



COUNTY GOVERNMENT OF KISUMU

COUNTY FISCAL STRATEGY PAPER

(FY 2020/2021)

THEME: *Towards a Peaceful and Prosperous County*

KISUMU COUNTY FISCAL STRATEGY PAPER (FY 2020/2021)

Vision:

A peaceful and prosperous County where all citizens enjoy a high-quality life and a sense of belonging.

Mission:

To realize the full potential of devolution and meet the development aspirations of the people of Kisumu County

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ABBREVIATIONS

CADP	County Annual Development Plan
CAPR	County Annual Progress Report
CFSP	County Fiscal Strategy Paper
CHV	Community Health Volunteer
CIDP	County Annual Development Plan
CIMES	County Integrated Monitoring and Evaluation System
CO	Chief Officer
CRA	Commission on Revenue Allocation
DVPT	Development
EAC	East African Community
FY	Financial Year
GDP	Gross Domestic Product
GCP	Gross County Product
H.E	His Excellency
ICT	Information Communication Technology

IFMIS	Integrated Financial Management Information System
KEU	Kenya Economic Update
KISIP	Kisumu Informal Settlement Improvement Scheme
KM	Kilometer
KUP	Kisumu Urban Programme
KUSP	Kenya Urban Support Programme
MTP	Medium Term Plan
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NHIF	National Hospital Insurance Fund
NSE	Nairobi Stock Exchange
O&M	Operation and Maintenance
PE	Personnel Emoluments
PFM	Public Finance Management Act
POS	Point of Sale
PPP	Public Private Partnership

RRI	Rapid Result Initiative
SEZ	Special Economic Zone
SGR	Standard Guage Railway
SME	Small and Medium Size Enterprises
VTC	Vocational Training College

FOREWORD

The 2020 Kisumu County Fiscal Strategy Paper (CFSP) is the third in the County's plan period 2018-2022. This paper highlights the legal framework underlying the fiscal responsibility for the County Government while reviewing the recent economic development. It specifies the strategic priorities and policy goals that will guide the County government in preparing its budget for the Financial Year 2020/2021.

This CFSP builds on the gains made in key sectors at early stages of the second-generation County Integrated Development Plan (2018-2022). In this respect, the policy goals, priority programs and fiscal framework are aligned to support achievement of the objectives of CIDP II, Medium Term Plan III and ultimately the Vision 2030. The County government will certainly augment economic transformation by strengthening the government's service delivery and performance management system, supported by solid planning and budgeting. In terms of programmes, the focus will be on agricultural productivity and food security, institutional strengthening and capacity building, enhanced resilience, adaptive capacity and access to clean and safe household water, skills development, business incubation and innovation support services. In addition, priority will be given to development enablers such as business environment infrastructure.

We are very conscious of our limited fiscal space occasioned by revenue shortfalls. To reverse this outcome, the County Government of Kisumu will continue to enhance revenue collection by implementing the following initiatives: finalization of revenue management system by undertaking systems integration, acquisition of ICT infrastructure such as POS machines, recruitment and training of revenue personnel and implementation of valuation roll.

Finally, we are grateful to H.E the Governor for guidance and counsel in the development of this document. Much appreciation goes to my cabinet colleagues and all Chief Officers for their contributions. The invaluable effort and the significant amount of time spent by the CFSP secretariat led by the Chief Officer, Economic Planning is truly appreciated. Equally, we value the useful inputs we received from various stakeholders and the public when we undertook consultations through public participation between the dates 23rd and 31st January, 2020, in line with the requirements of the Public Finance Management Act, 2012 and the Constitution.

MR. GEORGE OKONGO

COUNTY EXECUTIVE COMMITTEE MEMBER

FINANCE AND ECONOMIC PLANNING

CHAPTER ONE

1.0 INTRODUCTION

The Constitution of Kenya 2010 created a two-tier government; a National Government, along with the County governments that are distinct and interdependent. The County governments are responsible for spearheading development and service delivery through a process that links planning and budgeting as stipulated in the County Government Act, 2012. The Public Finance Management Act, 2012 requires that the County Governments prepare and submit a County Fiscal Strategy Paper (CFSP) to the County assembly by the **28th February** of each year.

The County Fiscal Strategy Paper contains:

- i. Performance on the previous Financial Year (2018/19) and a description of budget implementation for the first half of the year, including revenue and expenditure performance.
- ii. A description of any changes to the budget during the year (Supplementary Budget) as per the CARA allocations.
- iii. An overview of the expected revenue and expenditure totals for the coming year based on an assessment of the economy and other factors which may affect the County.
- iv. Ceilings on the amount of money each sector will get and a narrative explanation.

1.1 LEGAL BASIS FOR THE PUBLICATION OF THE FISCAL STRATEGY PAPER

The Fiscal Strategy Paper is prepared in pursuant to Public Finance Management Act, 2012 Section 117 which stipulates 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 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 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.
- (5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of:
 - i. The Commission on Revenue Allocation
 - ii. The public
 - iii. Any interested persons or groups, and
 - iv. 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 publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly

1.2 FISCAL RESPONSIBILITY PRINCIPLES

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 law (Section 107) states that:

- (1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- (2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:
 - (a) The county government's recurrent expenditure shall not exceed the county government's total revenue.
 - (b) Over the medium term a minimum of thirty percent (**30%**) of the county government's budget shall be allocated to the development expenditure;

- (c) The county government's expenditure on wages and benefits for its public officers shall not exceed percentage of the county government's total revenue as prescribed by the county Executive member for finance in regulations and approved by the County Assembly;
 - (d) Over the medium term, the government's borrowings shall be used only the purpose of financing development expenditure and not for recurrent expenditure;
 - (e) The County debt shall be maintained at a sustainable level as approved by county assembly;
 - (f) The fiscal risks shall be managed prudently; and
 - (g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.
- (3) For the purposes of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.
- (4) 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 a resolution of the county assembly.
- (5) The regulations may add to the list of fiscal responsibility principles set out in subsection.

1.3 OVERVIEW OF THE COUNTY FISCAL STRATEGY PAPER

This is the second County Fiscal Strategy Paper prepared by Kisumu County to realize the implementation of the ten-point agenda as highlighted in the CIDP II (2018-2022).

The Fiscal Strategy Paper is the guide to the county budget process. It looks at how the past and the present setting of the budget process can inform the future. It specifies 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 (3-5 years). The paper looks at performance of the 2018/2019 budget and implementation of 2019/2020 up to 30th December, 2019 and makes projections indicating the overall revenue and expenditure expected for the 2020/2021 financial year.

In order to come up with sector allocations, the paper outlines county key sector priorities to help identify areas to fund and by what proportion of the total budget. It provides sector ceilings representing the budget limits, the amount of money the county plans to spend in meeting the identified priorities in the 2020/2021 financial year.

CHAPTER TWO

SECTOR REVIEW AND PRIORITIES

2.1 AGRICULTURE, IRRIGATION, LIVESTOCK AND FISHERIES

The department of Agriculture, Irrigation, Livestock and Fisheries is divided into five directorates namely: Agriculture, Irrigation, Livestock Production, Fisheries and Veterinary services headed by two Chief Officers Agriculture & Irrigation and Livestock Production & Fisheries

The major achievements during the period included; promotion of mechanization through investment by the County Government in procuring 4 new tractors to improve opening of more land for timely production, Improving Food Security through the provision of fertilizers; DAP and CAN and pesticide to farmers to improve production and control of army worms. The County was also able to invest in Dairy flagship project by bringing in improved breeds of livestock in a bid to increase the production levels in the livestock sector. There was also livestock disease surveillance and vaccination to control disease outbreak. The ongoing activities of ridding Lake Victoria of water hyacinth will make it more navigable and positively impact on fishing activities.

The department had a development allocation of **Kshs.247.36M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.88.13M** representing absorption rate of **35.6%**.

The key priorities for the sector will be:

- i. Strengthening and enhancing extension services, Agricultural technology development and mechanization, Modernization of Maseno Agricultural Training Centre (MATC) Management of Agriculture Advisory Services (extension services);
- ii. Development of crop production value chains,
- iii. Development of Livestock production value chains
- iv. Fisheries: Aquaculture and capture fisheries which involves development of fisheries infrastructure and aquaculture business development (Re-invigorating the fisheries value chains)

- v. Veterinary services: Promote disease surveillance and control, provision of veterinary inputs and setting of AI schemes Promotion of Agribusiness.

These strategies will ensure increased agricultural productivity for food security and market access.

In order to realize this, the County Government will allocate **Kshs.661M** to the sector in 2020/21 FY.

2.2 FINANCE AND ECONOMIC PLANNING

The department is mandated to receive, disburse and control funds as enshrined in the PFM Act. It is also tasked with the responsibility of ensuring prudent management of funds by adopting best practices and implementation of the county fiscal policy, providing leadership in economic policy formulation, coordination, implementation and tracking of results for sustainable development.

The major accomplishments for this department during the last financial year included the development of three planning documents namely CADP 2019/20 FY, CFSP 2019 FY, CAPR 2018 FY, development of CBROP (2019/2020), Budget Estimate (2019/2020), and Finance Bill (2019/2020).

Finance department had a development allocation of **Kshs.963. 68M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.831.55M** representing an absorption rate of **86.3%**.

Economic Planning department on the other hand had a development allocation of **Kshs.62.94M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.55.19M** representing an absorption rate of **87.7%**.

The department intends to focus on utilizing County financial resources and manage its assets more efficiently and effectively, enhancing revenue collection through implementation of the Valuation Roll, recruitment and training of revenue collection and enforcement personnel, enhance community participation in project management by developing Kisumu County Public Participation Policy for focal guidelines and in coordination with the County Assembly to produce a corresponding County legislation, capacity building on public participation, completion of Sub-County planning and documentation centers as well as conducting a

prerequisite survey of relevant stakeholders and a constantly updated database of citizens and all probable Public Participation participants and conduct a baseline survey to provide data (statistics) to be used in formulation of evidence-based policies.

The department will therefore be allocated **Kshs.504 M** in FY 2020/21.

2.3 BUSINESS, CO-OPERATIVES AND MARKETING

The Department focuses on promotion of vibrant business sector through capacity building, empowerment of traders and MSEs, promotion of sustainable cooperative sector, enhancement of 24-hour economy and industrial growth.

The main achievements of the department include: Completion of Korowe modern retail market, Construction of Pap Onditi modern retail market which is ongoing, Completion of Kombewa retail market and Awasi modern retail market. It also donated 12 dairy cows to Seke society in Kisumu North Ward, Kisumu West Sub-county, to boost milk production, provide raw materials for value addition processes by the cooperative society.

Going forward, the department has prioritized the following FY 2020/2021:

- i. Digitization of trade Licenses in the 7 Sub-Counties to enhance revenue collection.
- ii. Enhancing business skills of traders by organizing and inviting them to regional and international trade fairs and exhibitions.
- iii. Jacking up milk production and marketing in the County in conjunction with the Agriculture department by supporting the implantation of Kisumu County Dairy Enterprise Development (IDEAS) Project.
- iv. Weights and measures aspire to continuously improve on revenue collection and also protect consumers by procuring a specially made Van that will used as a mobile verification unit equipped with tools of verification.
- v. Offering ready-made support systems for new businesses by operationalizing business incubation and innovation.
- vi. Accelerating MSMEs through identification, training & linkage to investors & market using Business Plan competition approach.
- vii. Implementation of Kisumu county trade fund by giving loans to traders and business enthusiasts within the county.
- viii. Construction of fifteen public toilets in selected major markets to enhance sanitation and control epidemics such as cholera which transpire from poor sanitation.
- ix. Consultancy on Entrepreneur Empowerment in conjunction with renowned NGOs to empower traders.

The County Government therefore intends to allocate **Kshs.173M** to this sector in FY 2020/21.

2.4 PHYSICAL PLANNING, LANDS, HOUSING AND URBAN DEVELOPMENT

The mandate of this sector is to ensure rational spatial planning for sustainable land use and management that guarantees orderly development of adequate social amenities towards adequate and secure housing for socio-economic development. The department plans to develop policies, strategies, and programs on lands, housing physical planning and urban development, provide guidance for sustainable orderly development, setting County standards for sustainable land use and development.

The department has successfully concluded the preparation of Urban Physical Development Plans for Ahero and Maseno, development of County housing policy, coordinating KISIP projects in 3 informal settlements.

The department had a development allocation of **Kshs.121.90M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.53.81M** representing an absorption rate of **44.1%**.

Land banking is a key pillar in the Governor's manifesto. However; budgetary ceilings have choked this important delivery. The Department intends to acquire large parcels in various areas of the county for various economic establishments and housing. Most importantly the Department is tasked with delivering the 10,000 housing units outlined in the Governor's manifesto and the big 4 Agenda. The Department Plans to deliver at least 2,000 units annually through various financing partnerships and to jointly with the National Government process title deeds for all public lands.

The County Government will therefore allocate **Kshs.376M** to this sector in FY 2020/21.

2.5 WATER, CLIMATE CHANGE, ENVIRONMENT AND NATURAL RESOURCES

The key priority for this sector is enhancing access to safe and healthy environment with sustainable water supply and Climate Resilient systems through a multi-sectorial approach. The Department laid emphasis and its operations on strategic objectives as outlined in the CIDP II 2018-2022, the Departmental Strategic plan and the ADP 2018-2019

The key achievements of this sector include: increasing sewage coverage from 16% to 17% in 2018/2019, increasing the coverage of safe water from 58% to 60% through sinking of boreholes, pipeline extensions, Rehabilitation of Gazetted Rural water utilities infrastructure as well as springs protection.

The department ensured maintenance of clean environment through effective solid waste management, increase in number of procured garbage skips, carrying out cleaning activities, construction of a waste chamber, and repair and improve functionality of garbage trucks. The department and partners planted 140,000 trees in various landscapes. In pollution control and enforcement sector, the department carried out countywide education on noise pollution control. In the Natural resource management front, there was improved rehabilitation of two parks and open space within the City of Kisumu.

The department had a development allocation of **318. 60M.Out** of this allocation, the total development expenditure during the year under review was **128.06M** representing an absorption rate of **40.2%**.

Under solid waste management sub sector, the department will focus on purchase and distribution of litter bins /waste disposal bins at strategic locations within the County, provision of waste collection skips at various markets and towns in the county, landscaping and construction of a Go down and accessories for waste to energy /waste to wealthy facility, Phase 2 construction of waste transfer stations in 4 busy markets within the County(Nyakach, Seme, Kisumu and Ahero) markets to improve on sanitation , Purchase two 18,000 liters capacity Waste Compactor haulage truck, research and implementation of low cost innovation technologies on sewerage networks in 5 urban centers (Maseno, Kombewa, Muhoroni, Katito and Ahero)

Under Afforestation, landscape re-vegetation, conservation and beatification of public spaces sub-sector, the department intends to; Contract and produce assorted tree seedlings in tree nurseries, Establish new tree nurseries in sub-counties, plant rows of flowers and ornamental trees in selected road sides, protect river banks by planting vegetation, plant vegetation and rehabilitate gullies and river banks in various points in the county.

Under Noise and air pollution sub-sector, the department intends to; Carry out noise and air pollution control education and surveillance in all wards and Purchase and calibrate 4 noise meters and air pollution meters.

Under Enforcement Environment safeguard and governance Processes sub-sector, the department intends to; Sensitize stakeholders on safeguards and establish safeguard information system at county level, Strengthen ESIA activities within county projects and forest resources conservation, carry out environmental education for conservation and sustainable development, development of County Environment Action Plan (CEAP 2020-20250).

Under Mining resources management and efficient development sub-sector, the department intends to develop an inventory of minerals within Kisumu County.

Under Climate change sub-sector, the department intends to; Develop Kisumu County Climate Change Action Plan (2018-2022), initiate climate change education in school curriculum and clubs.

Under Water sub-sector, the department intends to; Rehabilitate and expand(Maseno-Kombewa, Kisumu Rural and Nyakach) water supplies which will provide clean and safe water for the citizens to prevent water-borne diseases such as cholera and bilharzia , focus on community mobilization in Koru-Soin Dam, purchase water bowsers, employ digital GIS mapping of rural water supply system to inform planning and development, consider pipeline extension in Urban, Peri Urban and Rural areas, protect and rehabilitate viable water springs, rehabilitate stalled boreholes and pipeline extensions, drill and equip new boreholes, promote of rain water harvesting systems at institutions, increase water storage capacity in rural areas through supply and installation of plastic storage tanks to institutions and CBOs through development and connections of 5No. of 600cubic meters water storage tanks in (Seme; Kiboswa; Muhoroni and Nyakach) , desilt existing water pans, formulate of WASH(Policies, regulations, strategies, standards guidelines), development of new surface water treatment and distributions works abstracting water from river Awach in Seme Sub-County with capacity of benefiting over 3000 people, development of new surface water treatment and distributions works abstracting water from river Nyando supplying residents of(Muhoroni, Awasi and parts of Nyando) with safe water for drinking and domestic use.

The county government allocation for this financial year was **Kshs.458M**

2.6 HEALTH AND SANITATION

The Department of Health and Sanitation works to transform the livelihood of the people of Kisumu County through responsive and sustainable technologically-driven evidence-based and client centered Health System for accelerated attainment of the highest standards of health.

The Key achievements to this department include:

- i. 2, 422,118 Outpatient consultations and treatments done
- ii. 110,616 inpatient attendance including 5,421 major and minor surgical operations
- iii. 58.8% of women attended at least four Antenatal Care Consultations
- iv. 73.6% of pregnant women delivered under skilled birth attendance and 80% of children under one year were fully immunized to prevent them from vaccine preventable diseases.
- v. Household and community interventions included 95% of households given Insecticide treated nets to prevent malaria.
- vi. Over 1 million condoms distributed to prevent sexually transmitted infections including HIV/AIDS.
- vii. 53.6% of women of reproductive age received suitable modern family planning methods of their choices during the period under review.
- viii. 970 villages certified open defecation free which represent 49% Of all county villages and 54.6% of the rural villages.

The department had a development allocation of **Kshs.401. 86M.Out** of this allocation, the total development expenditure during the year under review was **Kshs.115.24M** representing an absorption rate of **28.7%**.

The main focus of this department will be on expanding surgical and specialised health services, expanding basic and specialized health services (Curative and Rehabilitative services), investing in primary health care services (Preventive & Promotive Health), hazardous risk reduction (Healthcare waste management, Asbestos roof removal and safe disposal) and strengthening the overall County Health System to deliver on the expectations of the Universal Health Coverage using a hub and spoke model . This will require investments in completion and modernization of

the Physical Infrastructure, Human Resources for Health, Health Commodities, Equipment and Information, Communication Technology.

The County Department continues to modernize Jaramogi Oginga Odinga Teaching and Referral Hospital (JOOTRH), Kisumu County Referral Hospital, and the County Hospitals in the Sub Counties. The County department will strengthen the referral and patient transportation system.

The County will require heavy investment in Human Resources for Health (All Cadres Recruitment, Training, Deployment and Retention), Physical Infrastructure, the Regular financing of the peripheral health facilities and the Sub County Medical Officers of Health.

In addition, the County will establish an effective referral system from level one (Community) of care to level six hospitals, continue to facilitate the payment of NHIF cover and monthly stipend of 2,720 registered CHVs.

Owing to this, the department will receive the highest allocation of **Kshs.3.64B** in FY 2020/2021.

2.7 EDUCATION, IT AND HUMAN CAPACITY DEVELOPMENT

The vision of this department is commitment to competitive foundational education, vocational training, innovation, social services and integration of Information Technology in the development agenda.

Departmental programs range from Pre-primary Education, Vocational Education and Training, Information Technology, Basic Education Support (from secondary to tertiary institutions), to Capacity Building for the Youth, Women and People Living with Disabilities.

In the **Pre-Primary Education (PPE)** Program, we are right on course and will continue to deliver *Access to Free, quality and safe PPE to pre-primary children in Kisumu County*. Our strategy includes Infrastructure development, Furniture supply, School Feeding Program, Provision of Teaching and Learning materials, Teacher recruitment, monitoring and capacity building, collaboration, and sanitation. In addition to these, we are committed in 2020/21 FY to

completion of all ongoing Infrastructure projects and maintenance of existing ones. We will also ensure pupil-teacher ratios improve in our Pre-Primary Schools.

In **Vocational Education and Training**, we will progress with implementation of *Access to subsidized quality and competitive Vocational Education and Training in Kisumu County*. Our strategy remains infrastructural development, supply of teaching and learning tools and equipment, and tuition subsidy for trainees. In 2020/21 FY however, we plan to establish centers of excellence among our existing Vocational Training Centers¹ that will deepen implementation of specialized courses, entrench placement of trainees on county capitation subsidy program, provide boarding facilities and establish baby care services in order to increase enrolment among young mother trainees.

The **Basic Education Support Program** which is funded through Kisumu County Scholarships and Bursaries Fund Act 2016 continues into 2020/21 FY. The Scholarship program is now Full-cycle, spanning support for the entire secondary school grades. We will still use Ward Education Committees to identify 10 beneficiaries for each ward and to select beneficiaries of the bursary program whose allocation has since been doubled from 2 to 4 Million shillings per ward. As this program expands, we will entrench monitoring and evaluation exercises in determining value for money from performance of beneficiaries through the school cycle. Ward committees will also be monitored for their adherence to the regulations of the Fund.

Our **Information Technology (IT) Program** has been the slowest of our programs due to inadequate funding. In 2019/20, only 15 Million shillings was approved as IT budget against demands for user support, software licensing, machine maintenance, automation, IT infrastructure for Internet connectivity, intercom, and training needs. To turn around fortunes of the IT program during 2020/21 FY, we must centralize and integrate IT services. We must also let IT boost service delivery through adequate budgeting for software licensing, security, automation and support of government services (e-Revenue, e-Trade License, Fleet Management, Asset Register, e-Construction, Document management system, Data center operation etc.), training, and provision of wireless connectivity.

¹ The centers of excellence will be established at Ahero, Kitambo, Akado, Katito and Sabako VTCs

The **Youth, Women Affairs and People Living with Disability Program** progresses into 2020/21 FY with a plan for implementation of policies and acts that address the inclusion, mainstreaming and empowerment of Youth, Women and People Living with Disability. Notable among the policies and acts are Kisumu County Youth, Women and People Living with Disabilities Fund Act 2016, and Regulations 2016, Sexual and Gender Based Violence Policy 2019, Gender Mainstreaming Policy 2020, PWD Act 2016 – for which a Board is gazetted – and the Access to Government Procurement Opportunities (AGPO) policy.

Implementation of these instruments will require budgetary allocations for **Human Capacity Development** to fund specific activities such as training, awareness, mentorship and empowerment programs. We aim to equip the Youth, Women and PWDs with capacities for the world of service, job creation, mentorship, life skills and employment so as to grow our economy through the small and medium level enterprise. The training activities outside our VTC program will take place mainly at Rotary Innovation Center, Akado Vocational Training Center and at our Resource and Empowerment Centers within the 7 sub counties.

Our **Social Services** function which requires us to entrench social services such as provision of resource centers, public spaces and halls, training or rescue centers obligates us to focus more closely on equipping Resource Centers and Halls in the county in 2020/21 FY. Social Protection programs for the vulnerable including children, the elderly, drug addicts, victims of violence, disease and poverty will also be focused this Financial Year.

Key achievements during 2019/20 in the Education, IT and Human Capacity Development sector include:

- i. Provision of Text and Exercise books in all Pre-Primary Schools in the county, to benefit 58,000 pupils.
- ii. Implementation of Feeding program in all Pre-Primary Schools in the county, to benefit 58,000 pupils.

- iii. Completion of 50 new Pre-Primary classrooms in Public Primary schools of Kisumu county
- iv. Appraisal, regularization of appointment, and promotion of 668 Pre-Primary teachers of Kisumu County
- v. Establishment of 2 New Vocational Training Centers at Sabako in South West Kisumu and Nyabera in East Seme
- vi. Enrolment of 700 additional trainees into the 22 Vocational Training Centers (with 20 trainees drawn from each of the 35 wards for this program). This is in addition to 700 trainees enrolled during 2018/19 FY.
- vii. Implementation of the Full-cycle funding for Scholarship beneficiaries between Form 1 and 4. 1,400 pupils now benefit from this program. The Scholarship kitty has risen to 65 Million shillings.
- viii. We doubled Ward Bursary Allocation from 2 Million Shillings to 4 Million Shillings. The Ward Bursary Fund now totals 140 Million shillings with a benefit range of about 35,000 beneficiaries.
- ix. Ongoing implementation of digital centers countywide (with phase 1 targeting 3 sub counties)
- x. Ongoing Wireless Local Area Network for County Headquarters.
- xi. Ongoing implementation of the 2nd Phase of Revolving Fund Empowerment Program
- xii. Ongoing implementation of Kisumu County PWD Act 2016.

Budget Performance for 2019/20 FY:

- Approval for 2019/20 FY budget came late into the financial year, meaning implementation of departmental projects have been jolted by that lapse in time.
- In 2019/20 FY, the development allocation for the department was 216,640,000 M.
- Up until February 20th, 2020, only 42 M of the development allocation had been committed or absorbed for the Feeding Program and ECD Capitation.
- The rest of the projects such as Construction, School Furniture and Play Equipment, are still at various stages of procurement and thus yet to be absorbed.

- VTC Capitation and VTC Grants are yet to be made available. The VTC Capitation is due in the pending bills (opening balance) while VTC Grants are yet to be disbursed by National Government.
- This state of affairs means we cannot report accurately on absorption rate for development expenditure category.

The department had a development allocation of **Kshs.294. 42M.Out** of this allocation in the FY 2018/19, the total development expenditure during the year under review was **Kshs.220.33M** representing an absorption rate of **74.8%**.

The department will therefore focus on the following strategies in the FY 2020/21:

1. IT Directorate:

The directorate prioritizes and projects to deliver the following services in 2020/21 FY

- Cascade Local Area Networks to sub counties (7.5 M)
- Implement second Phase of Digital Training for the youth in 3 sub counties (15 M)
- Digitize key government documents using Document Management System (for staff records, Finance Files etc.)
- Upscale IT Maintenance, Support and Licensing for systems and software (15 M)
- Create a control room with dashboards to support automated systems such as Fleet Management, e-Revenue, e-Construction etc.) (20 M)
- Recruit additional staff to support IT services at the sub county level
- Deploy software to automate the administration of two funds: Scholarship/Bursaries and Revolving Fund (10 M)
- Create a platform for Job search in conjunction with partners like *Ajiri*.

2. Youth, Women and PWD Affairs Directorate:

Under the PWD, Youth and Women affairs program priorities will be put on the following

PWD:

- Operationalization of the PWD board
- Mapping out PWD organizations in the county for social protection
- Awareness creation, training, psychosocial support and empowerment

- Operationalization of the PWD facility at Ahero
- Implementation of the Revolving fund
- Deepening AGPO implementation for PWD.

Youth:

- Capacity building and training events
- Implementation of the Revolving Fund
- Deepening AGPO implementation for the Youth
- Review and implementation of youth policy document
- Business innovation and incubation program awareness
- Ajiri program and platform
- Civic Education and Public participation programs

Women:

- Maximizing access to micro finance through the Revolving fund
- Finalize and implement Women empowerment policy
- Establish 3 Homecraft centers for “value addition” in 3 sub counties in conjunction with trade and agriculture departments.
- Sanitary towel provision for vulnerable women between the ages of 16 to 22.
- Capacity building on GBV, training, and empowerment program
- Establishment and equipment of a Safe-house for women
- Establishment of Baby Care facilities at 4 Vocational Training Centers
- Kitchen gardens project in partnership with agriculture department and Plan International

3. *Social Services Directorate:*

Under social services program, priorities include-

- Social protection for the elderly (cash transfer and NHIF/UHC cover)
- Model “Huts of hope” for the elderly
- Operationalization of 2 Child Protection Centers (at Kanyamedha and Tieng’re)

- Establishment of Homecraft facilities at Marera, Sinyolo, Huma, Nyangande, Holo Ngege, and at Siany Resource centers.
- Operationalization of Masogo-Nyang’oma Rehabilitation Center – Refurbishment of the facility.
- Group mapping, development and training, organization and development and training.
- Civic Education events.

4. *ECDE Directorate:*

- Recruit 667 more teachers because we have PP1 and PP2 classes (we need to replace 64 teachers we lost to attrition)
- Recruit 30 ECDE Ward coordinators (we have 5)
- In-service training for teachers
- Separation fund for ECDE teachers. We are yet to pay 82 Million shillings for end of contract Gratuity for Teachers budgeted for in 2017/18 FY
- Promotion for the teachers in our service
- Acquisition and Installation of ECDE playground equipment
- Furniture program – to include closets and shelves
- Appropriate sanitation facilities in ECDE centers
- Completion of all stalled ECDE projects (before new ones commence)
- Model Kitchen garden program in 7 model ECDE centers (to supplement feeding program)
- Creative activities for ECDE centers (include in O and M)

5. *TVET Directorate:*

- Recruit more instructors and Promote instructors who have been in the same job group for 10 Years.
- Continuation of Tuition Subsidy
- Continuation of Equipment program
- Expand infrastructural development
- Establish 5 centers of excellence with specialized courses

- Provide boarding facilities in centers of excellence
- Establish baby care services in VTC centers of excellence
- ICT training in VTCs to bridge digital divide
- VTC Agribusiness IGA projects in conjunction with department of Agriculture

The County Government intends to allocate **Kshs.607M** in 2020/2021 FY.

2.8 ENERGY AND INDUSTRIALIZATION

Energy and Industrialization department consists of 3 directorates namely: **Petroleum and Electricity, Renewable Energy and Industrialization.**

The overall objective of this sector is the enhancement of a 24hour economy and security, promotion of industrialization to spur economic growth, development and promotion of sustainable energy technologies.

The County targets to increase electrification by 90% by the end of 2022 through a partnership program. However, the county has huge potential to produce enough energy to power the industrial and general economic growth of our county and even submit to the national grid.

1. Renewable Energy

The department promotes development and use of renewable energy sources and advocates for facilitation of scaling up of clean cooking mechanisms and fuels in Kisumu County through promotion and expedition of enabling policies, creating public awareness and capacity building of sector players. The following were the achievements in this sector; distribution of 930 solar lanterns, 280 Bio-ethanol cook stoves, implemented Solar Water heating facility and developing RFP on renewable energy (solar) for off grid-use

2. Petroleum & Electricity

The vision of the directorate is to facilitate access to affordable, reliable, and sustainable energy for both domestic and industrial use. In this section we were able to;

- Implemented floodlights in various market centers, beaches and other public utility areas and collaboration with the national government to achieve street lighting targets

- within the CBD and the satellite towns including Muhoroni, Nyakach, Ahero, Maseno and Sondu 145 floodlights installed across the market centers since its inception
- ii. Formulation of a draft Sustainable Energy policy.
 - iii. Partnered with EPRA to do LPG and Retail Petrol stations licensing
 - iv. Conducted Annual energy audits in six Health facilities in collaboration with KAM

3. Industrialization & Special Economic Zones

Industrialization is an anchor in the county development agenda hence the need to revive and encourage establishment of new industries. Various initiatives have been rolled out to this end notably; Established and equipped Akado Industrial Incubation Centre C.I.D.C.

In collaboration with the national government the county has identified and gazetted 1000 Acres for Special Economic Zone (SEZ) in Muhoroni Sub County and Environmental Impact Assessment is in progress. This SEZ will attract both local and foreign investments; Expansion and diversification of produce of goods and services for domestic and export markets; Enhance technology development by industrial parks, innovation and promotion of rural and regional industrialization and creation of employment. To promote value addition;

The department intends to focus on the following in FY 2020/2021

- i. Periodic/routine maintenance of existing Solar, Flood and Street lights.
- ii. Enhancement of 24 hours economy and security through rural electrification.
- iii. Installation of street lighting, floodlights and solar mini grids.
- iv. Completion of regional bio-energy centre at Masogo/Nyang'oma.
- v. Reviving industrial innovation incubation centre at (Kombewa CIDC)
- vi. Establishment of Kochieng' tomato plant.
- vii. Establishment of a Special Economic Zone (SEZ).
- viii. Preparation and production of County Energy master Plan.
- ix. Conduct Energy Audits in County Institutions.
- x. Construction of Biogas plant at Mamboleo slaughter house

The County Government therefore intends to allocate **Kshs.347 M** in FY 2020/21

2.9 ROADS, TRANSPORT AND PUBLIC WORKS

The key role of the department is to develop, operate and sustain transport infrastructure and public works activities that meet the demands and expectations of the citizens.

The achievements for the department during the Financial Year 2018/19 are: Opening of new roads and improvement of existing roads totaling to approximately 360.8km (222.4km funded by CRF and 138.4km funded by KRB). This was done by directorate of roads; provision of technical services in design, planning, documentation and technical supervision for all building works budgeted for in FY2018/2019 in all the other departments in the County. This was done by directorate of Public Works; acquisition of roadwork machinery and use of the same to open new roads and drainages. This was done by the directorate of transport. The directorate also provided technical services in supervision of maintenance of all county vehicles and machinery.

The department had a development allocation of **Kshs.539. 80M.Out** of this allocation, the total development expenditure during the year under review was **Kshs.447.36M** representing an absorption rate of **82.9%**.

The key priorities of the department in the FY 2020/21 will be:

- i. Periodic/routine maintenance of existing earth/gravel roads.
- ii. Improvement of selected county roads to Bitumen standards.
- iii. Construction of foot bridges.
- iv. Purchase of roads construction machinery to be used for opening of new roads.
- v. Initiating implementation of the Kisumu County Roads Maintenance Teams, with the support of the Village Councils.
- vi. Preparation of the county transport policy to streamline operations of all county vehicles and public transport.

The County Government will allocate to the department **Kshs.630M** in FY 2020/21

2.10 TOURISM, CULTURE, ARTS, AND SPORTS

The mandate of the department of Tourism, Culture, Arts, Sports and Information is to develop and market tourism products, harness the culture and arts potential, nurture sports talent, as well as to gather and disseminate information of County programmes and activities to the public.

The key achievements for this sector include:

- i. Upgrading Hippo point public beach by fencing it off to guard against misuse and by constructing decent public washrooms.
- ii. The department facilitating the launch of two new airlines which have significantly increased the traffic flow in and out of Kisumu County. The total number of inbound flights per day is six (6).
- iii. Establishing a resource centre at the County Headquarters in accordance with the Governor's 10-point agenda number 4 and 8 i.e. access to information and use of ICT.
- iv. Establishing a Digital Information Assistant (Application).
- v. Putting up a recording studio purchased an editing suite, published magazine and a documentary on development projects.
- vi. Hosting of the National Cultural Exhibition, hosting an International Movie Premiere (Black Panther), hosting/ facilitating the River Wood Film Awards Festival as well as a number of cultural infrastructural development projects.
- vii. Rehabilitation of sport facilities across the County.
- viii. Initiating grass root sports talent development activities such as the inter-wards football tournament (*Opich Pacho*). The department also hosted a major international youth chess championship.
- ix. The County Government has rehabilitated sports pitches for Hockey, netball and basketball at Jomo Kenyatta Sports ground for the respective teams in the city.

The department had a development allocation of **Kshs.210. 10M.**Out of this allocation, the total development expenditure during the year under review was **Kshs.151.35M** representing absorption rate of **72%**.

In this financial year, the department of Tourism will focus on

- i. Establishment of an information center at the Maseno Equator crossing center where interested locals and even foreigners can source for information about the County.
- ii. Construction of ablution facilities, watch tower, solar enabled lighting, parking bay for visitors and shopping area for souvenirs at different Tourism and heritage sites across the county.
- iii. Purchase of additional land at Luanda Magere site and establishment of an Information resource center, herbal nature trail and facilities for camping, team building and river rafting.
- iv. Re-construction of Moi stadium into an Ultra-Modern Sports Complex that can host major football matches and bring in more revenue to the County.
- v. Construction of Stadia in Seme, Kisumu West and Nyando Sub Counties to nurture talents in rural areas.
- vi. Establishment of a Cultural resource Centre in Kisumu Central Sub County
- vii. Establishment of a County Sports Institute for Talent for talent identification, development and placement
- viii. To strategically Market and promote Kisumu as a MICE destination of choice.
- ix. To train and empower sports federations to manage and regulate activities of their individual members and teams
- x. To plan and implement the second edition of the County Arts talent scouting and development.
- xi. To Map out Kisumu County on homestays and alternative accommodation in preparations for Africities.
- xii. To organize, position and market the creative Sub Sector in preparations for Africities.
- xiii. To upgrade and modernize Jomo Kenyatta Sports ground as a rest and recreation facility.
- xiv. To improve Sporting standards in the County by facilitating provision of standard equipment's, Uniforms and footwear.
- xv. To position Kisumu City as an International Convention Centre by facilitating Partnership agreement between the 2 levels of Government (National and County)
- xvi. Establishment of a water front at Dunga Beach as a tourist site.
- xvii. Establishment of an Aqua park/ Amusement park at Paga beach.

The department will be allocated therefore be allocated **Kshs.393M** in FY 2020/21.

2.11 GOVERNANCE AND ADMINISTRATION

The key role of the department is to ensure that services are delivered to the residents in all the seven sub counties. The achievements for the department during the Financial Year 2018/19 are:

- i. Conducting of the County human resource audit
- ii. Setting up of Project Management Committee for all the development projects
- iii. Contributed to National Reporting on SDGs.
- iv. Establishment of Disaster and risk management units
- v. Enactment of the Kisumu County Administration Act 2019
- vi. Delineation of 70 village units awaiting assembly approval

The department had a development allocation of **Kshs.120. 95M** in the FY 2018/19. Out of this allocation, the total development expenditure during the year under review was **Kshs.64.63M** representing an absorption rate of **53.4%**.

The strategic priorities for the department in the FY 2020/21:

- i. Construction of County Administration units
- ii. Strengthening M&E Directorate to ensure the flagship projects are monitored
- iii. Ensuring service delivery by all County projects
- iv. Construction of Governor and Deputy Governor official residents
- v. Establishment of the KECOSOC Secretariat
- vi. Developing information management policy
- vii. Establishment of Lakefront Development Corporation

The department will be allocated **Kshs.567M** in FY 2020/2021

2.12 COUNTY ASSEMBLY

Article 185 of the Constitution provides for the legislative authority of the County Assemblies, vesting the legislative authority of a County and the exercise of that authority in its County

Assembly. The Assembly has powers to make any laws that are necessary for, or incidental to, the effective performance of the functions and exercise of the powers of the County Government under the fourth schedule.

County Assemblies are expected to conduct an oversight of the County Government, which has been expanded greatly, with extended control over critical County process such as Budgeting process, public expenditure, public appointments and governance.

The department had a development allocation of **Kshs.50.76M**. This department did not incur any development expenditure.

The County Assembly intends to improve efficiency of services by developing infrastructure and institutions.

The department will be allocated **Kshs.692M** in FY 2020/2021.

2.13 CITY OF KISUMU

The vision of this sector is to be the leading city in providing quality services matched by superior solutions and hence creating an enabling environment for investments in Kenya and the great lakes region with an aim of improving the quality of life for the residents of Kisumu.

Key achievements for the City of Kisumu: Relocation of more than 40 years old ten and a half acres Kachok dumpsite, implementation of 255 million shillings' rotary innovation and incubation center, construction of walkways and cycle tracks along Kenyatta avenue, Oginga' Odinga and Anga'wa street.

The department had a development allocation of **Kshs.925. 23M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.364.37M** representing an absorption rate of **39.4%**.

The sector's priorities in the FY 2020/21 are: urban regeneration through construction of affordable housing for all, construction of roads and bridges, actualization of the lake front initiative, development of Kibuye, Jubilee and Otunglo markets. The department will be allocated **Kshs.1.04B** in FY 2020/2021.

2.14 COUNTY PUBLIC SERVICE BOARD

Kisumu County Public Service Board (PSB) is an independent institution established in terms of Article 235(1) of the Kenyan Constitution and given effect by Sections 56 and 57 of the County Governments Act. The Article provides for a County Public Service Board in each county with control over the County Public Service. The County Public Service Board has the responsibility of ensuring that the County Public Service has adequate, skilled and competent personnel.

This department had no development allocation.

In the FY 2020/21, the strategy of the board will focus on the following seven broad areas in order to counter the challenges faced in the previous FY:

- i. Strengthening the institutional capacity of the Board
- ii. Strengthening the County Public Service for improved service delivery
- iii. Enhancing productivity of the County Public Service
- iv. Promoting an enabling policy environment
- v. Enhancing public participation and information sharing
- vi. Promoting public service values and best management practices in the county
- vii. Promoting effective working relationships with county and relevant national government organs

The department will be allocated **Kshs.71M** in FY 2020/2021.

CHAPTER THREE

RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

3.1 Overview

The Kenyan economy remained resilient and grew by an average of 5.5 percent in the first three quarters of 2019, mostly supported by strong performance in the services sector but also in part reflecting the impact of delayed rainfall in the first half of 2019 that affected agricultural production. It is projected that the economy will further expand by above 6.1 percent in 2020 and 7.0 percent over the medium term. This growth will be supported by the strong services sector, stable macroeconomic environment and ongoing investments strategic priorities of the Government under the “Big Four” Agenda. In terms of fiscal years, economic growth is estimated at 6.2 percent in the FY 2020/21 up from an estimate of 5.8 percent in FY 2019/20.

The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate to support exports. At 5.8 percent in December 2019, year-on-year overall inflation remained stable and within the 5 (+/-2.5) percent target largely due to lower food prices following favorable weather conditions. Inflation is expected to remain within the target in 2020, largely due to lower energy prices and expected stability in food prices. The foreign exchange market remains stable supported by the narrowing of the current account deficit. The current account deficit is estimated at 4.3 percent of GDP in 2019 down from 5.0 percent in 2018. The narrowing deficit reflects strong growth in diaspora remittances and tourism receipts, higher tea and horticultural exports, slower growth in imports due to lower food imports and the decline in international oil prices.

Over the medium term, economic growth is expected to rise gradually to 7.0 percent per annum due to investments in strategic areas under the “Big Four” Plan that aim to increase job creation through the manufacturing sector, ensure food security and improved nutrition, achieve universal health coverage and provide affordable houses to Kenyans. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth.

Kenya continues to be ranked favorably in the ease of doing business and as a top investment destination. In the 2019 World Bank’s Doing Business Report, Kenya was ranked position 61 in 2018 moving 19 places from position 80 in 2017.

3.2 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.2.1 GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS

Global growth is projected to pick up to 3.4 percent in 2020 from an estimated 3.0 percent growth in 2019. The projected pick up is on account of recoveries in stressed emerging markets and macroeconomic policy support in major economies.

Table 1: Global Economic Growth

REGION/COUNTRY	Actual	Estimated	Projected
	2018	2019	2020
World	3.6	3.0	3.4
Advanced Economies	2.3	1.7	1.7
Of which: USA	2.9	2.4	2.1
Emerging and Developing Economies	4.5	3.9	4.6
Of which: China	6.6	6.1	5.8
India	6.8	6.1	7.0
Sub-Saharan Africa	3.2	3.2	3.6
Of which: South Africa	0.8	0.7	1.1
Nigeria	1.9	2.3	2.5
EAC-5	6.5	5.6	6.0
Of which: Kenya	6.3	5.6	6.1
<i>EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda</i>			

*Source: October 2018 WEO; *Projections by the National Treasury*

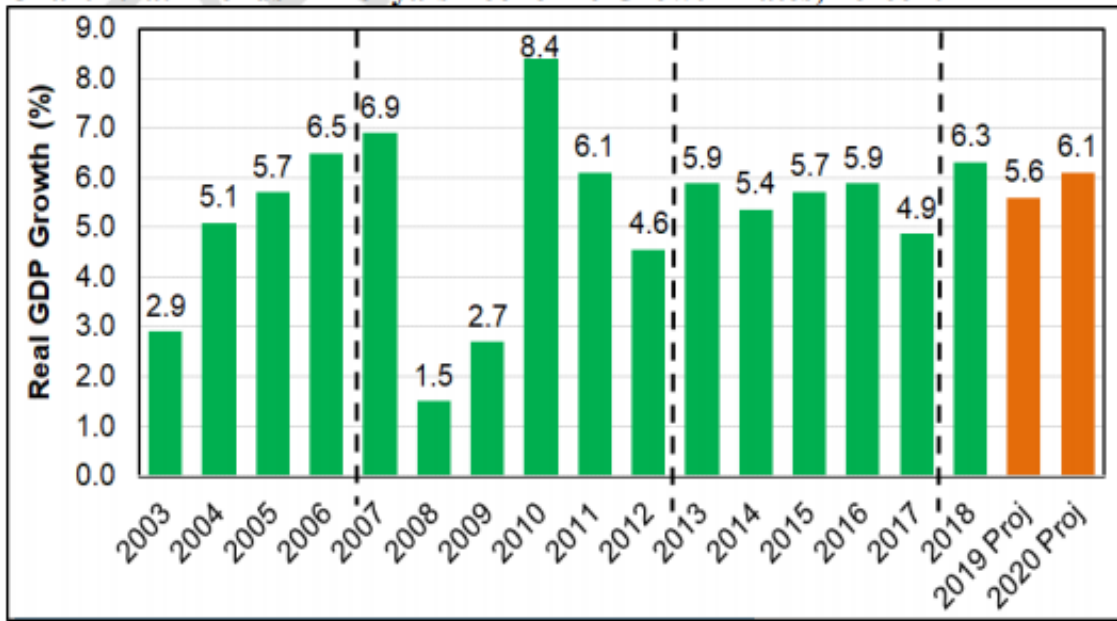
Growth in the East African Community (EAC) region is estimated to improve to 6.0 percent in 2020 from 5.6 percent in 2019 mostly supported by the stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and strong private consumption.

3.2.2 NATIONAL ECONOMIC INDICATOR OUTLOOK

3.2.2.1 ECONOMIC GROWTH

Kenya's economic growth has remained strong and resilient even under emerging global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The broad-based economic growth has averaged 5.7 percent for the last six years (2013 to 2018) outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 and 5.4 percent in the period 2003 to 2007. Growth is estimated at 5.6 percent in 2019 and projected to recover to 6.1 percent in 2020.

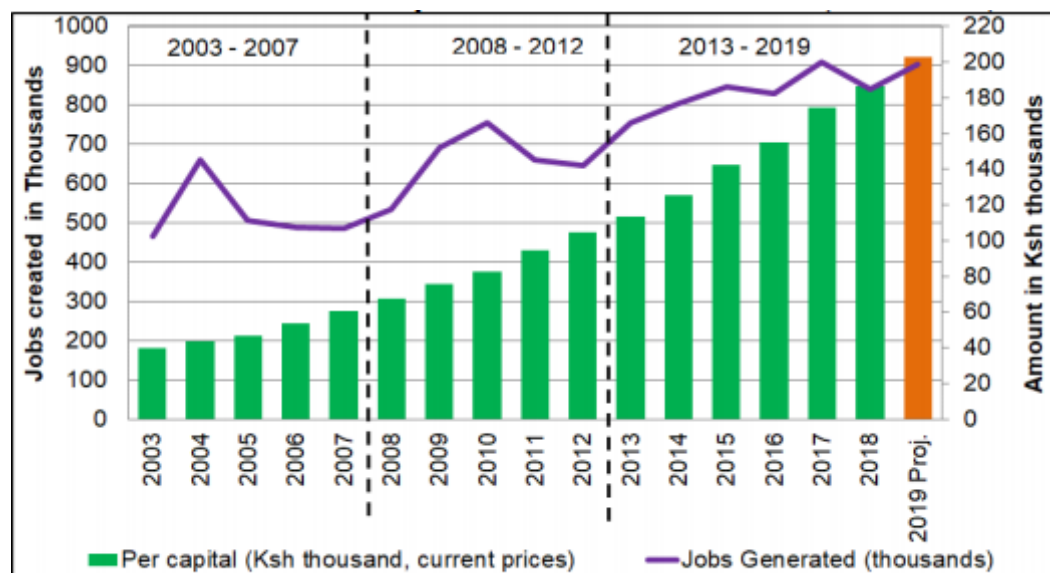
Figure 1: Trends in Kenya's Economic Growth Rates, Percent



Source of Data: Kenya National Bureau of Statistics

Per capita income rose from Kshs.113539 in 2013 to an estimated Ksh 202,859 in 2019, a 79 percent increase. This enabled generation of around 831,000 new jobs per year in the period 2013 - 2018 up from 656,500 new jobs per year in the period 2008 -2012.

Chart 1.1b: Trends in Per Capita Income and Job Created (2003 - 2019)



Source of Data: Kenya National Bureau of Statistics

The biggest gainers in terms of sectoral contribution to GDP were Information and Communication, Construction and Transport & Storage sectors which increased marginally by 0.1% points to 3.6%, 5.5% and 6.9%, respectively, from 3.5%, 5.4% and 6.8% recorded in Q2’2018. The improvement in the sectoral contribution of Information and Communication to GDP was supported by the increased number of mobile subscribers, which grew by 14.5% to 52.2mn from 45.6 mn recorded in Q2’2018. The Agriculture and Forestry sector was the biggest loser since it decreased by 0.3% points. We note the decline in the Agriculture and Forestry sector’s contribution to GDP, from 23.4% in Q2’2018 to 23.1% in Q2’2019, was mainly attributed to the delayed long rains that constrained agricultural production during the period;

A resilient non-agricultural sector continues to support economic growth. The economy grew by an average of 5.5 percent in the first three quarters of 2019 and the full year growth is estimated at 5.6 percent in 2019 down from 6.3 percent in 2018.

Table 2: Sectoral Real GDP Growth Rates, Percent²

² According to Cyntons, we expect the 2019 GDP growth to slow down to a range of 5.7%-5.9% from 6.3% in 2018, due to the delayed onset of the long rains with most parts of the country having experienced depressed rainfall that is set to lead to a decline in agricultural production. Consequently, this will have an adverse effect on the manufacturing sector, as the major growth driver in the sector is Agro-processing.

Sectors	Sector Growth									Sector Contribution to Real GDP Growth								
	2017			2018			2019			2017			2018			2019		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
Primary Industry	4.2	0.8	2.8	7.3	6.3	6.7	5.2	4.3	3.3	1.1	0.2	0.6	2.0	1.5	1.3	1.4	1.0	0.6
Agriculture, Forestry and Fishing	4.1	0.7	2.7	7.5	6.5	6.9	5.3	4.2	3.2	1.1	0.2	0.5	1.9	1.5	1.3	1.4	1.0	0.6
Mining and Quarrying	5.8	4.3	4.5	2.4	2.9	3.3	2.2	5.7	4.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Secondary Sector (Industry)	4.3	3.8	2.5	5.0	5.5	5.8	4.3	5.3	4.5	0.8	0.7	0.5	0.9	1.0	1.1	0.7	1.0	0.8
Manufacturing	1.6	0.1	0.1	3.8	4.7	4.6	3.2	4.2	3.1	0.2	0.0	0.0	0.4	0.5	0.5	0.3	0.4	0.3
Electricity and Water supply	8.2	8.3	5.8	6.5	8.4	7.8	6.1	5.6	4.9	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Construction	7.9	9.1	5.5	6.6	5.4	7.0	5.6	7.2	6.6	0.4	0.5	0.3	0.3	0.3	0.4	0.3	0.4	0.4
Tertiary sector (Services)	6.1	5.7	5.5	6.6	6.4	6.5	6.0	6.5	5.7	2.9	2.7	2.9	3.2	3.1	3.4	2.9	3.2	3.0
Wholesale and Retail trade	3.4	5.0	6.6	5.9	6.2	6.5	5.5	6.0	4.7	0.2	0.4	0.6	0.4	0.4	0.6	0.4	0.4	0.4
Accommodation and Restaurant	24.2	12.3	12.0	13.1	15.4	15.7	10.1	10.6	9.0	0.3	0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1
Transport and Storage	7.3	6.5	5.1	8.5	8.4	9.0	6.7	7.2	7.1	0.4	0.4	0.4	0.5	0.6	0.7	0.4	0.5	0.5
Information and Communication	13.6	11.4	10.7	12.5	11.1	9.8	10.4	11.3	8.4	0.5	0.3	0.4	0.5	0.4	0.4	0.4	0.4	0.3
Financial and Insurance	3.8	3.3	2.3	5.2	4.5	5.3	5.5	7.2	5.6	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Public Administration	3.8	4.8	6.5	6.2	5.9	6.1	6.5	6.0	5.8	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.2
Others	5.4	5.5	4.9	5.3	5.3	5.0	4.8	5.4	5.0	1.1	1.1	1.0	1.0	1.1	1.1	0.9	1.1	0.0
of which Real Estate	6.4	6.3	6.1	5.3	4.6	3.8	4.2	5.4	4.9	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.4	0.4
Taxes less subsidies	4.0	6.0	4.6	5.7	5.5	5.6	5.8	4.6	4.2	0.4	0.7	0.6	0.6	0.6	0.7	0.6	0.5	0.5
GDP at market price	5.2	4.4	4.5	6.6	6.3	6.4	5.7	5.6	5.1	5.2	4.4	4.5	6.6	6.3	6.4	5.7	5.6	5.1
of which Non-Agriculture	5.9	5.6	4.9	6.4	6.3	6.5	5.8	6.2	5.7	3.7	3.6	3.4	4.1	4.1	4.5	3.7	4.1	4.0

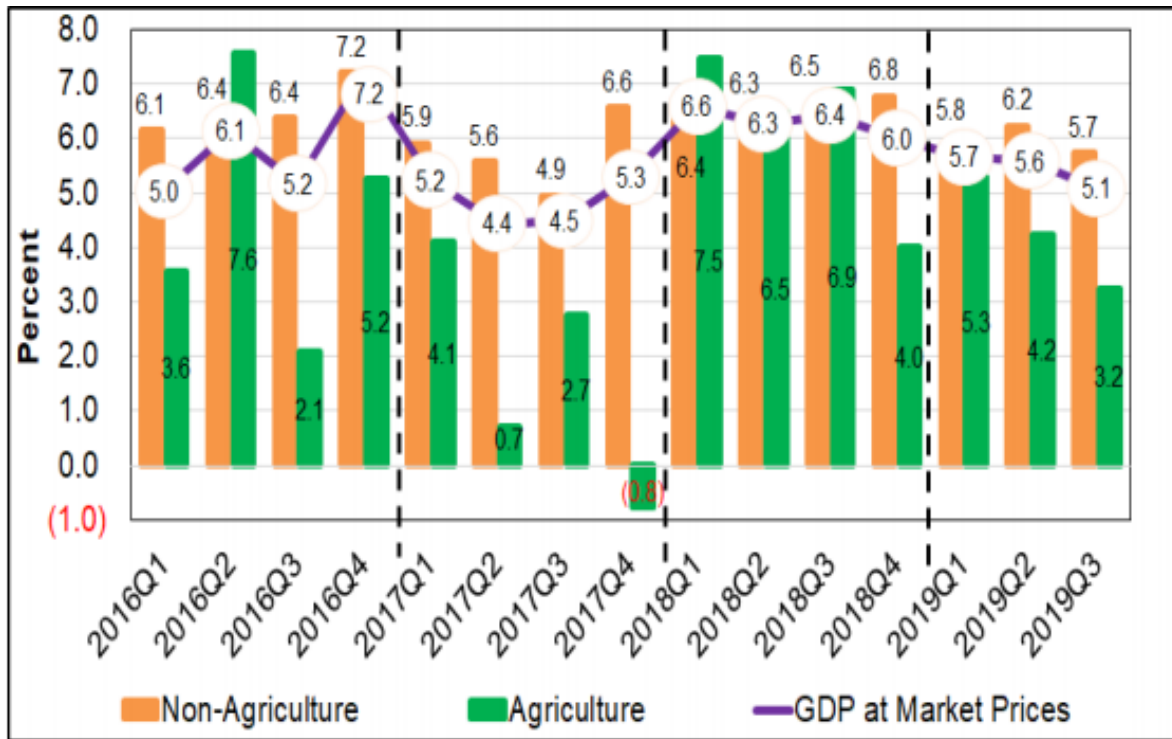
Source of Data: Kenya National Bureau of Statistics.

In the third quarter of 2019, the economy grew by 5.1 percent compared to a growth of 6.4 percent in a similar quarter in 2018, mainly supported by strong performance in the services sub-sector such as information and communication, transportation and storage, and accommodation and restaurant. In Kisumu County this was supported by activities such as revival of EABL was to provide about 100,000 both direct and indirect jobs. The brewery — which started producing keg beer on small scale — targeted Sorghum farmers in Kisumu, Siaya, Migori, and as far afield as Nyeri, Machakos and Tharaka Nithi Counties. Apart from the brewery, dairy projects were activated providing cooling plants and veterinary services to the County aiming for results within the next five years and desiltation of Irrigation Schemes which have alleviated inherent limitations of rain-fed agriculture.

The agriculture sector recorded a decreased growth of 3.2 percent in the third quarter of 2019 compared to a growth of 6.9 percent in a similar quarter of 2018, as a result of delayed long rains. Consequently, the sector's contribution to GDP growth declined to 0.6 percent in the third quarter of 2019 compared to 1.3 percent in the same period in 2018. One service industry that appears to have heeded this call in Kisumu County is Tourism, Culture Arts and Sports. New and

modern hotels and lake resorts that have been constructed in the past few years, coupled with cultural festivals that have been organized such as Fish Fiesta celebrations, Cultural festival and inter-county sports that are held in 2018. This boosts the County as a one stop destination for tourists in the western circuit.

Figure 2: Economic Performance (Percent Growth Rates)



Source of Data: Kenya National Bureau of Statistics

The non-agricultural sector (service and industry) remained vibrant and grew by 5.7 percent in the third quarter of 2019 down from a growth of 6.5 percent in a similar quarter in 2018. It has the largest percentage points contribution to real GDP growth at 4.0 in the third quarter of 2019, mainly supported by the services sector.

The growth in the County has also been spurred by improved road and transport networks such as Kisumu-Kakamega highway, Nairobi-Kisumu highway and renovation and construction of new roads within the County which has opened up the County for economic activities. There has been development of water resources resulting in improved supply for consumption and industrial production.

Table 3: Contributions by Activities to GDP Growth³

Sector	Contribution Q2'2018	Contribution Q2'2019	Q2'2018 Growth	Q2'2019 Growth	Weighted Growth Rate Q2'2018	Weighted Growth Rate Q2'2019	Variance
Agriculture and Forestry	23.4%	23.1%	6.5%	4.1%	1.5%	0.9%	(0.6%)
Taxes on Products	10.9%	10.8%	5.5%	4.5%	0.6%	0.5%	(0.1%)
Manufacturing	9.8%	9.7%	4.7%	4.2%	0.5%	0.4%	(0.1%)
Real estate	8.3%	8.2%	4.9%	5.4%	0.4%	0.4%	0.0%
Wholesale and retail trade	7.1%	7.1%	5.8%	5.8%	0.4%	0.4%	0.0%
Education	6.8%	6.8%	4.5%	6.0%	0.3%	0.4%	0.1%
Transport and Storage	6.8%	6.9%	6.0%	7.2%	0.4%	0.5%	0.1%
Financial & Insurance	5.9%	5.9%	3.9%	6.7%	0.2%	0.4%	0.2%
Construction	5.4%	5.5%	5.2%	7.2%	0.3%	0.4%	0.1%
Information and Communication	3.5%	3.6%	11.7%	11.6%	0.4%	0.4%	0.0%
Public administration	4.3%	4.3%	6.4%	6.0%	0.3%	0.3%	(0.0%)
Electricity and Water Supply	2.8%	2.8%	10.5%	5.6%	0.3%	0.2%	(0.1%)
Professional admin	2.4%	2.4%	15.2%	7.6%	0.4%	0.2%	(0.2%)
Health	1.8%	1.8%	2.5%	5.2%	0.0%	0.1%	0.0%
Accommodation & Food Services	1.0%	1.0%	15.4%	10.6%	0.1%	0.1%	(0.0%)
Other services	1.2%	1.2%	5.0%	2.3%	0.1%	0.0%	(0.0%)
Mining and quarrying	0.9%	0.9%	1.4%	5.7%	0.0%	0.1%	0.0%
Financial Services Indirectly Measured	(2.2%)	(2.1%)	(0.4%)	4.0%	0.0%	(0.1%)	(0.1%)
GDP at Market Prices	100.0%	100.0%	6.4%	5.6%	6.4%	5.6%	(0.7%)

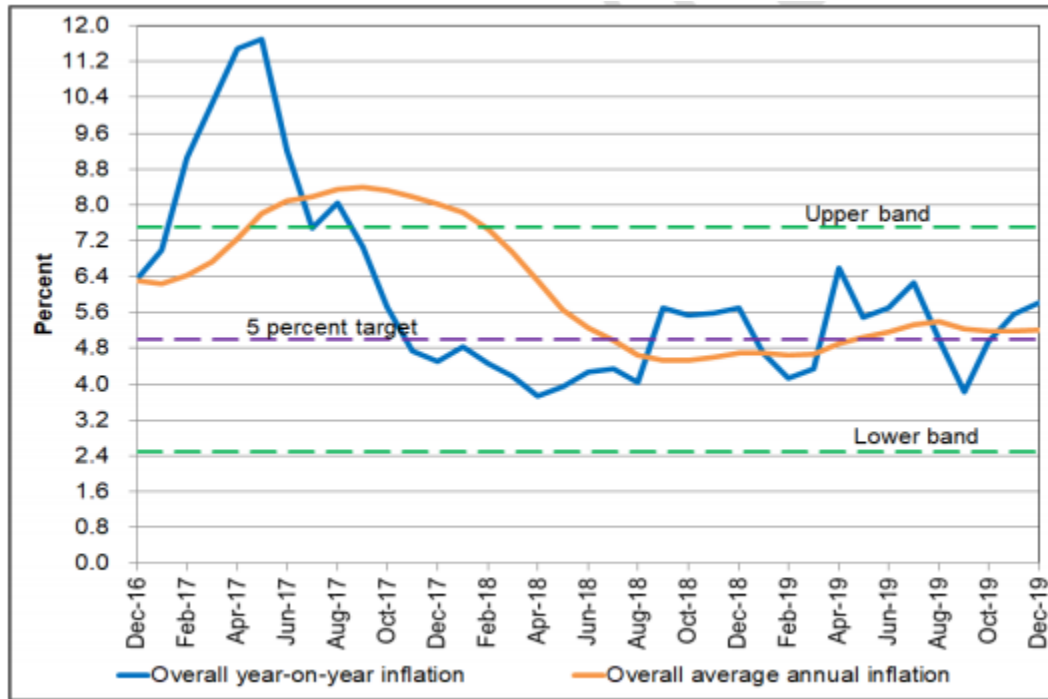
Source of data: Kenya National Bureau of Statistics

³ <https://cytonn.com/downloads/kenya-q2-2019-gdp-growth-and-2019-outlook>

3.2.2.2 INFLATION RATE

Year-on-year overall inflation remained low, stable and within the Government target range of 5+/-2.5 percent in December 2019 at 5.8 percent up from 5.7 percent in December 2018 reflecting higher food prices.

Figure 3: Inflation Rate

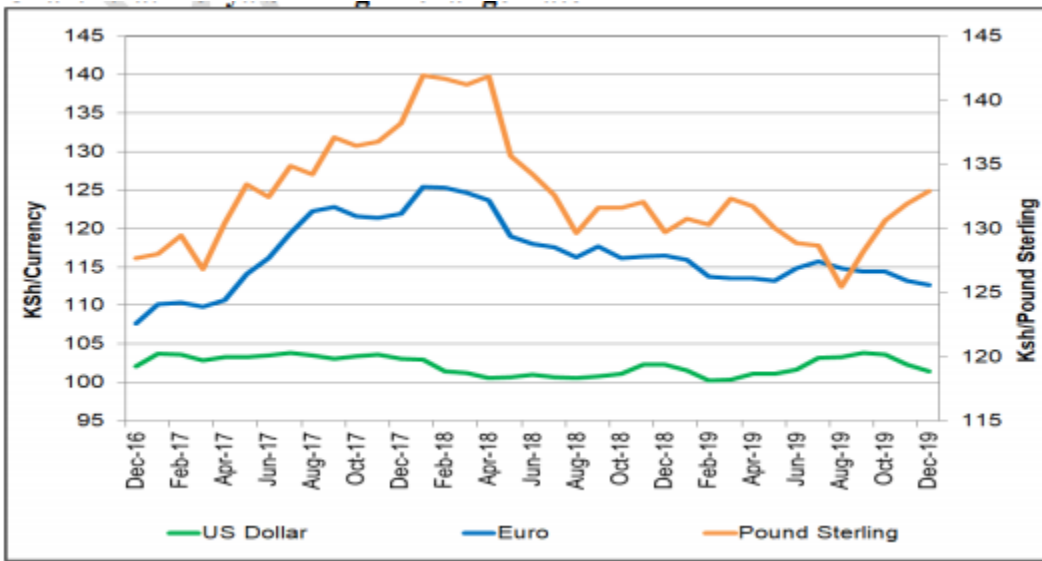


Source of Data: Kenya National Bureau of Statistics

3.2.2.3 KENYA SHILLING EXCHANGE RATE

The Kenya Shilling has been relatively stable supported by continued narrowing of the current account deficit and adequate foreign reserve buffer. The Shilling appreciated against the US Dollar and the Euro exchanging at an average of Kshs.101.4 and Kshs.112.7 in December 2019 from Kshs.102.3 and Kshs.116.4 in December 2018, respectively. However, against the Sterling Pound, the Shilling weakened exchanging at an average of Kshs.133.0 in December 2019 compared to Kshs.129.7 in December 2018.

Figure 4: Kenya Shilling Exchange Rate

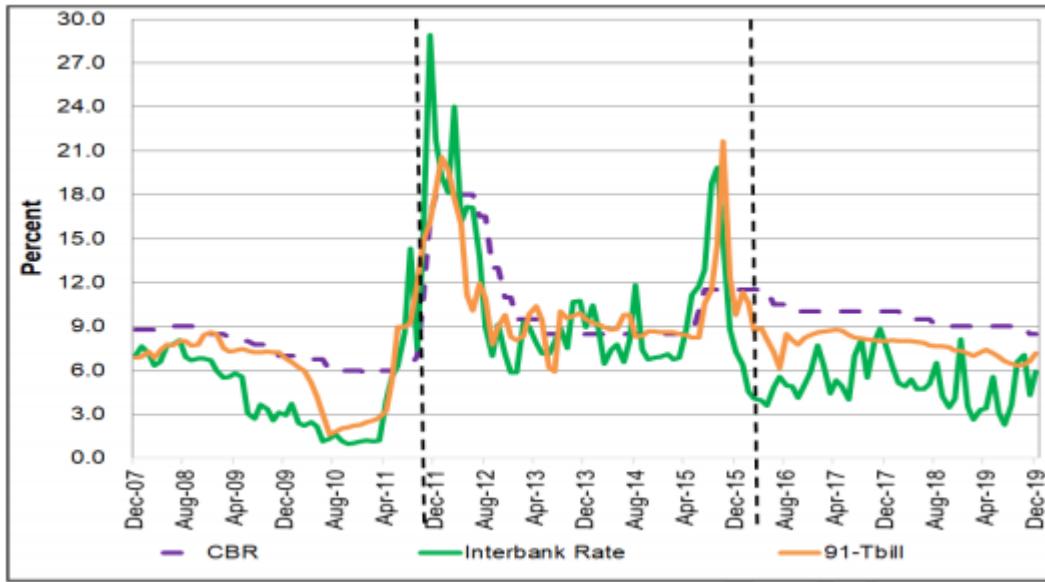


Source of Data: Central Bank of Kenya

3.2.2.3 INTEREST RATES

Interest rates were low and stable for the period 2008 to 2011 due to ample liquidity in the money market. However, interest rates increased in 2012 following tight monetary policy stance in order to ease inflationary pressures. Interest rates remained stable and low in the period 2013 to October 2019, except from June to December 2015 when world currencies were under pressure. During the period, the Central Bank Rate (CBR) was adjusted appropriately to anchor inflation expectations.

Figure 5: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

The Central Bank Rate was reduced to 8.5 percent on 25th November 2019 from 9.0 percent in August 2018 as there was room for easing monetary policy stance to support economic activity.

The interbank rate declined to 5.9 percent in December 2019 from 8.2 percent in December 2018 due to enhanced liquidity in the money market. The interest rates for government securities have been declining indicating that the implementation of government domestic borrowing program supported market stability. The 91-day Treasury bills rate declined to 7.2 percent in December 2019 compared to 7.3 percent in December 2018. The 182-day Treasury bills rate declined to 8.2 percent from 8.4 percent while 364-day increased to 9.8 percent from 9.7 percent.

3.2.2.4 MONEY AND CREDIT

Growth in broad money supply, M3, slowed down to 5.9 percent in the year to November 2019 compared to a growth of 8.4 percent in the year to November 2018 as illustrated below.

Table 4: Money Supply and Credit, Kshs. Billion

	2017 November	2018 November	2019 November	Absolute Change		Percent change	
				2017-2018 November	2018-2019 November	2017-2018 November	2018-2019 November
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,376.5	1,409.6	1,460.2	33.1	50.6	2.4	3.6
1.1 currency outside banks	217.2	224.0	191.6	6.8	32.4	3.1	(14.5)
1.2 Demand deposits	1,101.3	1,117.3	1,180.4	16.0	63.1	1.5	5.6
1.3 Other deposits at CBK	57.9	68.3	88.2	10.4	19.9	17.9	29.2
2. Money supply, M2 (1+2.1)	2,534.7	2,699.4	2,849.4	164.8	150.0	6.5	5.6
2.1 Time and savings deposits	1,158.2	1,289.8	1,389.2	131.6	99.4	11.4	7.7
Money supply, M3 (2+3.1)	3,015.0	3,269.0	3,462.0	254.0	192.9	8.4	5.9
3.1 Foreign currency deposits	480.3	569.6	612.5	89.3	42.9	18.6	7.5
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	534.4	691.8	795.6	157.4	103.8	29.4	15.0
1.1 Central Bank	635.6	731.5	839.4	96.0	107.9	15.1	14.7
1.2 Banking Institutions	(101.1)	(39.8)	(43.8)	61.4	4.1	(60.7)	10.2
2. Net domestic assets (2.1+2.2)	2,480.6	2,577.3	2,666.4	96.7	89.1	3.9	3.5
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,206.3	3,358.9	3,605.5	152.6	246.6	4.8	7.3
2.1.1 Government (net)	740.7	828.6	903.9	87.9	75.3	11.9	9.1
2.1.2 Other public sector	112.4	107.0	100.7	5.3	6.3	(4.8)	(5.9)
2.1.3 Private sector	2,353.2	2,423.3	2,600.8	70.0	177.6	3.0	7.3
2.2 Other assets net	(725.7)	(781.6)	(939.1)	55.9	157.5	7.7	20.1

Source of Data: Central Bank of Kenya

This was due to the decline in both net foreign assets (NFA) and net domestic assets (NDA). Despite the slowdown, growth in M3 was supported by an improvement in the growth of demand deposits despite a decline in the time and savings deposits, foreign currency deposits, and currency outside banks.

NFA of the banking system in the year to November 2019 grew by 15.0 percent, a deterioration, compared to a growth of 29.4 percent in the year to November 2018. The decline in NFA of the Central Bank partly reflects declined foreign currency deposits. On the other hand, increase in NFA of commercial banks, partly reflected increase in growth of their deposit holdings with nonresident banks alongside decreased borrowings from non-residents.

This increase in money supply is expected to result in increased investment and consumption in Kisumu County and lastly in increased employment opportunities for the youth.

3.2.2.5 BALANCE OF PAYMENTS

The overall balance of payments position improved to a deficit of US\$ 873.3 million (0.9 percent of GDP) in the year to October 2019 from a deficit of US\$ 1352.4 million (1.5 percent of GDP) in the year to October 2018 (as illustrated in table 5 below). This deficit was due to a decline in the capital and financial account despite an improvement in current accounts.

Table 5: Balance of Payments

	Oct-18	Dec-18	Mar-19	Jun-19	Sep-19	Oct-19	Year to October 2019	
							absolute change	Percent Change
Overall Balance	(1352.4)	(1044.3)	721.0	(544.7)	(1060.1)	(873.3)	479.1	(35.4)
Current Account	(4452.8)	(4348.6)	(3984.3)	(3828.5)	(3752.5)	(3783.2)	669.7	(15.0)
<i>o/w merchandise account (a-b)</i>	(10218.2)	(10238.4)	(10172.3)	(10110.5)	(9896.2)	(9965.7)	252.6	(2.5)
a) Goods: exports	6169.8	6105.5	6075.7	5949.3	5866.0	5866.8	303.0	(4.9)
b) Goods: imports	16388.0	16344.0	16248.1	16059.8	15762.2	15832.5	555.5	(3.4)
Services: credit	5269.8	5477.3	5677.2	5704.3	5598.9	5571.2	301.3	5.7
Services: debit	3644.1	3864.7	3779.4	3812.0	3775.0	3760.7	116.5	3.2
Balance on goods and services	(8592.5)	(8625.9)	(8274.5)	(8218.1)	(8072.3)	(8155.2)	437.3	(5.1)
Primary income: credit	696.9	719.7	744.1	744.9	747.8	749.0	52.0	7.5
Primary income: debit	1510.7	1448.6	1634.9	1601.1	1693.1	1666.7	156.0	10.3
Balance on goods, services, and PI	(9406.3)	(9354.8)	(9165.3)	(9074.4)	(9017.6)	(9072.9)	333.4	(3.5)
Secondary income: credit	5004.9	5054.1	5228.5	5288.6	5304.7	5328.9	324.0	6.5
Secondary income: debit	51.4	47.9	47.4	42.8	39.7	39.2	12.2	(23.8)
Capital Account	262.2	262.5	222.2	214.9	211.2	223.6	38.6	(14.7)
Financial Account	(5829.5)	(6548.4)	(4361.2)	(6979.0)	(7252.5)	(6346.3)	516.9	8.9

Source of Data: Central Bank of Kenya

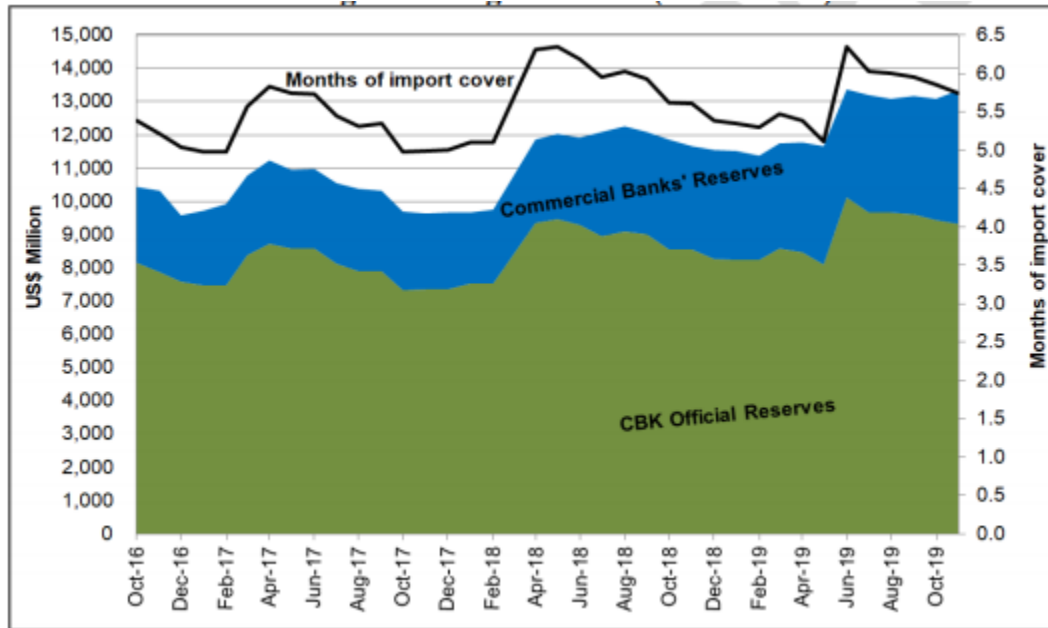
The capital account declined by US\$ 38.6 million to US\$ 223.6 million in the year to October 2019, reflecting a decline in project grants. Similarly, financial account deteriorated to US\$ 6,346.3 million in October 2019 compared to US\$ 5,829.5 million in October 2018. The financial inflows were mainly in the form of other investments, direct investments and portfolio investments which stood at US\$ 3,680.8 million, US\$ 1,357 million and US\$ 1,284.4 million, respectively in October 2019. Other investment inflows mainly include foreign financing for Government infrastructure projects.

3.2.2.6 FOREIGN EXCHANGE RESERVES

Foreign exchange reserves have increased from around 3.0 months of import cover in 2003 to above 5.0 months of import cover in 2019. This fulfils the requirement to maintain at least 4 months of imports cover, and the EAC region's convergence criteria of 4.5 months of imports cover and thus provide an adequate buffer against short term shocks in the foreign exchange market.

The banking system's foreign exchange holding remained strong at US\$ 13,343.9 million in October 2019 from US\$ 11,667.9 million in October 2018 (Chart 1.8). The official foreign exchange reserves held by the Central Bank improved to US\$ 9,336.8 million (5.7 months of import cover) in October 2019 compared with US\$ 8,553.9 million (5.6 months of import cover) in October 2018. Commercial banks holdings stood at US\$ 4,007.2 million in October 2019 up from US\$ 3,114.0 million in October 2018.

Figure 6: Official Foreign Exchange Reserves (US\$ million)

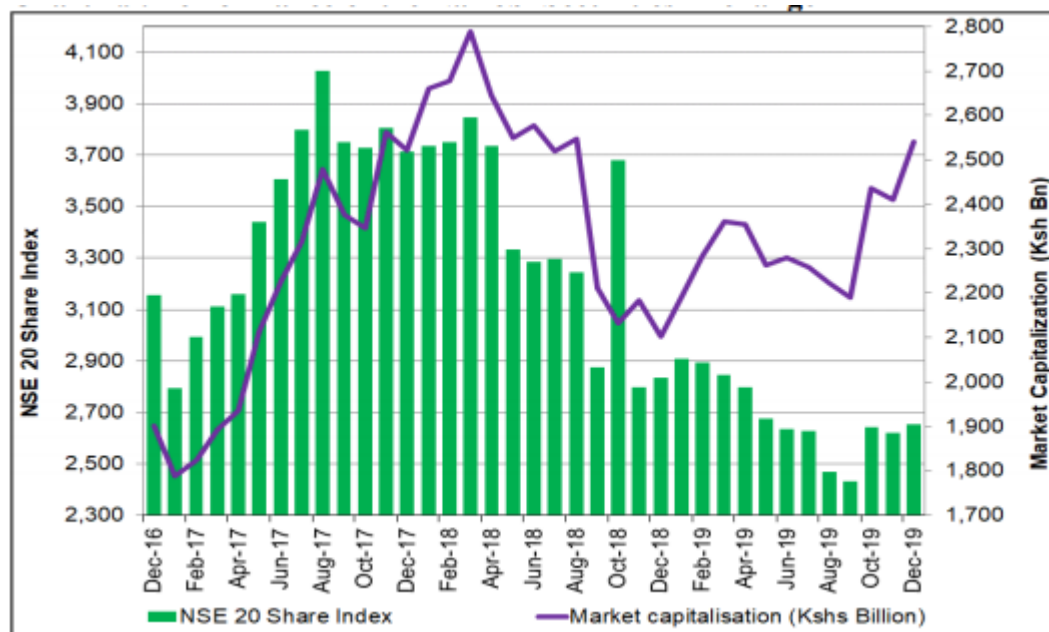


Source of Data: Central Bank of Kenya

3.2.2.7 NAIROBI SECURITIES EXCHANGE

Activity in the capital market picked up in December 2019 compared to December 2018, with equity share prices rising as shown by the NSE 20 Share Index. The NSE 20 Share Index was at 2,654.4 points by end of December, 2019 compared to 2,383.8 points by end December, 2018. On the other hand, market capitalization improved from Ksh 2,102.0 billion to Ksh 2,540.0 billion over the same period.

Fig 7: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

3.2.3 DOMESTIC ECONOMIC INDICATORS

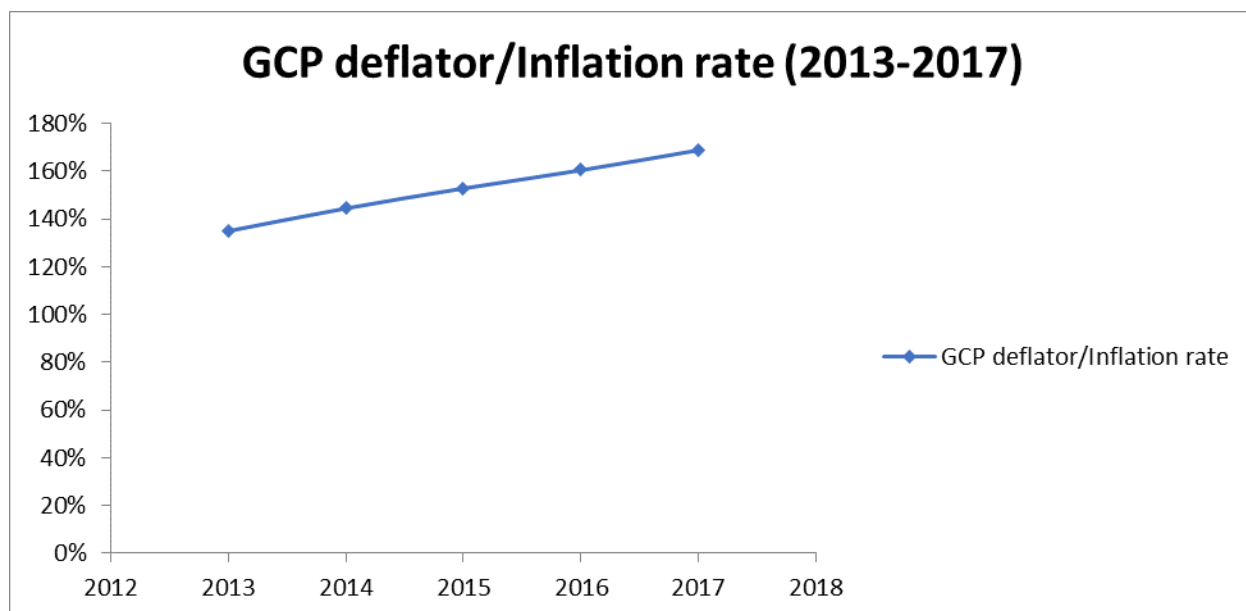
3.2.3.1 INFLATION

Table 6: Kisumu County GCP deflator/Inflation

Year	Kisumu County Nominal GCP (2017 Prices)	Kisumu County Real GCP (2009 Prices)	GCP deflator	Inflation rate
2013	135,418	100,347	135%	
2014	152,655	105,662	144%	11%
2015	165,503	108,266	153%	9%
2016	181,161	112,865	161%	8%
2017		115,128	169%	

	194,489			8%
2018				

Figure 7: Kisumu County GCP deflator



Kisumu County Inflation rate was **8%** in 2017 while that of the Country was 7%. This difference was due to the method of calculation. KNBS uses CPI to calculate the National inflation rate. It however uses the GCP deflator to calculate that of County governments as it does not put imports into consideration. This method treats the County as a closed economy.

Inflation rate has been gradually increasing at a fairly constant rate from 2013 to 2017.

3.2.3.2 ECONOMIC GROWTH

Table 7 : Kisumu County Economic Growth

Year	Kisumu County GCP	Economic growth
2013	135,418	
2014	152,655	12.73%
2015	165,503	8.42%
2016	181,161	9.46%

2017	194,489	7.36%
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Figure 8: Kisumu County GCP Trend

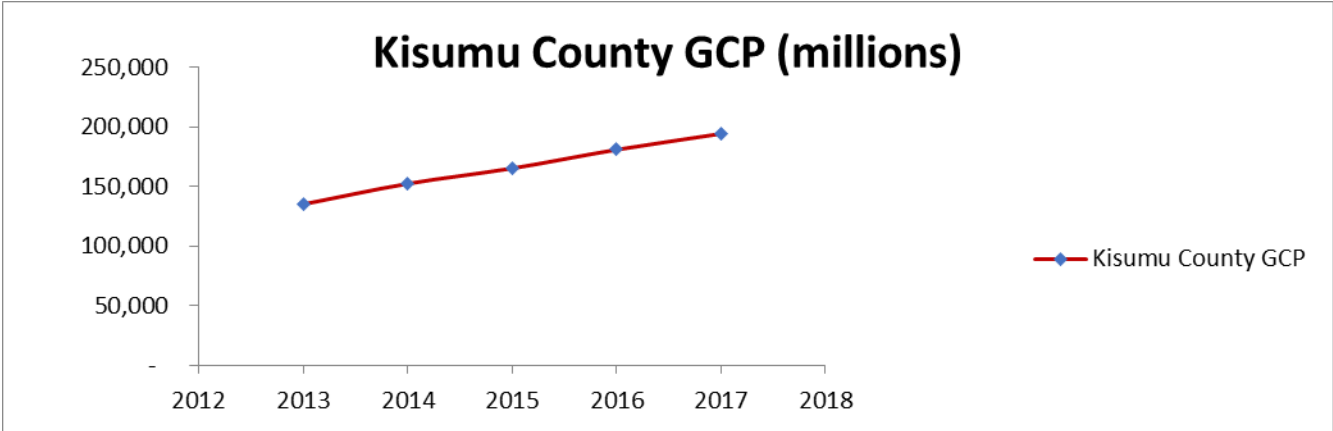
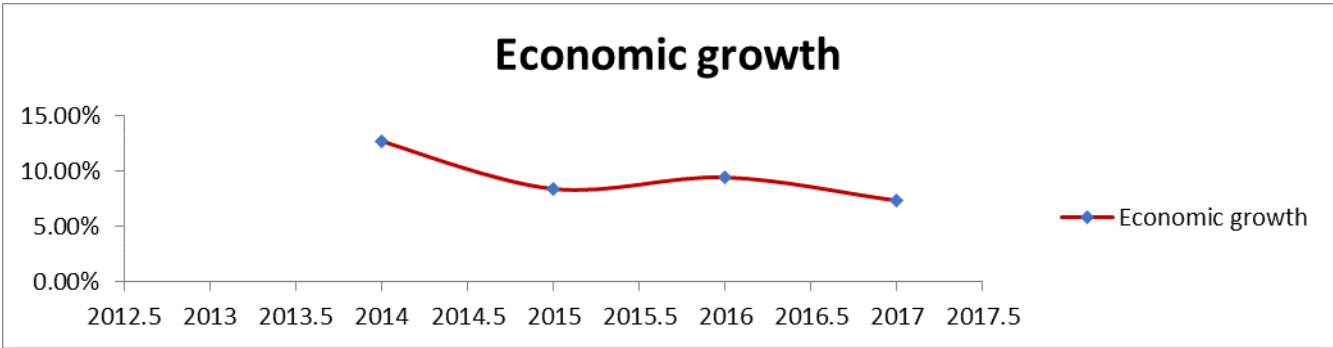


Figure 9: Kisumu County Economic Growth Trend



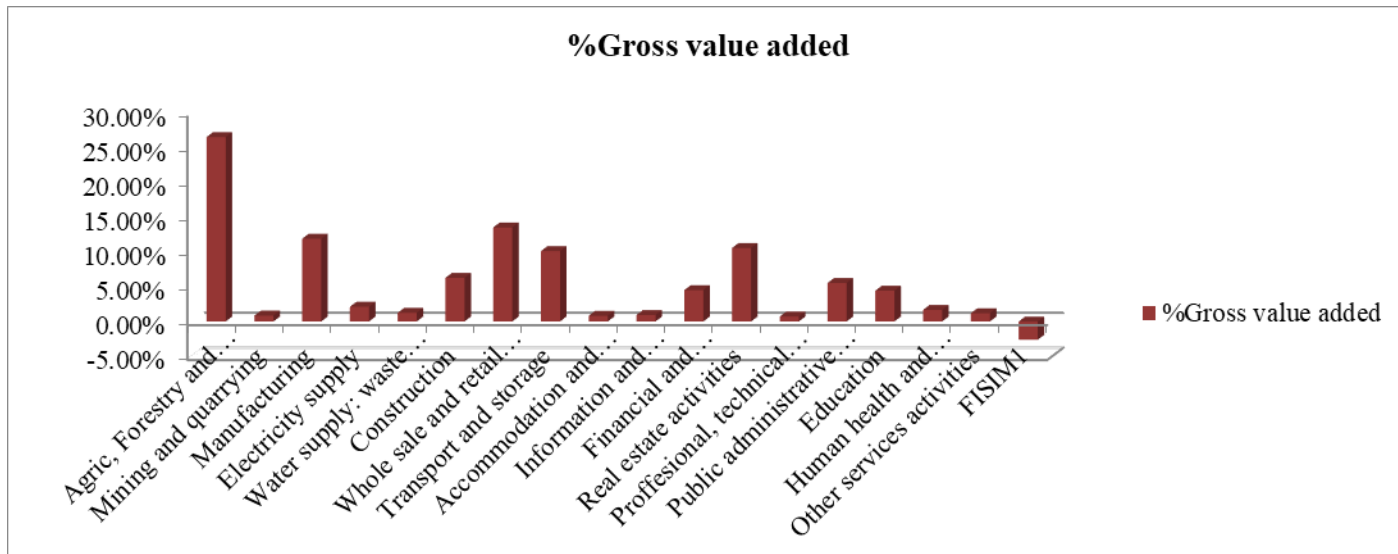
Economic growth is the increase in the inflation adjusted market value of the goods and services produced by the economy over time. The County economic growth was 7.36% in 2017. This growth has been declining due to slower growth in GCP over the time period 2013-2017.

Counties that are largely dominated by urban centers, notably Nairobi City, Mombasa and Kisumu have had their shares of GCP consistently decline over the period mostly due to growth in agriculture’s contribution to gross domestic product. On the other hand, counties with strong presence of agricultural activities, **particularly horticulture, have consistently improved their share of GCP over the period.**

Kisumu County’s economy is majorly driven by the agricultural, forestry and fishing sector. However, this has been underexploited hence affecting our overall GCP. The service sector which is also a major driver of the economy has shown slower growth over the past.

3.2.3.3 GCP CONTRIBUTION PER SECTOR

Figure 10: Sectorial Contribution to GCP



The major contribution to Kisumu GCP is agriculture, forestry and fishing at 26% while wholesale and retail, manufacturing, real estate activities and transport and storage follow at 13.4 percent, 11.8 percent, 10.5percent and 10.1 percent respectively. The County’s strategy in agricultural revitalization through rehabilitation of wetlands and expansion of irrigation schemes will increase agricultural output. This is expected to increase the GCP.

3.2.3.4 PER CAPITA GROSS COUNTY PRODUCT

Table 8 :Kisumu County Per Capita Gross County Product

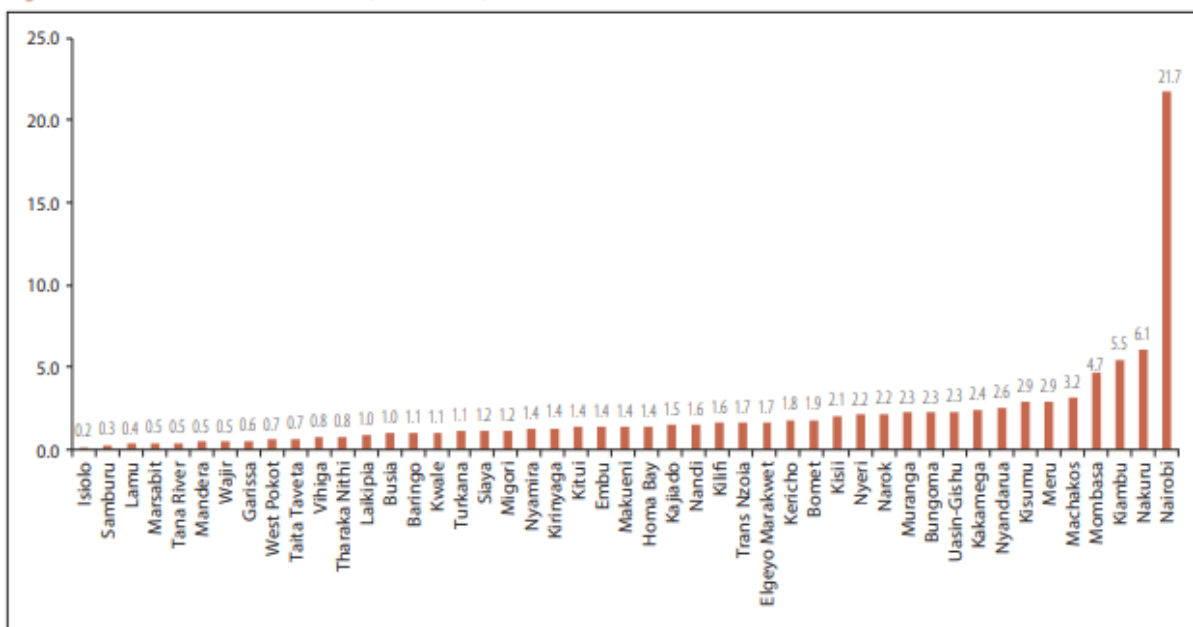
	GCP-2017	Population Projection 2017	Per Capita GCP,2017
2009 Prices (Real Prices)	115,128,000,000	1,145,749	100,483
Current Prices (2017-Nominal)	194,489,000,000	1,145,749	169,748

Prices)

This is a measure of County Economic Output shared equally among its population. It is an indicative measure of County standard of living. The real GCP in 2017 was Ksh100 483 in 2017 while the nominal GCP per capita was Ksh.169 748. Kisumu County’s living standards was above the national real GDP per capita which was Ksh.96 779 in 2017.

3.2.3.5 GCP ACROSS COUNTIES

Figure 11: GCP Comparison to other counties



Kisumu was ranked position seven in gross value added to the national GDP which was at 2.9%. Kisumu County has a potential in the agricultural and service sector, the service sector has scope for expansion in towns that are outside the city of Kisumu.

CHAPTER FOUR

FISCAL POLICY AND BUDGET FRAMEWORK

4.0 INTRODUCTION

The 2020/21 Kisumu CFSP will be implemented as we focus on strengthening the government service delivery and performance management system. The County government will continue targeting creation of conducive business environment for investment, job creation and infrastructure development to deliver on the development agenda. The key priority areas will therefore be:

- i. Revitalize agriculture for food security and agribusiness;
- ii. Ensure a healthy population living in a clean environment;
- iii. Build modern physical infrastructure;
- iv. Promote skills development and innovation;
- v. Conserve the environment while opening the Kisumu lakefront for business;
- vi. Provide decent housing in inclusive towns, semi-urban centres and villages;
- vii. Promote sports, culture and the arts;
- viii. Promote industrialization and a vibrant service sector, supported by sustainable energy sources and information and communication technologies;
- ix. Promote tourism driven by culture and heritage as well as new products;
- x. Deepen the structures of devolved governance and strengthen revenue generation and accountability in use of public funds

Beginning in the financial year 2020/2021, the County of Government of Kisumu will adopt the Blue Economy Framework for development planning. This framework establishes the linkages between agriculture, infrastructure, industry, health, education and other social services as well as innovation and industrialization that harness economic potential in regions near water bodies. The Office of the Governor is coordinating the development of the *Kisumu County Strategy for Harnessing the Blue Economy for Sustainable Socio-Economic Development*.

The County Government has projected to raise **Kshs.10.15B** in the FY 2020/2021 to finance its programmes in order to achieve the above objectives. The funds will be allocated as categorized below:

- i. Personnel Emoluments will be 42%
- ii. Development Expenditure will be at 30%
- iii. Operation and Maintenance Expenditure will be 28%

In addition, the County Government will;

- i. In line with the PFM regulations 2015, borrowing will be restricted to fund development expenditure. The County Government of Kisumu since inception has not resorted to short term borrowing to fund its recurrent expenditure and this shall be maintained
- ii. Increased engagement with the donor community to fund some programmes and also fast track development of PPP policy
- iii. Prudent fiscal risk management. The government will continuously make reference to the national macro-economic forecasts and projections to gauge its implications to the budget
- iv. Strict adherence to the CRA, SRC and Controller of budget guide lines

4.1 FISCAL STRUCTURAL REFORMS

This policy aims at increasing allocation of more resources to development expenditure as it continues with the following programmes:

- i. Enhancing revenue mobilization; by finalizing revenue automation project through system integration, networking and acquisition of relevant equipment e.g. POS machines and computers. Finally enhancing enforcement mechanisms, identification of new revenue streams and improvement of service delivery
- ii. Development and implement the Valuation Roll
- iii. Expenditure rationalization by finalizing and subsequent implementation of staff rationalization report.
- iv. Expenditure efficiency and effective implementation of budget programs; Continuous implementation of e-procurement, embrace internet banking and preparation of budget through IFMIS.
- v. Training, roll out and use of financial operations process manual.

- vi. Implementation of expenditure containment and rationalization to ensure efficiency in resource allocation and expenditure.
- vii. Realizing Value-for-Money in County development programmes by Strengthening Monitoring and Evaluation (M&E) and Performance Management.
- viii. Improving the quality of government strategy and policy by enlisting high-level advisory services.

4.2 DEBT MANAGEMENT STRATEGY

4.2.1 STOCK OF DEBT

Debts in the context of County Governments refer to monies borrowed by the government from commercial entities and pending bills owed to suppliers. As at 31st December, 2019, the county had no debt owed to any commercial bank. However, accumulation of pending bills still remains a challenge that needs to be addressed. The total stock of debt as at 30th June, 2019 stood at **Kshs.2, 869,527,349**. The accumulated debt of **Kshs. 2,869,527,349** has been occasioned by revenue shortfalls over the years since 2013/14.

Pending Bills for the Last Three Financial Years

Category	Financial Years			
	2016/2017	2017/18	2018/19	TOTAL
Recurrent	778,511,483	301,537,750	255, 238, 662	1,335, 287, 895
Development	97,646,697	540,647, 747	770,079, 148	1, 408, 373, 592
TOTAL	876,158,180	842,185,497	1, 025, 317, 810	2, 743,661, 487

Source: Finance, Debt Section

4.2.2 PRINCIPAL RISK ASSOCIATED WITH DEBT

<i>Debt category</i>	<i>Nature of risk</i>	<i>Level of risk</i>	<i>Mitigation action taken so far</i>
<i>Staff salary arrears</i>	Inaccurate payroll	Medium	Regular reconciliation of payroll
<i>Employee pension scheme</i>	Risk of breaches of statutory regulations	Highly critical	Ensure compliance of the laws
<i>Other employee benefits</i>	Staff turnover risk	High	Increase tangible benefit specifically to senior staff
<i>Court awards/ fees</i>	Litigation risk	High	Ensure strict compliance with court rules
<i>Bank loan/ overdraft</i>	Credit risk	High	Cash flow management and financial feasibility studies
<i>Electricity bills</i>	Unwillingness to render services to the County	High	Adhere to customer service charter
<i>Water bills</i>	Unwillingness to render services to the County	High	Adhere to customer service charter
<i>Other suppliers and service providers</i>	Unwillingness to render services to the County	High	Adhere to customer service charter
<i>Contractors</i>	Litigation risk	Highly critical	Timely payment of suppliers
<i>NSSF</i>	Risk of breaches of statutory regulations	Highly critical	Ensure compliance with the laws
<i>NHIF</i>	Medical risk resulting	High	Sensitize staff on medical scheme

	into loss of productivity		
<i>KRA</i>	Risk of breaches of statutory regulations	Highly critical	Ensure compliance with the laws
<i>Debt to national government</i>	Litigation risk	Highly critical	Adhere to contractual obligations

4.2.3 STRATEGIES OF DEALING WITH DEBT IN THE MEDIUM TERM

i. Debt servicing

The inherited debts which have already been verified need to be paid and this necessitates setting aside sufficient funds in the budget to repay debt. As indicated earlier, the total stock of debt as at 30th June, 2019 was Ksh 2.8B. To liquidate this debt, a minimum of Ksh 1.0B needs to be set aside in the budget for 2020/2021. However, the actual ceiling will be firmed up in the CFSP for those particular financial years after considering all sector's requirements in line with the funds available.

ii. Debt restructuring

The County exploring the possibility if debt restructuring as one method of dealing with debts particularly for retirement benefits. This will spread the debt burden over a period of time since the existing debt cannot be cleared within a year due to budget constraint. Restructuring will also help the County to avoid payment of penalty and interest as the new terms shall have been agreed and fixed before-hand. This will further save the County from legal battles.

iii. Prioritization of programs

The pending bills arising from all ministries department and entities will have to be cleared as a first charge in the succeeding budget beginning with 2016/2017 to avoid accumulation of bills. This will comprise implementation of some of the sector's

programs as well as service delivery but is a necessary measure in ensuring that the County does not accumulate debt in succeeding years. This will also require all ministries to prioritize programs taking cognizance of resource constraints.

iv. Capacity building of County attorney’s office

The escalating legal fees need to be contained by adequately staffing the office of the County attorney so that legal litigation matters can be handled in house rather than outsourcing legal services. To reduce the number of disputes which end up in court, the legal department must be fully involved in the drawing of contracts involving the County and third parties.

4.3 PROPOSED SECTOR CEILINGS

Departments/County Entities	Percentage of Total Allocation 2020/2021	Conditional Grants	Total Amount to be allocated 2020/2021
Agriculture, Irrigation, Livestock and Fisheries	6.5%	171,579,568.00	661,086,106.70
Finance and Economic Planning	5.0%	30,000,000.00	504,066,767.66
Business, Cooperatives and Markets	1.7%	0.00	172,558,862.36
Energy and Industrialization	3.4%	0.00	346,711,782.21
Physical Planning, Lands and Urban Development	3.7%	0.00	375,739,578.26
Water, Environment & Natural Resources	4.5%	80,000,000.00	458,119,735.38
Health and Sanitation	35.8%	445,941,830.00	3,635,315,802.04
Education, Human Capacity Development and ICT	6.0%	41,673,298.00	607,290,540.82
Roads, Public Works and Transport	6.2%	194,055,750.00	630,419,365.89

Tourism, Culture, Arts, Sports and Information	3.9%	0.00	392,573,020.16
Governance and Administration	5.6%	0.00	566,625,743.03
City of Kisumu	10.2%	782,373,300.00	1,035,396,061.90
Kisumu County Public Service Board	0.7%	0.00	71,450,991.60
County Assembly	6.8%	0.00	691,921,494.00
TOTAL	100.0%	1,745,623,746.00	10,149,275,852.00

The ceilings are based on sector priorities and the proposed budget for ADP FY 2020/21. The departmental allocations are inclusive of conditional grants.

Analysis of Sector Ceilings shows that the department of Health and Sanitation has the highest percentage allocation of 35.8% followed by the City of Kisumu at 10.2%.

The departments of Energy and Industrialization, Business, Cooperatives and Marketing and Kisumu Public Service Board has the lowest percentage allocations of 3.4%, 1.7% and 0.7% respectively.

4.4 RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

4.4.1 DETERMINATION OF RESOURCE ENVELOPE

The resource envelope available for allocation among the spending entities in Kisumu County comprises of:

- ✓ Share of National Revenue, which finances over 85 per cent of the budgeted expenditure; consists of equitable share and conditional grants.
- ✓ Locally Collected revenue including property rates, entertainment taxes, levies, fees and charges.

The County's share of the National revenue which includes equitable share and conditional loans and grants from the National government is projected at **Kshs.8.6B** in FY 2020/21 while the total revenue is projected at **Kshs.10.15B** in FY 2020/2021. The total revenue includes the County's share of national revenue as well as locally collected revenue.

RESOURCE ENVELOPE FOR FY 2020/2021

Table 9: Kisumu County Resource Envelope

Revenue Items	Approved Estimates	CARA Allocatio ns	CFSP Projected Estimates	Projected Estimates	Projected Estimates
	2019/2020	2019/2020	2020/2021	2021/2022	2022/2023
Opening balance from CRF A/C	1,524,076, 529				
Equitable Share	6,696,000, 000	6,836,400, 000	6,864,480,000	7,826,994, 360	8,374,883, 965
DANIDA	21,971,250	20,625,00 0	20,625,000	20,625,000	20,625,000
KDSP (WORLD BANK)	49,642,674	30,000,00 0	30,000,000	30,000,000	30,000,000
Universal health Care	274,576,63 2	0	0	0	0
Level 5 conditional Grant(reducing)	369,017,34 1	369,017,3 41	369,017,341	369,017,34 1	369,017,34 1
Conditional Allocation - Development of Youth Polytechnics	41,650,000	41,673,29 8	41,673,298	41,673,298	41,673,298

EU Water Tower Protection and Climate Change Mitigation and Adoption Programmes	80,000,000	80,000,00	80,000,000	80,000,000	80,000,000
		0			
World Bank Grant for transforming health system	67,364,355	35,000,00	35,000,000	35,000,000	35,000,000
		0			
Sweden - Agricultural Sector Development Support Programmes (ASDSP) II + Balance c/f in FY 2017/2018	16,331,934	17,029,22	17,029,227	17,029,227	17,029,227
		7			
IDA World Bank Kenya Urban support Programmes (KUSP)	773,573,30	773,573,3	773,573,300	773,573,30	773,573,30
	0	00		0	0
IDA (World Bank)-Kenya Climate Smart Agriculture Project (KCSAP)	118,482,11	118,482,1	118,482,110	118,482,11	118,482,11
	0	10		0	0
Kenya Urban Support Programmes (KUSP)-Urban Institutional Grant	41,200,000	8,800,000	8,800,000	8,800,000	8,800,000
Conditional Allocation For compensation for user fee forgone	21,299,489	21,299,48	21,299,489	21,299,489	21,299,489
		9			
Conditional Allocation for Road Maintenance Fuel Levy Fund	181,881,62	194,055,7	194,055,750	194,055,75	194,055,75
	4	50		0	0
EU Grant for Instrument for Devolution Advice & Support (IDEAS)	90,000,000	36,068,23	36,068,231	36,068,231	36,068,231
		1			
Total Share of National Revenue	10,367,067	8,582,023,	8,610,103,746	9,572,618,	10,120,507
	,238	746		106	,711
Locally collected Revenue					
Main Revenue Streams					

Market Fees	118,436,11	118,436,1	126,726,647	135,597,51	145,089,33
	9	19		3	9
Parking Fees	118,253,12	118,253,1	126,530,846	135,388,00	144,865,16
	7	27		5	5
Bus Park	157,211,82	157,211,8	168,216,655	179,991,82	192,591,24
	7	27		1	8
Boda-boda self-regulation	30,000,000	30,000,00	32,100,000	34,347,000	36,751,290
		0			
Rents	43,572,630	43,572,63	46,622,714	49,886,304	53,378,345
		0			
Land Rates	207,354,45	207,354,4	221,869,266	237,400,11	254,018,12
	4	54		4	2
Single Business Permits	140,000,00	140,000,0	149,800,000	160,286,00	171,506,02
	0	00		0	0
Building Plans	30,926,085	30,926,08	33,090,911	35,407,275	37,885,784
		5			
Liquor Licenses	30,000,000	30,000,00	32,100,000	34,347,000	36,751,290
		0			
Sign Board promotion etc.	82,000,000	82,000,00	87,740,000	93,881,800	100,453,52
		0			6
Public Health	3,000,000	3,000,000	3,210,000	3,434,700	3,675,129
Cesses - Others	55,104,362	55,104,36	58,961,667	63,088,984	67,505,213

	2				
Subtotal for main revenue streams	1,015,858,604	1,015,858,604	1,086,968,706	1,163,056,516	1,244,470,472
Health	320,000,000	320,000,000	342,400,000	366,368,000	392,013,760
Agriculture, mechanization and training	15,000,000	15,000,000	16,050,000	17,173,500	18,375,645
Commerce, Trade and Tourism	1,750,000	1,750,000	1,872,500	2,003,575	2,143,825
Industrialization / Cooperatives	70,000	70,000	74,900	80,143	85,753
Educ. Sports, Social services etc.	8,000,000	8,000,000	8,560,000	9,159,200	9,800,344
Physical planning /Public works	3,000,000	3,000,000	3,210,000	3,434,700	3,675,129
Water	10,000,000	10,000,000	10,700,000	11,449,000	12,250,430
Roads, Public Works Equipment Hire & Supervision	56,000,000	56,000,000	59,920,000	64,114,400	68,602,408
Energy and Mining	2,300,000	2,300,000	2,461,000	2,633,270	2,817,599
Green Energy and Mining	4,500,000	4,500,000	4,815,000	5,152,050	5,512,694
Environment (Pollution Administrative & Restoration charges)	2,000,000	2,000,000	2,140,000	2,289,800	2,450,086
Total Revenue from other sources	422,620,000	422,620,000	452,203,400	483,857,638	517,727,673
Gross Locally Collected Revenue	1,438,478,	1,438,478,	1,539,172,106	1,646,914,	1,762,198,

	604	604		154	144
GRAND TOTAL	11,805,545	10,020,50	10,149,275,85	11,219,532	11,882,705
	,842	2,350	2	,260	,855

- The increase in resource envelope has been attributed to the projected economic growth of 6% in the year 2020 (AfDB Report- Kenyan Wallstreet) and the anticipated increase of 1% in efforts of raising local revenues.
- Factoring of opening balances has been deferred to the time of actual budgeting.
- It is assumed that the grants and loans will not grow at the same rate as equitable share from the National Government.
- Other items of loans and grants which are usually budgeted for but never disbursed to the Counties have not been factored in the projections.

4.4.2 CRITERIA FOR RESOURCE SHARING

- Non – discretionary expenditure:** In the recurrent expenditure category, non-discretionary expenditures take the first charge and include statutory obligations such as salaries, gratuity and pension that are financed by the Kisumu County government. These expenditures are projected at **42** per cent of the total revenue.
 - Development expenditures** are shared out on the basis of CIDP priorities as well as strategic interventions to boost revenue base and stimulate the economic growth as outlined in the Governor’s Manifesto. The Development expenditures are estimated at **30** percent
 - **On-going projects:** emphasis is given to completion of on-going projects with high impact on poverty reduction, social injustices, employment and wealth creation.
 - **Infrastructure projects:** with the County government’s commitment to improve infrastructure, construction of roads, development of water and sanitation network, energy and construction of offices will be given priority.
 - Operations and maintenance:** It will account for **28** per cent of the total estimated revenue.
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**REVENUE PERFORMANCE FOR FIRST AND SECOND QUARTER OF THE FY
2019/2020**

Table 10: Revenue Collection Report 2019/2020

Revenue Streams	First Quarter	Second Quarter
Locally collected Revenue		
Main Revenue Streams		
Land Rates	13,065,268	4,988,619
Rents	4,721,108	4,429,379
Trade license fees	11,917,739	3,297,492
Bus Park Fees	28,625,650	26,953,400
Parking Fees	23,901,590	19,906,712
Cess fees	891,690	1,825,337
Clamping Fees	119,000	56,000
Market Fees	19,579,830	19,486,870
Building Plans	9,649,900	8,069,530
Sign Board promotion etc	6,586,281	4,854,499
Sundry revenue	6,961,347	4,462,594
Boda Boda	1,817,250	-
Public Health and Others	1,365,450	1,145,100
Sub-Total	129,202,147	99,475,532
Revenue from Departments		
Health	1,567,550	91,548,835
Agriculture, Livestock and Fisheries	1,737,652	1,191,065
Commerce, Tourism, Trade and Heritage	237,140	209,320
Water	-	-
Lands, Housing and Physical Planning	3,777,300	1,080,419
Education, Youth, Culture and Sports	1,455,940	1,949,290
Industrialization and Enterprise Dev.	-	-
Liquor License	1,634,000	2,199,000

Revenue Streams	First Quarter	Second Quarter
Green Energy	-	-
Energy & Mining	-	-
Environment	476,996	590,495
Roads, Transport and Public Works	187,250	842,463
Governance and Administration	786,245	420,750
Paybill	13,647,142	-
Direct payment to KCRA	-	-
Sub-Total	25,510,215	100,031,637
	-	-
Total	154,712,362	199,507,169

The County Government had targeted to collect Kshs. 1,438,478,607 in the FY 2019/20. However, revenue performance shows that only 24.62 per cent of the target has been realized. This percentage is expected to improve when much revenue is collected from structured streams in the third quarter. Because of the expected shortfall in revenue, County Government of Kisumu will continue to enhance revenue collection by implementing the following initiatives: finalization of revenue management system by undertaking systems integration, acquisition of ICT infrastructure such as POS machines, recruitment and training of revenue personnel and implementation of valuation roll in the FY 2020/21.

Fiscal Performance by County Departments

The table below shows a summary of the approved budget allocation and performance by departments in FY 2018/19.

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		FY 2018/19 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	271.77	247.36	271.85	169.22	218.74	88.13	80.5	52.1	80.5	35.6
City of Kisumu	753.98	925.23	753.98	917.03	717.89	364.37	95.2	39.7	95.2	39.4
Kisumu County Public Service Board	81.26	-	81.26	-	63.38	-	78.0	-	78.0	-
Education, Gender, Youth, Human Resource Development, ICT and Social Services	404.19	294.42	404.19	160.27	305.63	220.33	75.6	137.5	75.6	74.8
Office of the Governor and County Administration	513.75	120.95	513.75	109.00	375.36	64.63	73.1	59.3	73.1	53.4
Health Services	3,101.94	401.86	3,008.48	166.00	2,400.19	115.24	79.8	69.4	77.4	28.7
Economic Planning	49.11	62.94	49.11	53.46	32.68	55.19	66.5	103.2	66.5	87.7
Tourism, Culture, Sports and	92.19	210.10	92.19	38.18	65.19	151.35	70.7	396.4	70.7	72

Information										
Roads, Transport and Public Works	190.10	539.80	190.10	260.59	131.15	447.36	69.0	171.7	69	82.9
Lands, Housing and Physical Planning	100.04	121.90	100.04	96.97	39.67	53.81	39.7	55.5	39.7	44.1
Business, Energy and Industry	123.08	371.52	123.08	167.46	75.22	155.70	61.1	93	61.1	41.9
Finance	733.54	963.68	733.54	815.08	538.86	831.55	73.5	102	73.5	86.3
Water, Environment and Natural Resources	146.67	318.60	146.67	257.99	113.64	128.06	77.5	49.6	77.5	40.2
County Assembly	684.80	50.76	684.80	-	625.45	-	91.3	-	91.3	-
Total	7,246	4,629	7,153	3,211	5,703	2,676	73.7	110.8	73.5	57.3

