic growth remained resilient in 2015. The first three quarters of 2015 recorded an average of 5.5 percent growth compared to 5.3 percent growth in a similar period in 2014.

29. In Quarter three of 2015, the economy grew by 5.8 percent, an improvement from a growth of 5.0 percent and 5.6 percent in quarter one and two of 2015 respectively. The growth in the third quarter was supported by improved performance in agriculture, forestry and fishing (7.1 percent), construction (14.1 percent), wholesale and retail trade (6.5 percent), transport and storage (8.7 percent) and electricity and water supply (11.0 percent). The accommodation and restaurant sector improved during the third quarter of 2015 with a contraction of 2.3 percent from a contraction of 16.0 percent during the same period 2014. This improvement is as a result of the withdrawal of the travel advisories by some key tourist source countries.
30. On average, the annual inflation rate was 6.5 percent in December 2015 compared to 6.9 percent in December 2014 and was therefore, within the current allowable margin of 2.5 percent on either side of the target of 5.0 percent.
31. The specific policies that the national government plans to implement to promote a vibrant economy include ensuring stable inflation, interest rates and exchange rates. Inflation is targeted to decline from the current projected average rate of 6 percent to 5 percent and to stabilize at that rate in the medium term. On the fiscal side the policy is to ensure sustainability of public debt through sustained fiscal consolidation.
32. At the sector level, agriculture reforms, irrigation and value addition in agriculture are seen as the drivers of growth. Investments in infrastructure which have contributed to economic progress in the last few years are to be continued. The major areas in this process are roads, energy, ports and the construction of the standard gauge railway. Other initiatives are reforms to improve investment climate, including security; and, increased investments in education, health and social protection. The national government plans to enhance the growth of exports by expanding regional markets and through establishment of special economic zones and commodity exchanges.

Likely impact on economic performance of the county

33. Growth of the national economy is **inextricably** linked to those of the counties. An expanding national economy will lead to higher revenues and ultimately higher allocations to the

country governments to finance development and provision of social services. Higher growth also raises household incomes thus generally raising demand for goods and services.

34. More importantly good macroeconomic policies are vital for improving the livelihood of all Kenyans, especially the poor. Low inflation and interest rates are key to higher overall economic growth and improved social welfare, while stable exchange rates will promote exports. It is therefore in the interest of counties that macroeconomic stability at the national level is maintained. The declining performance in tourism has affected the county resulting with low tourism arrivals with average bed occupancy below 50% and even closure of some hotels. This has resulted to increased rate of unemployment and decline county revenue performance.
35. Increased investment the national government is undertaking in infrastructure development in the areas of electrification, construction of roads and standard gauge railway will have a great implication on the Lamu County. The proposed tarmacking of Mokowe –Garsen road is expected to have a multiplier effect by making the cost of making business in lamu cheaper as a result of cheaper and faster transport. This coupled the electrification that is being undertaken in the county is expected to give a short in the county economy. The completion of the standard gauge railway which is expected in July 2017 will also make cost of doing business even cheaper.
36. Construction of LAPSSET is expected to create a number of jobs for the county Youth directly and indirectly. Beside more service industry will be expected to be set to offer support to this big project. All these will give provide more jobs for the county youths besides being source of revenue to the county.

County economic performance and prospects

Overview of county economy

37. The economy of the county is dominated by fisheries agriculture, livestock and tourism and most households earn their livelihood from these sectors. The services sector such as trade is small. The coming up of LAPSSET and Fertilizer plants will have a major economic impact in the county. This will create job opportunities for the youths in the county besides being source of the county revenue.

38. The county tourism sector has not yet recovered from the negative travel advisories as a result of the terror threats being experienced in the county. This is expected to continue unless concerted efforts are undertaken between the National and county Government to help restore the county security situation. However the county department of tourism is putting all efforts to revive the sector by holding various cultural festivals like Lamu Culture week order to attract both domestic and international tourism. The tarmaking of the Garsen –Mokowe and the ongoing rehabilitation/upgrading of the Manda Airport are key to improving of county tourism
39. Review of the global and national economic performance indicates good prospects for growth which bodes well for the county as demand for its products is likely to rise. However, the county can only benefit from these prospects if its products are competitive.
40. The ongoing massive infrastructure developments that are either ongoing or lined by the county government in construction of ECDEs classes, paved walkways, opening of feeder roads amongst other projects are aimed at improving the living standard of the people of Lamu and also improve the business environment besides creating number of jobs to county residents.

Challenges

41. The county lacks proper data on macro and micro economic activities in the county. Thus the county does not have a credible data collection mechanism and analysis for determining the impacts of the various interventions that the county government has continued to invest in. The Kenya National Bureau of Statistics with the help of the National and county government are in the process of developing the first county statistical abstract for Lamu county. This is expected to go a long way in helping in getting reliable data for the county.
42. Lack of monitoring and evaluation of county projects. Monitoring and Evaluation of county projects is done in a disjointed manner. In view of the above, the county Department of finance will develop a policy to guide the process of monitoring and evaluation in the county.

3. CHAPTER THREE: FISCAL AND BUDGET FRAMEWORK

3.1. Overview

43. Since the Constitution requires the County Government to progressively provide for a minimum basic standard of economic and social rights to its citizens within available resources. In order for spending to increase on a sustainable basis to meet these basic needs, we should be prepared to match the increased expenditure demands with a corresponding increase in revenue yield through efficient collection and widening of revenue bases. The Fiscal Policy underpinning the FY 2016/17 Budget and MTEF aims at local revenues of more than 3% of total expenditure over the medium term and containing growth of total recurrent expenditure.
44. Review of salaries and benefits for the public sector workers will continue to be guided by Salaries and Remunerations Commission (SRC) in accordance with Article 230 of the Constitution. The PFMA regulations stipulate that personnel cost should not be more than 35% of the total expenditure.
45. With the passing of Public Finance Management Regulations by parliament this year, borrowing guidelines will be adhered to as set out in those guidelines when need arises. Nevertheless, as a prudent fiscal policy 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. The County Government also takes into account the fiscal risks

arising from liquidity risk arising from failure to actualize local revenue targets and potential changes to national transfers and allocations.

Continuing with Prudent fiscal policy

46. The County will continue to pursue prudent fiscal policy to assure economic stability. The County Government's fiscal policy objectives will provide an avenue to support economic activity within a context of sustainable public financing. The County Government has oriented expenditure towards priority programmes in Health, Agriculture, Infrastructure, Environment and Youth sectors under the MTEF.

Observing Fiscal Responsibility Principles

47. The County Government recognizes that the fiscal stance it takes today will have implications into the future. As a County Government we shall ensure adherence to the ratio of development to recurrent of at least 30:70 over the medium term, as set out in the law. The PFM regulations cap the wage levels at 35% of the expenditure .Expenditure management on items such as office goods and their pricing that should as much as possible reflect actual market prices. Timelines on paying goods will be minimized to enable county government get competitive prices in the market. County borrowing will also be guided by the said PFM regulations and the County Assembly resolutions.

Fiscal Strategy Paper's obligation to observe Fiscal Responsibility Principles

48. In line with Public Finance Management (PFM) Act, 2012, and in keeping with the prudence and transparent management of public resources, the Government has adhered to the fiscal responsibility principles as set out in the statutes as follows:

Balanced Budgets are mandatory: The County Government's expenditure have not exceeded its total revenue.

49. Over the medium term, a minimum of 30% of the County Budget shall be allocated to development expenditure. The County Government's development budget allocation over the medium term is above 30 percent, the minimum set out in law. In FY 2015/16 supplementary the County Government allocated 43.1 % to development. Similarly, delays in disbursement by National government snow balled to delays in procurement by County departments, hence low uptake of development funds.

50. Limit county wage bill to thirty five percent of the government's total revenue: The County expenditure on wages and benefits for its public officers in 2015/16 was 30.3 % which was below 35% of the County Government's total as prescribed in the regulations.
51. 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. It is a prudent fiscal policy for a government to procure external financing only for development projects. Although the County Government envisages maintaining a balanced budget, it will seek to adhere to borrowing guidelines as will be set out in the PFM regulations , if need arises.
- a) *Public debt and obligations shall be maintained at a sustainable level as approved by National Assembly (NA) and County Assembly (CA).* The County Government borrowing level is set in the Medium Term Debt Strategy approved by the County Assembly. The sustainability of debt is guided by PFM Act section 107 (2) (e) and section 107 (4). As per section 107 (2) (e) the county debt shall be maintained at sustainable level as approved by county assembly. Section 107 (4) further states that every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by resolution of the county assembly. Over the medium term the Lamu County Government will continue to maintain a balanced budget where total revenue equal total expenditure. Nevertheless, if need arises, the County will adhere to laid out laws by the County Assembly, using guidelines passed by the Parliament.
 - b) *Fiscal risks shall be managed prudently.* The County Government also takes into account the fiscal risks arising from contingent liabilities, liquidity risk arising from failure to actualize local revenue targets. The County government continues to put measures in place to enhance revenue collection, majorly through widening of revenue base.
 - c) *Predictable taxes:* A reasonable degree of predictability to the level of tax rates and tax bases is maintained and there are no major changes in our finance acts over the years. The same stability is expected in the future.

Fiscal structural reforms

52. The County Government will continue pursuing its policy objectives within the financial context established by fiscal responsibility principles. The progress made in the context of strategic priorities will continue to be regularly reviewed to establish the parameters for the budget, with a continued focus on the level of expenditure on County development. The

2016/17 budget will operate under tight fiscal conditions, with any new policies needing to be offset by savings in other areas. The fiscal policy will be geared towards:

- 1) Enhancing revenue administration and efficiency in collection, by formulating revenue administration regulations and reviewing tax legislations in order to simplify and modernize them. This is expected to increase revenue collection in the medium term.
- 2) Reforming the budget process in the County to guarantee fundamental, long term objective of efficiency and effectiveness in public spending. In this regard, the County Government will continue to entrench Programme/Performance Based Budgeting (PBB) in its budget process. The desired goal is to have a PBB system which is fully operational by the financial year 2016/2017.
- 3) The development of performance management framework as per section 47 of County Government act 2012 to enhance accountability while ensuring that county government attain it overall objectives.
- 4) Expenditure efficiency and effective implementation of budget programs through enforcement of cost benchmarks for all projects and consumables. There will further be enforcement of a project implementation performance benchmark of at least 90 percent; expenditure tracking and value for money audits to ensure efficiency and effectiveness in use of resources in the County Government and engagement on public private partnership will be strengthened.

53. The revenue front, the County Treasury is expected to institute corrective measures to reverse the loss of revenue from local sources. Options could include enhanced compliance audit of outstanding property tax payments, leaking revenue sources, and continued implementation of collection of other sources of taxes such as liquor licenses, Cess, and advertisement charges.

54. The county treasury has already started the process of automation of county revenue and already six companies have been outsourced to undertake automation of various revenue streams in the county with a view of streamlining the revenue collections in the county.

55. The county has also absolved revenue clerks on permanent basis and this is also expected to increase accountability on the side of the officers involved

56. On property rate, the county has already advertised for a consultant to undertake the process of updating the county valuation roll. Once the process is completed the county is expected to increase more revenue to fund the county projects.

57. On the expenditure front, the County Government will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with full adoption of IFMIS and a Human Resource Management system. The County Government will continue its prudent approach to budgeting through expenditure rationalization and optimal resource allocation as a measure of realizing quicker socio-economic growth.
58. It is therefore imperative to reform and modernize the revenue bases to ensure stability of revenue, while at the same time continuing to restructure expenditure systems to ensure efficiency and create fiscal space required to fund the county needs.

Deficit Financing Policy

59. The fiscal stance envisages maintaining a balanced budget. If necessary, borrowing will be undertaken in a cautious manner and limited to bankable projects in future.

Budget Framework

60. The 2016/17 budget framework is set against the background of Annual Development Plan (ADP) and the MTEF set out above. The BPS projects improved performance across all sectors of the economy.

2015/2016 BUDGET IMPLEMENTATION

61. The FY 2015/16 budget has progressed well despite earlier challenges resulting from delayed disbursement of the County's equitable share of revenue raised nationally together with capacity issues from both ends of the supply chain following implementation of the e-procurement to militate against smooth flow of funds and execution of planned activities for the better part of the first quarter of FY 2015/16. Budget implementation is back on track after appropriate and well-timed mitigating measures including deferring the use of e-procurement up to March 2016.
62. On the own-revenue front, collection has lagged behind set targets in the first half of FY 2015/16. By the end of first half of FY 2015/16 the county had only managed to collect kshs 21,046,238 which is approximately 20 % of the total expected revenue. In addressing the expected disruption of smooth flow of funds for general operations and development particularly towards the end of the fourth quarter of FY 2015/16, the County is finalizing the automation of revenue collection, enhancing supervision, compliance and enforcement.

63. Budget implementation progress in FY 2015/16 as at December, 2015, shows that total expenditure amounted to Ksh. 524.34 Million representing an absorption rate of 23 percent. The shortfall was largely a result of underperformance in development expenditures which stood at Ksh.206 million which was an absorption rate of 12.16%. Most of the Expenditure in the development are for the 2014/15 projects which we re-voted back in the 2015/2016 supplementary budget. The County executive had the Highest absorption rate of development at 46.2% while the lowest was Agriculture and irrigation with 1.36%. However, it is expected that the absorption rate of development will increase as most of the projects have been tendered and awarded and others are in the process of being awarded.
64. On recurrent, expenditure stood at Ksh.498.34 million which translates to an absorption rate 30.01%. Department of Fisheries, livestock and cooperative development had the highest absorption rate at 39 percent whereas the Department of Trade, tourism has the lowest absorption rate at 13.4 percent.

FY 2015/16 Revised Estimates

65. The Supplementary budget FY 2015/16 has been prepared in line with Article 223 of the Constitution of Kenya, 2010 and Section 135 of the Public Finance Management (PFM) Act, 2012. The purpose of the revision was to re-vote for the 2014/2015 development programmes allocation and address unforeseen and unavoidable expenditure requirements without disrupting implementation of ongoing programmes.
66. Local revenue sources were also increased from kshs 50 Million in the original budget to Kshs 107 Million in the supplementary Budget. Also included are donations of Kshs 25 Millions for promoting various cultural and tourism activities in the county.
67. The county government also expects to receive the full allocation of the equitable share and other conditional grants in the financial year.
68. The development expenditure estimates have been increased from 36 percent in the original estimates to 43 percent in the Supplementary budget. This allocation is not only higher than the stipulated 30 percent but is in line with the policy aims of shifting more resources from recurrent to development outlays.

69. The 2015 County Budget Review and Outlook Paper (CBROP) noted that lower absorptive capacity particularly, for development funds arose from delays in sourcing contractors or service providers for projects. In every financial year, departments prepare new lists of development projects for approval by the County Assembly. The procurement process initiated thereafter delays implementation of these projects much as project plans suggest completion period to be ninety (90) days. This in turn affects payments for projects within the financial year and results to re-voting. As such, in the financial years 2013/14 and 2014/15, complete payments for a good number of projects were made during the first half of the subsequent financial year. That is, complete payments for projects started in FY 2013/14 were made in the first half of FY 2014/15 and that complete payments for projects started in FY 2014/15 are being made in FY 2015/16
70. To address this concern, and in line with the Medium Term Expenditure Framework (MTEF), allocation of funds to development projects has been spread to outer years. MTEF afford departments the opportunity to allocate funds to projects consistent with fiscal objectives and strategic priorities while increasing the degree of predictability on the availability of funds in subsequent financial years. This approach has unlocked funds for allocation to projects which were not re-voted to FY 2015/16 budget but were in the budget for previous financial years; undergoing due process for procurement; ongoing; or estimated to cost more than initial budgetary allocation. Further, funds were allocated to emerging priorities to ensure implementation of government priority projects left out due to limited funds when finalizing the FY 2016/17 budget.

Revenue projections for 2016/2017

71. The allocations from the National Government to the County Government are projected to be on the increase. Local revenue projections have been revised downwards against the shortfall realized in collections in the FY 2014/2015. In this light, revenues from local sources are projected to hit Ksh 70 million in the FY 2015/2016, from an achievement of Ksh 62.7 million in the FY 2014/2015. In the FY 2016/2017, local revenues are pegged at Ksh 120 million and addition expected donations of Kshs 15 Million to support county cultural activities. The total proposed allocation for FY 2016/17 in the BPS to the county government amounts to Kshs 2,395,512,219 made up of equitable share and conditional allocations. The

county is also earmarked to get kshs 95,744,681 for leasing of medical equipments. As such, total revenues including Local revenue, CRA allocations are expected to be Kshs 2,519,229,978

Expenditure Forecasts

72. In 2016/17, overall expenditures are projected to increase from the FY 2015/16 budget owing to inflation and additional allocation funding.

73. Recurrent expenditures are expected to be 67.6% of total expenditure in the FY 2016/17, on account of growth in nominal total expenditure. The 2016/17 Budget will operate under tight fiscal conditions, with any new policies needed will be offset by savings in other areas.

74. The wage bill is expected to stabilize at 39.6 % of total expenditure in the FY2016/17 which is way above the recommended 35%.The increase is basically due to the increased recruitment that is being done to fill the vacant important positions in the county and implementation of the second phase of house and hardship allowance.

- Transfers to County assembly will be based of ceiling set in the PFM regulations 2015.
- Expenditure ceilings on goods and services for departments are based on funding allocation in the FY 2015/16 budget as the starting point. The ceilings are then reduced to take into account one-off expenditures in FY 2015/16 and then an adjustment factor is applied to take into account the general increase in prices.
- The ceiling for development expenditures will decrease in the FY 2016/17 from Ksh 1.3 billion in 2015/16 to Kshs 815.5 Million. Most of the outlays are expected to support critical infrastructure in roads, water, education and health. The 2015/16 budget was high because of re-budgeting of the 2014/2015 projects that had not started or were ongoing and not paid by the closure of financial year. It expected that in this financial year department will be able to utilize their development budgets by the closure of the FY.
- An emergency provision of Ksh 10 million will be provided in the budget for 2016/17.

Recurrent expenditure forecasts

75. The 2016/17 budget projects total recurrent expenditure will be Ksh 1,704,993,992

Compared to last year Ksh 1,749,337,893 a marginal decline of Kshs 44,343,901

Development expenditure forecasts

76. The level of development cost in 2016/17 is anticipated to be ksh 815,518,227 compared to ksh 1.7 billion in 2015/16. In terms of percentage of the total expenditure its 32.4 % which is in line with fiscal responsibility principle. The Decline can be attributed to the fact that bursary fund has been declassified from development to recurrent expenditure amongst other reasons

Summary

77. Fiscal policy outlined in this Fiscal strategy paper aims at improving revenue efforts as well as containing total expenditures. This will be achieved through administrative and legislative reforms aimed at enhancing resource mobilization, improving efficiency in county government expenditure and reducing wastage. The fiscal space created will avail resources to scale up investments in human capital, including health and education, and physical infrastructure, while at the same time providing sufficient resources to sustain the progress made.

CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK

Resource Envelope

78. The resource envelope available for allocation among the county's departments is based on the County Government's final resource projections contained in the medium term fiscal framework as outlined in the Fiscal Policy and Budget Framework section of this paper.

Table 1: Revenue Estimates for the period 2016/2017 – 2018/2019 with Indicative Projections

Item	2015/2016 REVENUE		ESTIMATES 2016/17	projections 2017/2018	projections 2018/2019
	ORIGINAL	SUPPLEMENTARY			
National Government Transfer	2,051,883,746	2,051,883,746	2,214,008,743	2,324,709,180	2,440,944,639
Local sources	50,000,000	107,000,000	120,000,000	126,000,000	132,300,000
Donations to support cultural activities		25,000,000	15,000,000	15,750,000	16,537,500
Special purpose grant supporting emergency medical services			100,000,000	0	0
Conditional Grant	59,967,344	59,967,344	70,221,235 ¹	73,732,297	77,418,912
Balance B/F	300,000,000	828,600,660	0	0	0
Grand Total	2,461,851,090	3,072,451,750	2,519,229,978	2,645,191,477	2,667,201,051

Ministerial Priorities and Budget Estimates

79. From the presentations of the stakeholders in the ward level the county, the county priority areas where county should put more emphasis includes the following:

- 1) Creating conducive business environment (governance , trade)
- 2) Investing in Agriculture transformation and food security.(Agriculture)
- 3) Investing in quality and accessible health care and education.
- 4) Scaling up investment in infrastructure development (transport, water)
- 5) Maximizing the use of county natural resources (land, environment and culture)

80. Allocation of budgetary resources to county departments is based on their priorities which have been identified in the County Integrated Development Plan. The Plan was produced after intensive stakeholder consultations and therefore reflects the expectations of the people of the county with regard to county development and service delivery. However, departments have had to prioritize the citizens' priorities according to available financial resources. This is important to point out so as to sensitize the public and public servants of the budget constraints and the need for prudent management of public resources.

Priorities of Ministries and Department

¹ This amount includes kshs 34,018,227 as Road Maintenance Levy Fund, kshs 2,481,810 compensation for user fee foregone, World Bank grant Kshs 18,348,378 and Kshs 15,372,820 as free maternal health care.

81. Summaries of the priorities of each department are outlined in this part. Where necessary resource requirements and budget allocations are provided to illustrate the budget constraints the county government faces and the need for prudence in the utilization of resources.

Office of the Governor (Administration)

82. The Office of the Governor provides overall coordination of departments in the County for the effective and efficient implementation of government programs. It provides shared support services to other departments and coordinates development and implementation of policies and programmes, including Kenya Vision 2030 and Sustainable Development Goals.

83. One of the challenges the office faces is lack of office space for accommodating the executive, Sub County and Ward Administrators. To address the above challenge the county has for the three years continued to allocate more funds for setting up structures in the office of Governor to accommodate all the staff in county Headquarters, Sub County and ward level in order to improve service delivery to the people of Lamu. The Department will also aim at development of first aid centres and rescue centre in four wards that is Basuba, Hindi, Witu and Bahari for effective coordination of Disaster response. Other programmed project includes construction of two Sub-counties and three ward offices, fencing of command centre construction of Construction of Enforcement and Training Centers.

Tourism

84. This is one of the key sectors of the Lamu economy. This is one of the sectors that has been severely affected by insecurity and the imposed curfew. This has resulted to low tourism arrivals leading to closure of many hotels and thus job loss to many Lamu people. The sector employs many people directly and indirectly. The county Government in the FY 2016/2017 will allocate resources to promote Lamu as a tourist destination. The county will also work closely with the National Government in order to restore security which is a critical requirement of tourism sector. The sector challenges mainly remains the insecurity issues and lack of staffs in the department. Key achievements includes participating in four local and one international travel fairs and exhibitions, development of website face book and twitter account for tourism promotions, renovations of tourism information officer and establishment of tourist police office and collection of data for tourism directory among others.

Trade

85. The Subsector has prioritized completion of the ongoing projects like construction of Mpeketoni market, majembeni and Hindi Markets and opening of small markets within the county. The department will also continue with its programme of giving loans to Small and Medium Enterprise in order for them to access cheaper loans for their businesses.

HEALTH SECTOR

86. Health is a key driver of development in any country and it is normally said that health is wealth. The citizens need to be healthy in order to engage in development activities.

87. There are many challenges in the health sector in Lamu County, including inadequate human resource; inadequate infrastructure; inefficient referral mechanism; shortage of commodities; and inadequate health care financing. These challenges will be addressed over time due to the large amounts of resources required.

88. The top priority in the sector will be the completion of key projects currently under development to its operational stage. New primary health facilities and additional service delivery units within hospitals require equipping, furnishing and staffing. The automation of hospital services is envisaged to be rolled out to health centres as second phase of the project after the hospitals. This project is expected to improve on efficiency in service delivery system. The County Government fully bears the cost of the referral services for Lamu people. Poor roads, long distances involved and the age of the ambulance vehicles necessitate serious investment to efficiently sustain the services.

89. Majority of the rural primary health facilities are structurally poor. Some of the facilities requires overhaul renovations while others call for construction of a complete new facility. The department priority is to also invest more on the preventive and promotive health by investing more in the Community Health services. Empowering the community health workers and the general community will lead to better health performance including maternal and child health indicators.

90. Waste management services are still under developed an increase focus in both solid and liquid waste management and disposal including medical waste is a must for the County.

LANDS

91. Land in the county is a very thorny issue. Most of the households do not have ownerships of the parcels of the lands they own. This leads to land grabbing and can be source of conflicts. In addition most households are denied chance of using those parcels of lands to get loans for developments. The county department is expected allocated substantial amount of resources for the above process.

WATER

92. Water continues to be scarce commodity in Lamu despite its importance in human life water shortage is very much prevalent especially in Lamu East. The department of water has planned several projects will therefore be expected to prioritize on the projects that have quick wins and also to give priority to the existing projects before embarking on new projects.

PUBLIC WORKS

93. The department prioritized pavement of walkway and drainage at various county towns.

Agriculture Livestock and Fisheries Development and cooperative development:

94. Agriculture is a source of livelihood to people in the county. The county government will focus on this sector to improve the quality of life and reduce poverty in the county. This will lead to job creation and thus address the problem of equity and poverty reduction. The projects and programmes under this sector will be implemented by the county department of agriculture, livestock development and fisheries. Some of the projects and programmes to be implemented are purchase of farm tractors, supply of certified maize seeds and fertilizers; construction of livestock sale yards; pasture and fodder production, rehabilitation of range lands and provision of high quality breeding stock, promotion of Poultry keeping, construction and completion of milk cooling and collecting centres, rehabilitation of community cattle dips, construction of vaccination crushes, provision of vaccines and Acaricides. Fisheries sub sector plays a crucial role in the county economy.

EDUCATION DEPARTMENT.

95. The department is charged with the responsibility of supervising the provision of Early Childhood Education, vocational training, youth development, and promotion of sports and children services. It is well established that investment in ECDE and vocational training is a cost effective strategy to promote long term growth and reduction of inequalities in the county. Similarly, the youth which form about 28 percent of the county population is an asset

that should be natured for the benefit of the county. It is well established that investment in ECDE and vocational training is a cost effective strategy to promote long term growth and reduction of inequalities in the county. On its own, sports industry should be considered as an important source of employment and creation of wealth as it provides wide range of opportunities for investment and income generation

96. The challenges facing the department as it discharges its mandate include: insufficient policy guidelines and standards, and quality assurance for delivery of education programmes; inadequate recreational and educational facilities. Sporting talent in the county has not been fully exploited due to poor and unregulated management, inadequate training Programmes and few sporting facilities. It is also important to note that the tertiary education sector is grossly underdeveloped in the county this therefore calls for concerted efforts from all the stakeholders in the sector including the county government. Priority activities targeted to address these problems relate largely to improving ECDE and vocational training. Priority for the 2016/2017 financial year is to Recruitment of vocational training and home craft instructors will also be given priority. The department as a priority will develop policies related to all its functions. This aspect will be undertaken in collaboration with the National Government and all the stakeholders. It will also prioritise support to Orphans and Vulnerable Children and establishment of children homes in the sub counties. Several key investments related to the sector will be made by the county. Bursary kitty will be enhancing to the tune of 50 Millions from the current 20 millions to benefit more students. The county will also continue with the school improvement programme. Improvements of county sports facilities prioritized and also development of county leagues to tap on the various sports talents in the county

Risks to the Outlook

97. The risks to the economic outlook for 2016/17 and the medium-term include continued uneven and sluggish growth in advanced economies that will impact negatively on our exports and tourism activities.
98. Public expenditure pressures, especially recurrent expenditures, pose a fiscal risk to the National and County Governments. Wage pressures and the inefficiencies in devolved services may limit continued funding for development expenditure.

99. The impact of insecurity on tourism, trade amongst other sectors and depressed rainfalls which could affect exports and agricultural production respectively remains a risk to the growth outlook.

SUMMARY

100. The budget ceilings have been set taking into account county priorities, but with binding constraints on the resource envelope the ministries will be forced to make tough decisions in allocating available resources across their programmes. The Treasury will work with the ministries to ensure resources are availed to them when required. As all programs and projects developed through the CIDP/ADP cannot be fully funded, ministries will develop viable public investments for additional funding under PPPs or with the support of the national government or development partners. These projects can only be incorporated in the budget once agreements have been formalized.

Table 2: ANALYSIS OF DEVELOPMENT AND RECCURENT EXPENDITURE AS AT 31ST DECEMBER 2015

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		% of Expenditure to Exchequer Issues		Absorption rate (%)		Overall absorption rate (%)
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	RECCURENT AND DEVELOPMENT
County Assembly Services	404.78	105.92	192.07	20.00	68.77	1.74	35.80	8.70	16.99	1.64	14
County Executive Service	376.58	195.08	150.78	49.00	105.44	90.12	69.93	183.92	28.00	46.20	34
Finance & Economic Planning	97.84	26.33	27.07	15.00	31.38	6.10	115.92	40.67	32.07	23.17	30
County Public Service Board	45.06	-	22.18	-	16.36	-	73.76	-	36.31	-	36
Agriculture and irrigation	67.73	54.56	27.11	24.20	20.43	0.74	75.36	3.06	30.16	1.36	17
Land,physical planning,infrastructure,water,urban development and natural resources	53.01	298.41	22.47	91.45	17.57	31.18	78.19	34.10	33.14	10.45	14
Education, Gender,sports Youth & Social services	54.48	234.40	22.11	49.60	17.54	27.22	79.33	54.88	32.20	11.61	15
Health & Sanitation	522.49	266.56	250.98	69.60	178.24	34.94	71.02	50.20	34.11	13.11	27
Trade,culture,tourism& investment development	35.67	47.23	8.95	17.50	4.78	2.72	53.41	15.54	13.40	5.76	9
Fisheries,Livestock,veterinary & co-operative development	68.67	78.78	33.73	26.90	27.45	10.02	81.38	37.25	39.97	12.72	25
ICT & E-Government and public participation	30.78	15.83	15.16	3.25	10.38	1.22	68.47	37.54	33.72	7.71	25
TOTAL	1,757.09	1,323.10	772.61	366.50	498.34	206.00	72.96	45.85	30.01	12.16	23

Source: County Treasury

Table 3:2015/2016 HALF YEAR REVENUE PERFORMANCE

SUMMARY OF LOCAL REVENUE ANALYSIS FOR 2015/16 BUDGET ESTIMATES										
		ESTIMATES	ACTUAL HALF LOCAL REVENUE RECEIPT							
	ITEM	2015/16	JUL-15	AUG-15	SEP-15	OCT-15	NOV-15	DEC-15	TOTAL HALF YEAR	% PERFORMA NCE
1	SINGLE BUSINESS PERMITS	20,000,000	656,900	482,400	210,800	357,400	437,400	66,400	2,211,300	11%
2	SINGLE BUSINESS FORMS	400,000	13,700	9,900	5,100	7,800	4,600	2,200	43,300	11%
3	SIGN BOARD	100,000			4,000		14,500		18,500	19%
4	BILL BOARD	2,000,000							0	0%
5	PROMOTION FEES	400,000	95,000	5,000	500			5,000	105,500	26%
6	PROPERTY RATES	51,000,000	147,759	521,280	82,842	60,935	495,995	503,221	1,812,032	4%
7	STAND PREMIUM	20,000							0	0%
8	CLEARANCE CERT.	200,000	40,000	25,000	15,000	15,000	10,000	10,000	115,000	58%
9	PLOT TRANSFER	20,000							0	0%
10	BLDNG APP.FEES	400,000	71,100	10,700	30,200	66,720	91,900	138,096	408,716	102%
11	PLAN APPR.FORMS	60,000	10,000	14,000	16,000	20,000	22,200	12,100	94,300	157%
12	PLAN RENEWAL	20,000	34,600			10,500	7,500	6,000	58,600	293%
13	SLAUGHTER HSE	60,000	49,780	100,900	35,400	42,280	75,800	22,300	326,460	544%
14	PIT LATRINE	20,000	1,200	1,200	800	800	1,150	400	5,550	28%
15	VEHICLE ENTRY	400,000	30,670		55,600	26,850		31,000	144,120	36%
16	PARKING FEES	400,000	13,300	45,300	26,900				85,500	21%
17	MIRAA CESS	2,400,000	60,575	107,210	56,160	102,520	70,200	68,660	465,325	19%
18	FISH CESS	2,000,000	121,110	46,550	33,050	101,150	148,257	90,250	540,367	27%
19	PRODUCE CESS	400,000	99,960	40,770	31,520	52,710	111,735	58,480	395,175	99%
20	FOREST CESS	360,000	39,160	74,410	49,350	68,010	62,600	54,570	348,100	97%
30	LOCAL QUARRY	1,000,000	22,675	41,965	18,269	126,574	36,567	62,095	308,145	31%
31	MEAT STALL	489,600	11,900	44,200	13,600	17,000	18,700	11,900	117,300	24%
32	FISH STALL	192,000	2,400	5,600	7,200	3,700	7,200		26,100	14%
33	FRUITS STALL	1,075,200	44,800	37,600	40,000	28,000	51,200	32,800	234,400	22%

34	TEA RM STALL	40,800	1,700	1,700	3,400	3,200	2,100	4,800	16,900	41%
35	UPPER STALL	720,000	15,600	24,000	17,000	48,800	28,000		133,400	19%
36	MITUMBA STALL	240,000	6,000	7,000			11,000		24,000	10%
37	OPEN AIR MKT	2,200,000	143,720	99,010	79,410	136,990	74,420	45,420	578,970	26%
38	CHQ. CLEARANCE	20,000		1,000					1,000	5%
39	TENDER DOCUMENTS	600,000							0	0%
40	STOCK REMOVAL	140,000	450		9,300				9,750	7%
41	STOCK AUCTION	100,000	900	13,900	20,500				35,300	35%
42	HOSP. MPKTONI	5,600,000	272,010	251,730				3,000	526,740	9%
43	KING FAHD HOSPITAL	5,000,000	900			50	10,200	12,100	23,250	0%
44	FAZA HOSP	4,000,000							0	0%
45	GEN. REPAIRS	60,000	9,000	18,000	10,500	3,450	8,000	7,000	55,950	93%
46	BID BOND	100,000				27,500			27,500	28%
47	SCRAPE METAL	10,000					243,910		243,910	2439%
48	DJABIA	20,000				582,360	1,340		583,700	2919%
49	STALL RENT	40,000				1,000	19,500	3,000	23,500	59%
50	EXCAVATION	40,000				42,000			42,000	105%
60	ADVRTISEMENT	60,000							0	0%
61	DVO	1,200,000	77,280	103,290	64,660		28,800		274,030	23%
62	P. HEALTH	600,000				43,650	12,675		56,325	9%
63	FISHERIES	600,000	43,800	92,250	32,900		22,250	109,250	300,450	50%
64	OTHERS-TOTAL	2,192,400	5,340,115	11,700	220,905	157,850	3,322,340	1,172,863	10,225,773	466%
	GRAND TOTAL	107,000,000	21,046,238						21,046,238.00	20%

Source: County Treasury

Table 4: proposed Sector Ceiling MTEF period 2016/2017 – 2018/2019

VOTE TITLE	Printed supplementary estimate 2015/2016			Proposed ceilings 2016/2017			Gross Estimates 2016/2017	Projected 2017/2018	Projected 2018/2019
	Compensation to Employees	Operations and Maintenance	Development	Compensation to Employees	Operations and Maintenance	Development			
County Assembly	167,563,587	237,221,076	105,919,284	140,000,000	36,346,098	75,000,000	251,346,098	263,913,403	277,109,073
County Executive	157,386,642	219,195,897	195,079,579	172,584,601	200,195,897	80,000,000	452,780,498	475,419,523	499,190,499
Finance, Strategy & Economic Planning	46,956,838	50,887,711	26,331,640	50,175,135	47,003,824	39,000,000	136,178,959	142,987,907	150,137,302
Agriculture & Irrigation	42,105,187	25,626,612	54,559,752	45,631,014	27,347,218	50,000,000	122,978,232	129,127,144	135,583,501
Land, Physical Planning, Infrastructure, water	29,111,654	23,898,850	298,408,825	36,081,304	24,064,000	170,018,227 ²	230,163,531	241,671,708	253,755,293
Education, Gender, Sports, Youth & Social services	38,488,550	15,996,058	234,404,278	44,384,254	95,080,000 ³	80,000,000	219,464,254	230,437,467	241,959,340
Health & Sanitation	368,025,210	146,684,898	266,555,565	395,495,531	164,391,362 ⁴	210,000,000 ⁵	769,886,893	808,381,238	848,800,300
Trade, Culture, Tourism & Investment Development	8,168,293	27,504,309	47,232,400	9,403,205	30,258,000	36,000,000	75,661,205	79,444,265	83,416,479
Information, Communication & Public Participation	6,520,611	24,267,529	15,838,834	13,844,387	29,141,550	15,500,000	58,485,937	61,410,234	64,480,746
Fisheries, Livestock, Veterinary & Cooperative Development	38,386,002	30,286,095	78,783,700	58,490,999	29,511,762	60,000,000	148,002,761	155,402,899	163,173,044
Public Service Board	29,064,773	15,991,510	0	31,184,609	23,097,000	0	54,281,609	56,995,689	59,845,474
TOTAL	931,777,347	817,560,545	1,323,113,857	997,275,039	706,436,711	815,518,227	2,519,229,977	2,645,191,476	2,777,451,050
	30.30%	26.60%	43.10%	39.60%	28.10%	32.40%	100%	100%	100%
	56.90%		43.10%	67.60%		32.40%	100%		

Source: County Treasury

² This figure includes kshs 34,018,227 Road Maintenance Levy Fund

³ This figure includes kshs 75,000,000 scholarship and bursaries

⁴ This amount includes, kshs 2,481,810 compensation for user fee foregone, World Bank grant Kshs 18,348,378 and Kshs 15,372,820 as free maternal health care.

⁵ This figure includes kshs 100,000,000 special purpose emergency grant for supporting emergency medical services

APPROVAL OF 2016 COUNTY FISCAL STRATEGY PAPER

Prepared and Approved by

**ATWAA SALIM
CEC FINANCE, STRATEGY AND ECONOMIC PLANNING
LAMU COUNTY GOVERNMENT**

DATE: -----

APPROVED BY

**HON. OMAR M.S, LALI, MCA (KIUNGA WARD)
CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE
LAMU COUNTY ASSEMBLY**

DATE: -----

**MOHAMMED HASHIM
SPEAKER
LAMU COUNTY ASSEMBLY**

DATE: -----