



COUNTY GOVERNMENT OF LAMU



LAMU COUNTY BUDGET REVIEW OUTLOOK PAPER

September, 2023

Prepared by:

The Department of Budget, Strategy and Economic Planning

P.O. Box 74 - 80500 Lamu, Kenya

Email: budget@lamu.go.ke, Website: www.lamu.go.ke

FOREWORD

The County Budget Review and Outlook Paper (CBROP) 2023 has been prepared in line with section 118 of the Public Finance Management (PFM) Act 2012 which requires the county government to prepare a Budget Review and Outlook Paper in respect for each financial year; and submit it to the County Executive Committee by 30th September of each Financial Year.

The paper reviews fiscal performance of the county for the 2022/23 financial year while comparing it with the budget appropriation. In addition, it provides information on changes in forecasts as indicated in the County Fiscal Strategy Paper (CFSP) 2022; and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the county financial objectives for that year. It further gives reasons for any deviation from the county financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviations.

The updated economic and financial outlook presented in this paper will set out the broad fiscal parameters for preparation of the next budget. In particular, the provisional ceilings presented are intended to guide departments in preparing their budgets.

It is therefore my expectation that the policy paper will be useful in enhancing financial discipline and fiscal responsibilities outlined in section 107 of the PFM Act 2012 and thus contribute towards the realization of aspiration of the residents of Lamu County.

MOHAMED MBWANA ALI
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE, BUDGET, STRATEGY & ECONOMIC PLANNING

ACKNOWLEDGEMENT

In compliance with the Public Finance Management (PFM) Act, 2012 and its related regulations, we are pleased to present the 2023 Lamu County Budget Review and Outlook Paper (CBROP). The CBROP highlights actual financial performance for the Financial Year (FY) 2022/2023 against the budget appropriations for the same year. It equally provides a review of the recent economic developments and highlights the actual performance of the FY 2022/23 with regards to compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act or the financial objectives in the CFSP for that financial year; and

The preparation of the 2023 CBROP was a collective effort by various departments Lamu County Government departments. I thank all the departments for providing important and timely information about the execution of their budget for the financial year 2022/23. This information was very helpful in laying out the basis upon which the projections for the next financial years will be done.

My heartfelt appreciation goes to the team of staff from the County Government of Lamu who put in a great effort in compiling the CBROP. In this regard, I am specifically grateful to the staff from Budget and Economic Planning and Finance who not only ensured its timely production but also reviewed its overall flow, comprehensiveness and quality.

SALMA OMAR
CHIEF OFFICER
FINANCE, BUDGET, STRATEGY & ECONOMIC PLANNING

TABLE OF CONTENTS

FOREWORD	ii
ACKNOWLEDGEMENT	iii
LIST OF TABLES	vi
LIST OF FIGURES	vii
LIST OF ABBREVIATIONS.	viii
PREAMBLE	ix
SECTION ONE: INTRODUCTION TO CBROP	1
1.0 INTRODUCTION	1
1.1 Objective of CBROP	1
1.2 Significance of CBROP	2
1.3 Structure	3
SECTION TWO	4
REVIEW OF COUNTY FISCAL PERFORMANCE FOR FY 2022-23	4
2.1.1 Overview of FY 2022/23 Budget	4
2.1.2 Revenue Performance	6
2.1.2.1 Reasons for Unmet Revenue Target.	10
2.1.3 Exchequer Issues	11
2.1.4 County Expenditure Review	12
2.1.5 Settlement of Pending Bills.	14
2.1.6 Expenditure by Economic Classification.	14
2.1.7 Expenditure on Employees' Compensation	14
2.1.8 County Emergency Fund and County Established Funds	15
2.1.9 Expenditure on Operations and Maintenance	17
2.1.10 Development Expenditure.	18
2.1.11 Budget Performance by Department	20
2.1.12 Budget Execution by programmes and sub-programmes	21
2.1.13 Analysis of Departmental Deviation.	35
2.1.14 Challenges in Implementation of the Budget	38
2.1.15 Implication of 2021/2022 fiscal performance on fiscal responsibility principles and financial Objectives for FY 2022/2023.	39
2.1.16 Fiscal Responsibility Principles	39
SECTION III: RECENT ECONOMIC DEVELOPEMENT AND OUTLOOK	41
3.1 Recent Economic Performance	41
3.1.1 Gross Domestic Product (GDP) Growth Rates.	41

3.1.2	Inflation rate.....	42
3.1.3	Interest Rate.....	43
3.1.4	Exchange Rate.....	43
3.2	Gross County Product (GCP).....	44
3.3	County Sector/ programme Performance.....	46
3.4	Implementation of FY 2023/24 budget.....	47
3.5	Programmes Performance in the FY 2022-2023.....	47
3.6	Medium Term Fiscal Framework (MTEF)	50
3.7	Risks to the outlook.	51
SECTION FOUR		52
RESOURCE ALLOCATION FRAMEWORK		52
4.1	Implementation of the FY 2023/24 Budget	52
4.2	Amendment to the FY 2023/24 budget.....	53
4.3	FY 2024-25 Revenue Outlook	54
4.4	Medium-Term Expenditure Framework	55
4.4.1	Medium-Term Revenue Strategy.....	56
4.4.2	Varios challenges that have hindered the actualization of revenue collection.....	57
SECTION FIVE: CONCLUSION AND NEXT STEPS.....		60
5.0	CONCLUSION AND NEXT STEPS	60
ANNEX I: BUDGET CALENDAR FOR THE FY 2023/24 MEDIUM-TERM BUDGET		61

LIST OF TABLES

<i>Table 1 : Lamu County, Revenue Performance in FY 2022/23</i>	<i>5</i>
<i>Table 2 Quarterly Revenue Performance over the last 6 financial years</i>	<i>6</i>
<i>Table 3 : Detailed Revenue Performance comparison for financial year 2022/23 and 2021/2022</i>	<i>8</i>
<i>Table 4 : Lamu County Exchequer Issues in FY 2022/23</i>	<i>11</i>
<i>Table 5 : Summary of Budget and Expenditure by Economic Classification</i>	<i>12</i>
<i>Table 6: Performance of County Established Funds as of 30th June 2023</i>	<i>16</i>
<i>Table 7: Lamu County, List of Development Projects with the Highest Expenditure</i>	<i>18</i>
<i>Table 8: Lamu County, Budget Allocation and Absorption Rate by Department</i>	<i>20</i>
<i>Table 9: summarises the budget execution by programmes and sub-programmes in FY 2022/23.</i>	<i>22</i>
<i>Table 10: Analysis Deviation.</i>	<i>35</i>
<i>Table 11: Foreign Exchange Rates of Kenya Shilling against Selected Currencies, 2017- 2022</i>	<i>44</i>
<i>Table 12: Revenue collection July and August 2022-23 vs 2023-24</i>	<i>52</i>
<i>Table 13: Amended Budget 2023-24</i>	<i>53</i>
<i>Table 14: Revenue Projections over the medium</i>	<i>54</i>
<i>Table 15: Summary of Expenditure Projections for FY 2024/25 and MTEF in Million KShs</i>	<i>55</i>
<i>Table 16: Average OSR Collection as a % of the Estimated Revenue Potential</i>	<i>57</i>
<i>Table 17: OSR Growth Trends from FY 2021/2022 to FY 2022/23</i>	<i>62</i>
<i>Table 18: County Governments' Fiscal Performance for FY 2022/23</i>	<i>62</i>

LIST OF FIGURES

<i>Figure 1: County Resource Envelope</i> -----	4
<i>Figure 2: Trend in Own-Source Revenue Collection from FY 2016/17 to FY 2022/23</i> -----	7
<i>Figure 3 Top Streams of Own Source Revenue in FY 2022/23</i> -----	7
<i>Figure 4 Exchequer Issue in FY 2022/23</i> -----	11
<i>Figure 5: % Absorption per economic classification</i> -----	13
<i>Figure 6: Lamu County, Operations and Maintenance Expenditure by Major Categories</i> --	17
<i>Figure 7: GDP Growth Rates</i> -----	41
<i>Figure 8: Annual Inflation rate</i> -----	43
<i>Figure 9 Gross County Product at Constant (2016) Prices, (2018-2022)</i> -----	44
<i>Figure 10 Lamu GCP % contribution to national GDP, 2018- 2022</i> -----	45
<i>Figure 11 Average County Contribution to Agriculture, Forestry and Fishing Activities.</i>	46
<i>Figure 12 : Percentage of County Budget financed by OSR collection.</i> -----	58

LIST OF ABBREVIATIONS.

ADP	Annual Development Plan
ASDSP	Agricultural Sector Development Support Programme
BPS	Budget Policy Statement
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CTRH	County Teaching and Referral Hospital
DANIDA	Danish International Development Agency
ECDE	Early Childhood Development Education
FY	Financial Year
GCP	Gross County Product
GDP	Gross Domestic Product
GoK	Government of Kenya
HSSF	Health Sector Service Fund
KCSAP	Kenya Climate Smart Agriculture Project
KDSP	Kenya Devolution Support Program
KNBS	Kenya National Bureau of Statistics
KUSP	Kenya Urban Support Program
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
O&M	Operations and Maintenance
PFM	Public Financial Management
SWG s	Sector Working Groups
TVET	Technical and Vocational Education Training
TVETA	Technical and Vocational Education Training Authority
V 2030	Vision 2030

PREAMBLE

Legal Basis for Preparation of the County Budget Review and Outlook Paper

The Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management (PFM) Act 2012. The law stipulates that:

- 1) A county Treasury shall;
 - a) Prepare a CBROP in respect of the County for each year; and
 - b) Submit the paper to the County Executive Committee (CEC) by 30th September of that year.
- 2) In preparing its CBROP, the County Treasury shall specify;
 - a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year
 - b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP)
 - c) Information on:
 - I. Any changes in the forecasts compared with the CFSP; or
 - II. How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and
 - d) Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- 3) The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the CBROP is approved by the CEC, the County Treasury shall:
 - a. Arrange for the paper to be laid before the County Assembly; and
 - b. As soon as practicable after having done so, publish and publicize the paper.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources.

Section 107 of the PFM Act, 2012 states that:

- 1) The County Government's recurrent expenditure shall not exceed the County Government's total revenue;
- 2) Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;
- 3) The county Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly;
- 4) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;
- 5) the County debt shall be maintained at a sustainable level as approved by county assembly
- 6) The fiscal risks shall be managed prudently; and
- 7) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

SECTION ONE: INTRODUCTION TO CBROP

1.0 INTRODUCTION

The Public Finance Management (PFM) Act, 2012 section 118 requires that among other responsibilities, the “County Treasury to prepare a County Budget Review Outlook Paper”. As such, this paper is prepared in accordance with this section of the PFM Act 2012. The Act requires that every county prepare a CBROP and submit it to the County Executive Committee (CEC) by 30th September of that financial year.

The County Executive Committee shall in turn:

- i. Within fourteen days after submission, consider the CBROP with a view to approving it, with or without amendments.
- ii. Within seven days after the CEC approval of the paper, the county treasury shall arrange for the paper to be laid before the County Assembly and after doing so, publish and publicize the paper.

1.1 Objective of CBROP

The objective of CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in the CFSP. This together with macroeconomic outlook provides a basis for revision of the current budget in the context of the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium-term policy priorities will be firmed up in the CFSP.

Specifically, the CBROP provides:

- Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- Details of the actual fiscal performance in the previous year compared to the budget appropriation for that particular year;
- Any changes in the forecasts compared with the CFSP;
- Indication on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so

1.2 Significance of CBROP

The paper is a policy document and links planning with budgeting. It is significant in the budget making process within the Medium-Term Expenditure Framework (MTEF) as it reviews previous fiscal performance for the year and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal responsibility principles were adhered as provided in section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative sector ceilings for the FY 2023/2024 budget and in the medium term to guide Sector Workings groups (SWGs) before being affirmed in the CFSP 2024.

1.3 Structure

This paper has five sections.

- Section one is the introduction to CBROP and its significance
- Section two reviews the county's fiscal performance for the previous year. It is divided into three sub-sections, namely, The Overview, Fiscal Performance and Implications of Fiscal Performance.
- Section three sets out how the county government intends to operate within its means. It establishes the resources envelope (total revenues) it expects then allocates these across departments by setting indicative expenditure ceilings for each department. In addition, it has four sub-sections: adjustment to the proposed budget; the medium-term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing.
- Section four gives the Medium-Term Revenue Strategy, Developments, Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook.
- Lastly, section five gives a conclusion of the entire paper.

SECTION TWO

REVIEW OF COUNTY FISCAL PERFORMANCE FOR FY 2022-23

2.1.1 Overview of FY 2022/23 Budget

The County's approved Second supplementary budget for the FY 2022/23 is Kshs.4.367 billion, comprising Kshs.1.366 billion (31.3 per cent) and Kshs.3.001 billion (68.7 per cent) allocation for development and recurrent programmes respectively. The approved budget estimate represents a decrease of 12.6 per cent compared to the previous financial year when the approved budget was Kshs.5.00 billion and comprised of Kshs.1.88 billion towards development expenditure and Kshs.3.12 billion for recurrent expenditure.

To finance the budget, the County expects to receive Kshs.3.105 billion (71.1 per cent) as the equitable share of revenue raised nationally, generate Kshs.131.00 million (3.0 per cent) from its own sources of revenue, Kshs.102.52 million as conditional grants, and a cash balance of Kshs.1.159 billion (23.6 per cent) from FY 2021/22. A breakdown of the conditional grants is provided in Table 1 and figure 1.

The cash balance from the previous financial year comprises Kshs.230.49 million from unspent conditional grants and Kshs.800.41 million, which was the balance in the CRF account at the Central Bank of Kenya.

Figure 1: County Resource Envelope



Table 1 : Lamu County, Revenue Performance in FY 2022/23

Source: Lamu County Treasury

S/No.	Revenue Category	FY 2021/2022	FY 2022/2023			
		Amount Disbursed (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipt (Kshs.)	Actual Receipts as Percentage of Annual Budget Allocation (%)	Actual to total budget %
A	Equitable Share of Revenue Raised Nationally	2,857,197,673	3,105,649,643	3,105,649,643	100	70.69
	Sub total		3,105,649,643	3,105,649,643	100	70.69
B	Conditional Grants					
1	Kenya Informal Settlements Improvement Project (KISIP II)		50,000,000	50,000,000	100	1.14
2	IDA(World bank/Kenya Climate Smart Agriculture Projects		5,236,336	5,236,336	100	0.12
3	Sweden Agricultural Sector Develop Support Programme(ASDSP II)	11343998	14,604,297	14,604,297	100	0.33
4	Financing Locally Led Climate Action Program-FIloca		22,000,000	22,000,000	100	0.50
5	DANIDA Grant Primary Health Care in Devolved Context	7380000	8,348,625	8,348,625	100	0.19
6	Urban Institution Grand		2,339,915	2,339,915	100	0.05
	Conditional Grants Total	40,082,157	102,529,173	102,529,173	100	2.33
8	B/F IDA (World bank/Transforming Health SystemFor Universal Care Project	131499062	56,619,171	56,619,171	100	1.29
9	B/F IDA(World bank/Kenya Climate Smart Agriculture Projects	204568230.95	52,143,781	52,143,781	100	1.19
10	B/F Kenya Devolution Support Programme Finance		45,302,506	45,302,506	100	1.03
11	B/F Sweden AGRICULTURE Sector Development Support Programme (ASDSP II)		31,477,419	31,477,419	100	0.72
12	B/F Urban Development Grant - Lamu Municipality		17,882,869	17,882,869	100	0.41
13	B/F Urban Investment Grant KUSP-Lamu Municipality		13,150,302	13,150,302	100	0.30
14	B/F Fuel levy	14342851	8,631,794	8,631,794	100	0.20
15	B/F Covid 19 grant	13,682,000	2,839,717	2,839,717	100	0.06
	B/F Conditional Grants Total	217368595	228,047,559	228,047,559	100	5.19

Sub total			330,576,732	330,576,732	100	7.52
C	Other Sources of Revenue					
16	Own Source Revenue inclusive of Appropriation in Aid		131,000,000	156,907,612	119.78	3.57
17	Unspent balance from FY 2021/22	13,682,000.00	800,408,298	800,408,298	100.00	18.22
Sub Total			931,408,298	957,315,910	102.78	21.79
Grand Total			4,367,634,673	4,393,542,285	101	

2.1.2 Revenue Performance

In FY 2022/23, Ksh. 4,393,542,285 was the total funds available for budget implementation during the period as shown in Table 1 above. Out of this the County generated a total of Kshs.156.,907,612 from its own sources of revenue. This amount represented an increase of 23.6 per cent compared to Kshs.126,996,806 realized in a similar period in FY 2021/22 and was 119.8 per cent of the annual target and 3.4 per cent of the equitable revenue share disbursed during the period.

Table 2 Quarterly Revenue Performance over the last 6 financial years

	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
QTR. 1	4,308,450	6,327,478	11,922,697	13,972,830	15,150,460	8,951,607
QTR. 2	9,588,640	10,450,611	20,187,590	10,830,731	35,735,783	45,840,237
QTR. 3	24,505,766	15,483,693	18,063,841	41,489,460	40,595,124	29,476,459
QTR. 4	13,799,367	39,610,655	58,732,025	42,140,629	35,515,439	72,639,309
Total	52,202,223	71,872,437	108,906,153	108,433,650	126,996,806	156,907,612

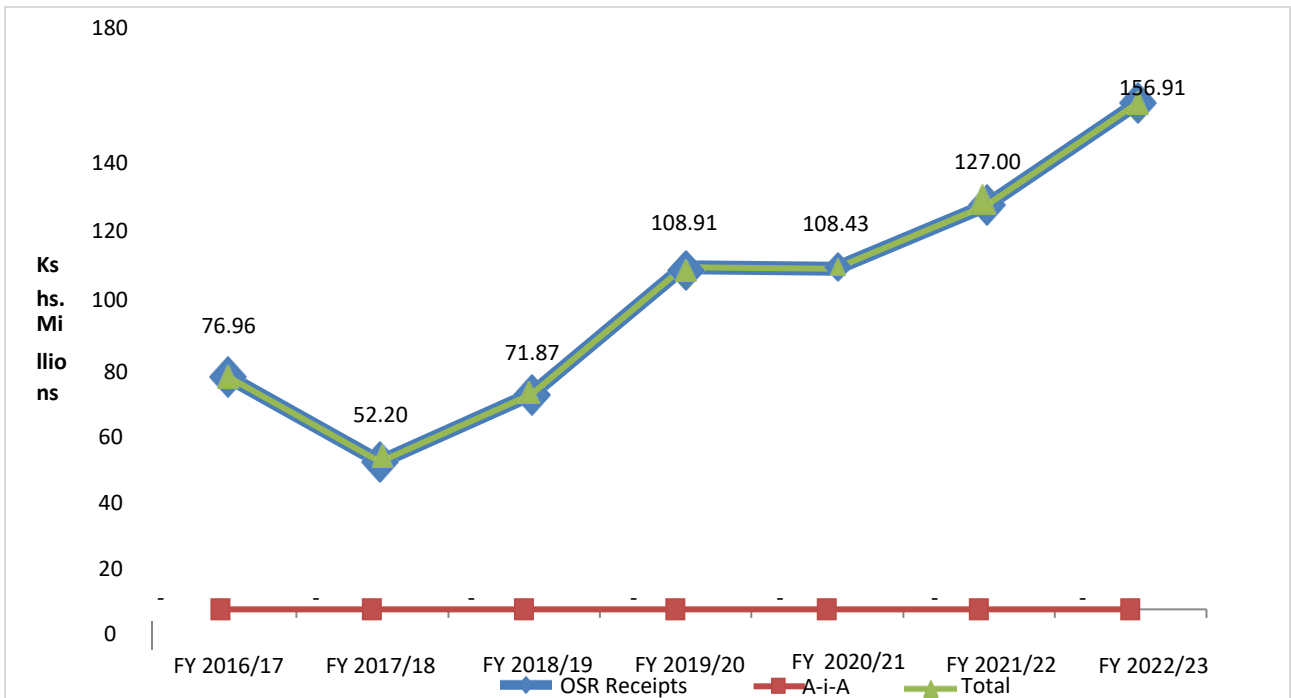
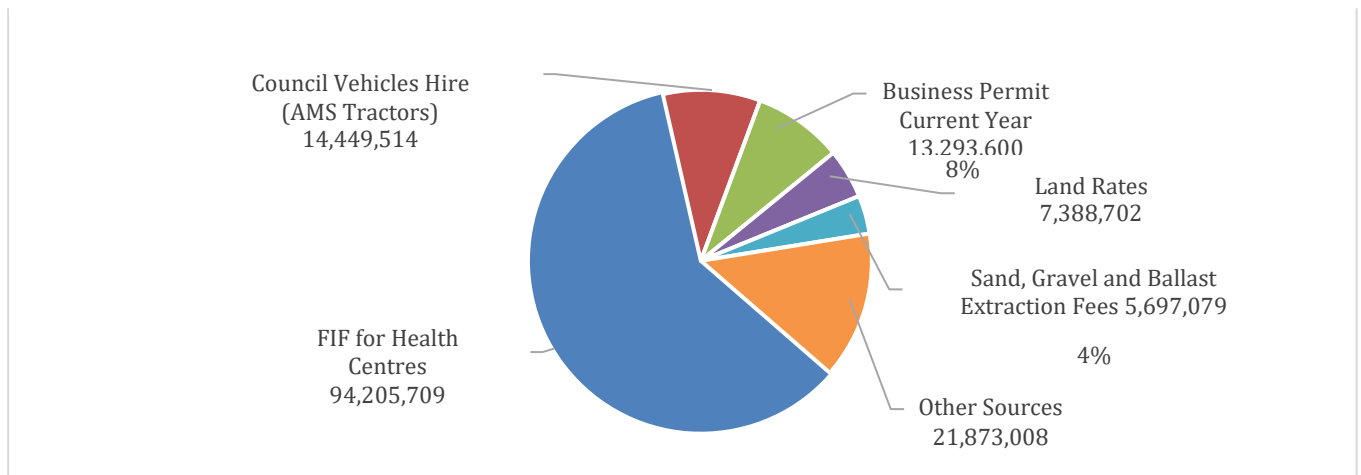


Figure 2: Trend in Own-Source Revenue Collection from FY 2016/17 to FY 2022/23

Source: Lamu County Treasury

The revenue streams which contributed the highest OSR are shown in Figure 2.

Figure 3 Top Streams of Own Source Revenue in FY 2022/23



Top Streams of Own Source Revenue in FY 2022/23

Source: Lamu County Treasury

The highest revenue stream of Kshs.94.21 million was from Health sector (Health Centres Facility Improvement Fund) contributing to 60 per cent of the overall OSR in FY 2022/23.

Table 3 : Detailed Revenue Performance comparison for financial year 2022/23 and 2021/2022

Revenue stream	FY 2020/2021	FY 2021/2022	FY 2022/2023			Increase/Decrease	Reasons for Deviation.
	Actual Receipts (KES)		Target Revenue (Kshs)	Actual(Kshs)	Difference(Kshs)		
		D	A	B	C=A-B	E=B-D	
Business Permit Current Year	14315200	12,501,700	15,756,390	13,293,600	(2,462,790)	791,900	Enhanced enforcement of permit requirements
Health Centres	43399523	62,192,682	59,844,274	94,205,709	34,361,435	32,013,027	Improved health services
Training/Learning Centres(ATC)	575546	358,210	634,319	336,400	(297,919)	(21,810)	A reduction in the number of students or trainees
Market Stalls Rent	37100	12,600	41,016	933,800	892,784	921,200	new market stall openings
Fruits & Vegetables/Produce Cess	1520867	611,950	1,675,074	748,550	(926,524)	136,600	
Meat Inspection Fees	29520	186,850	32,472	144,200	111,728	(42,650)	
Council Vehicles Hire (AMSTRactors)	5989490	6,070,725	6,593,474	14,449,514	7,856,040	8,378,789	Expanded agricultural machinery use.
Open Air Market Fee	457020	538,800	502,889	697,800	194,911	159,000	improved market infrastructure
Slaughtering Fee	254470	419,140	390,315	945,050	554,735	525,910	Higher livestock production numbers.
Livestock Cess	62350	265,050	68,587	313,070	244,483	48,020	positive outcomes

							from the livestock vaccination campaigns
Fish Cess	768550	1,527,644	845,696	1,961,300	1,115,604	433,656	enhanced collection processes.
Street Parking Fee	1316490	1,588,100	1,448,780	1,709,700	260,920	121,600	Higher parking demand observed.
Sales Miraa,Etc	15677450	20,101,758	17,254,685	3,453,975	(13,800,710)	(16,647,783)	Market disruptions or regulatory changes.
Veterinary	44750	35,800	49,419	1,800	(47,619)	(34,000)	Less demand for veterinary services.
Forest Cess	563400	599,200	620,124	578,700	(41,424)	(20,500)	Stricter environmental regulation enforcement.
Metal Scrap	191950	40,850	211,176	100,700	(110,476)	59,850	More construction activity increased scrap
Sign Boards & Advertisement Fee	3319700	3,374,628	3,652,340	2,970,113	(682,227)	(404,515)	Lower demand for advertising.
Physical Planning	577637	2,829,017	635,726	3,699,095	3,063,369	870,078	Increased demand for development permits.
Sand, Gravel, and Ballast Extraction Fees	5242063	3,647,011	5,768,365	5,697,079	(71,286)	2,050,068	Higher construction material demand.

Fisheries Licence	405305	305,400	445,936	25,050	(420,886)	(280,350)	Fewer licenses or stricter rules.
Land Rates	8667706	6,789,675	9,534,943	7,388,702	(2,146,241)	599,027	Improved revenue collection efforts.
Public Health	761270	749,070	837,558	1,151,600	314,042	402,530	Higher public health fee compliance.
Hides And Skins Fee	1500	4,300	1,650	4,500	2,850	200	better fee collection processes
Water Distillation Plant	0	0	0	20,000	20,000	20,000	
Salary Commission	3656229	2,029,956	3,656,229	1,968,131	(1,688,098)	(61,825)	Budget adjustments affected revenue.
Others Miscellaneous	498564	216,690	498,564	109,474	(389,090)	(107,216)	Lower miscellaneous activities or reduced ad-hoc revenue collection.
T o t a l	108433650	126,996,806	131,000,000	156,907,612	25,907,612	29,910,806	

2.1.2.1 Reasons for Unmet Revenue Target.

- o Outdated valuation roll
- o Gaps in internal controls

- o The challenges mentioned here are being addressed gradually through:
- o Conduct stakeholders’ engagement forums
- o Fastrack development of valuation roll
- o Mapping other revenue sources
- o Automation and integration of new revenue systems

2.1.3 Exchequer Issues

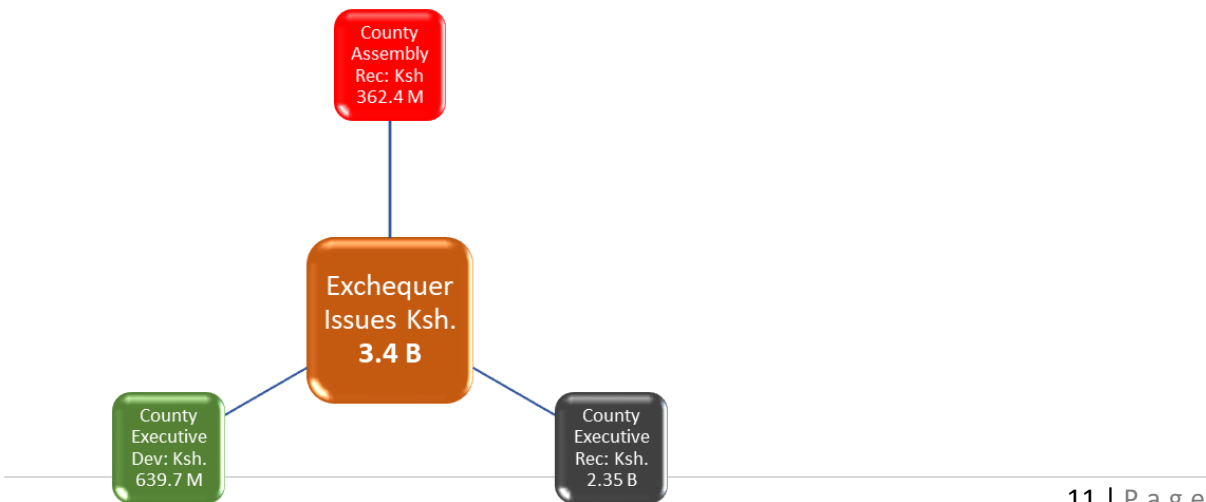
The Controller of Budget approved the withdrawal of Kshs. 3,354,101,613 from the CRF account during the reporting period. This amount comprised Kshs. 639,658,021 (19 per cent) for development programmes and Kshs. 2,714,443,592 (81 per cent) for recurrent programmes. Further analysis of the exchequer issues in FY 2022/23 indicates that Kshs 248,451,970 issued was exchequer balance for previous financial year that has been received during the reporting year. The table 4 below shows analysis of exchequer issues.

Table 4 : Lamu County Exchequer Issues in FY 2022/23

Source: Lamu County Treasury

Exchequer Issues FY 2022/2023				
Category	County Executive	County Assembly	Total	% to total Issues
Recurrent	2,351,967,192	362,476,400	2,714,443,592	81
Development	639,658,021	-	639,658,021	19
Total	2,991,625,213	362,476,400	3,354,101,613	100

Figure 4 Exchequer Issue in FY 2022/23



2.1.4 County Expenditure Review

The County spent Kshs.3.51 billion on development and recurrent programmes during the reporting period. This expenditure comprised of Kshs.796.4 million and Kshs.2.74 billion on development and recurrent programmes, respectively. Expenditure on development programmes represented an absorption rate of 58.3 per cent. Recurrent expenditure represented 91.3 per cent of the annual recurrent expenditure budget. The Table 5 below shows budget and expenditure by economic classification for the financial year 2022/2023.

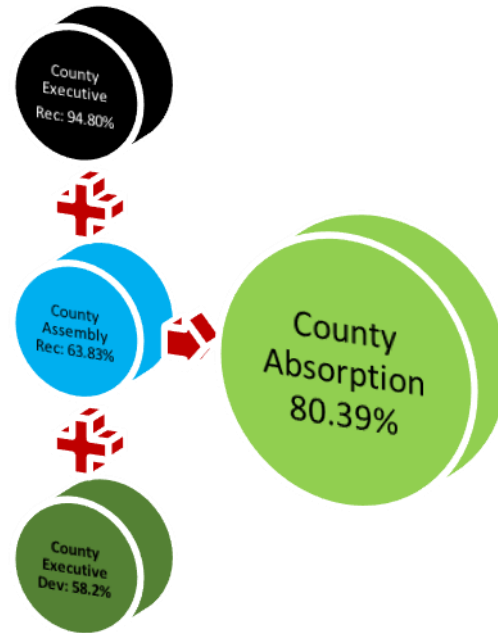
Table 5 : Summary of Budget and Expenditure by Economic Classification

Source: Lamu County Treasury

Expenditure Classification	2020/2021	2021/2022		2022/2023							
	Actuals	Actual		Budget (Kshs.)			Expenditure (Kshs.)			Absorption (%)	
	Total	County Executive	County Assembly	County Executive	County Assembly	Total	County Executive	County Assembly	Total	County Executive	County Assembly
Total Recurrent Expenditure	2263836835	2364083025	331352874	2,510,953,629	490,250,000	3,001,203,629	2,380,273,477	361,376,637	2,741,650,114	94.80	73.71
Compensation to Employees	1419746365	1363911480	164926616	1,533,314,958	241,137,710	1,774,452,668	1,456,579,815	168,389,860	1,624,969,675	95.00	69.83
Operations and Maintenance	844090470	1000171544	166426258	977,638,671	249,112,290	1,226,750,961	923,693,662	192,986,777	1,116,680,439	94.48	77.47

Developmnt Expenditure	854122278	1027842407	15073820	1,292,431,043	74,000,000	1,366,431,043	796387913	-	796,387,913	58.28	0.00
Total	3117959113	3391925432	346426694	3,803,384,672	564,250,000	4,367,634,672	3,151,295,851	361,376,637	3,512,672,488	82.86	64.05

Figure 5: % Absorption per economic classification



2.1.5 Settlement of Pending Bills.

At the beginning of FY 2022/23, the County reported a stock of pending bills amounting to Kshs.73.08 million, comprised of Kshs.60.05 million for recurrent expenditure and Kshs.13.02 million for development activities. During the period under review, pending bills amounting to Kshs.45.37 million were settled, consisting of Kshs.42.80 million for recurrent expenditure and Kshs.2.77 million for development programmes. Therefore, the outstanding amount before adding new pending bills as of 30th June 2023 was Kshs.27.71 million. The additional Pending bill incurred during the reporting period amounted to Kshs.26.94 million giving it a total of Kshs.72.31 million. It consists of Kshs.42.21 million for recurrent expenditure and Kshs.30.10 million for development programmes

2.1.6 Expenditure by Economic Classification.

Analysis of expenditure by economic classification as shown on Table 5 above indicates that the County Executive spent Kshs.1.45 billion on employee compensation, Kshs.923.69 million on operations and maintenance, and Kshs.796.39 million on development activities. Similarly, the County Assembly spent Kshs.167.15 million on employee compensation, Kshs.192.99 million on operations and maintenance, and did not spend on development activities.

2.1.7 Expenditure on Employees' Compensation

During the reporting period, employee compensation expenditure was Kshs.1.62 billion, or 34.9 per cent of the revenue for FY 2022/23 of Kshs.4.64 billion. This expenditure represented an increase from Kshs.1.53 billion reported in a similar period of FY 2021/22. The wage bill included Kshs.859.84 million paid to health sector employees, translating to 53.0 per cent of the total wage bill.

Further analysis indicates that PE costs amounting to Kshs.1.46 billion were processed through the (Integrated Personnel and Payroll Database (IPPD) system, while Kshs.158.11 million was processed through manual payrolls. The manual payrolls accounted for 9.8 per cent of the total PE cost.

The County Assembly spent Kshs.8.54 million on committee sitting allowances for the 18 MCAs and the Speaker against the annual budget allocation of Kshs.19.36 million. The average monthly sitting allowance was Kshs.37,468.42 per MCA. The County Assembly has established 13 Committees.

2.1.8 County Emergency Fund and County Established Funds

Section 110 of the PFM Act, 2012 establishes the Emergency Fund, while Section 116 of the PFM Act, 2012 allows county governments to establish other public funds with approval from the County Executive Committee and the County Assembly

The County allocated Kshs 189.94 million to County-established funds in FY 2022/23, constituting 4.32 per cent of the County's actual revenue received. Table 6 summarizes each established Fund's budget allocation and performance during the reporting period.

Table 6: Performance of County Established Funds as of 30th June 2023

Source: Lamu County Treasury

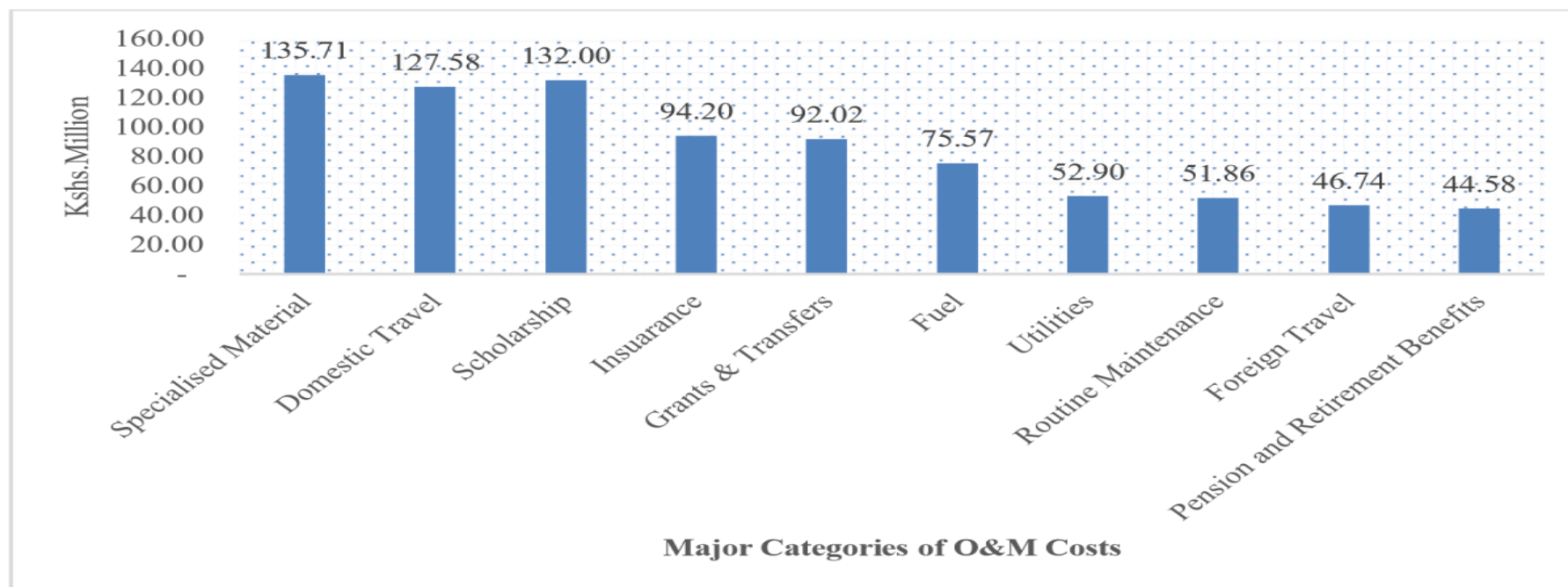
S/No.	Name of the Fund	FY 2020/21	FY 2021/22	FY 2022/2023		
		Actual Expenditure (Kshs)	Actual Expenditure (Kshs)	Approved Budget Allocation (Kshs)	Exchequer Issues (Kshs)	Actual Expenditure (Kshs)
County Executive Established Funds						
1.	Lamu County Emergency Fund	-	7,000,000	10,000,000	10,000,000	7,161,500
2.	Lamu County Executive Staff Housing Fund	-	-	-	-	-
3.	Lamu County Disability Fund	--	2,000,000	7,000,000	7,000,000	10,510,417
4.	Lamu County Youth Development Fund.	-	2,000,000	7,000,000	7,000,000	1,613,500
5.	Lamu County Women Empowerment Fund	-	2,000,000	6,947,291	6,947,291	1,544,000
6.	Lamu County Bursary and Scholarship Fund	-	168,000,000	132,000,000	132,000,000	111,423,532
	Total	-	181,000,000	162,947,291	162,947,291	132,252,949
County Assembly Established Funds						
7	County Assembly of Lamu Car Loan and Mortgage Fund	-	-	27,000,000	27,000,000	27,000,000

	Total	-	-	27,000,000	27,000,000	27,000,000
	Grand Total	-	181,000,000	189,947,291	189,947,291	159,252,949

2.1.9 Expenditure on Operations and Maintenance

Figure 6: Lamu County, Operations and Maintenance Expenditure by Major Categories

Source: Lamu County Treasury



During the period, expenditure on domestic travel amounted to Kshs.127.58 million and comprised of Kshs.34.59 million spent by the County Assembly and Kshs.92.98 million by the County Executive. Expenditure on foreign travel amounted to Kshs.46.74 million and comprised of Kshs.45.48 million by the County Assembly and Kshs.1.26 million by the County Executive.

2.1.10 Development Expenditure

In FY 2022/23, the County incurred Kshs.796.4 million on development programmes, representing a decrease of 26.5 per cent compared to a similar period in FY 2021/22 when the County spent Kshs.1.04 billion. Table 7 summarizes development projects with the highest expenditure in the reporting period.

Table 7: Lamu County, List of Development Projects with the Highest Expenditure

Source: Lamu County Treasury

No	Sector	Project Name	Project Location	Contract sum (Kshs)	Budget (Kshs)	Amount paid to date (Kshs)	Implementation status (%)	Remarks
1	Medical Services	Medical Insurance	County wide	80,000,000	80,000,000	80,000,000	100	Fully implemented
2	Education and Vocational Training	Village Polytechnics-Vocational Training Centre Capitation	County wide	36,000,000	36,000,000	36,000,000	100	Fully implemented

3	Agriculture & Irrigation	Purchase of Certified Crop Seed-	County wide	29,999,526.85	30,000,000	29,999,526.85	100	Fully implemented
4	Water Management & Conservation	Water management, Conservation & Provision- SWASAP and public sanitation vat contribution	County wide	21,000,000	21,000,000	21,000,000	100	Fully implemented
5	Lamu Municipality	construction of Pavement and liquid waste management system	Shella	17,839,251.65	18,862,831	17,839,251.65	100	Done and in use
6	Water Management & Conservation	Siyu Water Desalination Plant	Siyu	15,993,103	16,001,452	15,993,103	100	Done and in use
7	Fisheries Development services	Procurement of outboard engines	County wide	15,000,000	15,000,000	15,000,000	100	Procured
8	Agriculture & Irrigation	Livestock Improvement Programme -Supply and Delivery Veterinary Medicine,equipment	County wide	14,995,295	15,000,000	14,995,295	100	Procured

		and Artificial Insemination						
9	Education and Vocational Training	ECD Equipment, Learning and Teaching Material	County wide	9,989,712	10,000,000	9,989,712	100	Procured and distributed
10	Infrastructure and Energy	Routine Maintenance of Jua kali Mkokoni Road	Bahari	9,873,456	9,993,800	9,873,456	100	Complete and in use

2.1.11 Budget Performance by Department.

Table 8 summarizes the approved budget allocation, expenditure and absorption rate by departments in FY 2022/23.

Table 8: Lamu County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation		Exchequer Issues		Expenditure (Kshs. Million)		Absorption rate(%)	
	(Kshs. Million)		(Kshs. Million)		Rec	Dev	Rec	Dev
	Rec	Dev	Rec	Dev				
County Assembly	490.25	74	375.75	-	361.37	-	73.5	-
County Executive & PSM	53.2	47.26	431.37	5.59	417.98	5.59	92.2	11.8
Finance	163.42	-	159.41	0	152.97	0	93.6	-
Agriculture & Irrigation	98.15	187.02	97.02	98.33	93.61	166.56	95.4	89.1
Land, Physical Planning	27.72	94.11	25.76	37.26	24.46	37.26	88.2	39.6
Education and Vocational Training	263.48	96.47	260.4	50.94	261.64	50.94	99.3	52.8
Medical Services	1,084.88	250.57	1,019.66	142.99	1,061.76	142.99	97.9	57.1
Trade, Tourism & Investment Development	53.58	18.4	51.21	13.12	53.46	13.12	99.8	71.3

Public Service Board	49.36	-	48.53	-	46.85	-	94.9	-
Water Management & Conservation	41.12	237.03	39.66	124.36	38.43	103.1	93.5	43.5
Youth, Gender, Culture, Sports, & Social services	19.6	62	17.14	44.39	15.42	44.39	78.7	71.6
Public Health Sanitation and Environment	97.06	11.5	94.17	9.78	82.3	9.78	84.8	85.1
Fisheries	31.9	25	27.95	23.41	28.21	23.41	88.4	93.6
Budget & Economic Planning	25.81	-	22.7	-	22.7	-	88	-
Infrastructure and Energy	49	180	44.98	150.4	44.04	134.91	89.9	75
Lamu Municipality	52.7	83.06	44.9	13.63	43.95	31.47	83.4	37.9
Total	3,001	1,366	2,761	714	2,748	764	91.6	55.9

Source: Lamu County Treasury

Analysis of expenditure by department shows that the Department of Fisheries recorded the highest absorption rate of development budget at 93.6 per cent, followed by the Department of Agriculture & Irrigation at 89.1 per cent. The Department of Education and Vocational Training had the highest percentage of recurrent expenditure to budget at 99.3 per cent while the Department of County Assembly had the lowest at 73.6 per cent.

2.1.12 Budget Execution by programmes and sub-programmes

Table 9 summarises the budget execution by programmes and sub-programmes in FY 2022/23.

Table 9: summarises the budget execution by programmes and sub-programmes in FY 2022/23.

Programme	Sub-Programme	Actual Receipts FY 2021/22	Approved Estimates FY 2022/23		Actual Expenditure as of 30th June 2023		Absorption Rate (%)	
			Recurrent Expenditure	Development Expenditure	Recurrent Expenditure	Development Expenditure	Recurrent Expenditure	Development Expenditure
Department County Assembly								
Programme 1: Administration, planning and support services.	SP 1.1 General Administration, Planning and Support Services	186,096,532.70	259,323,120	4,900,000	189,273,027		73.0	-
Programme 2: Legislative Services, Representation & Oversight	SP2.1: Legislative services, Representatives on and Oversight	160,330,161.50	230,926,880	69,100,000	170,864,587		74.0	
	Sub-Total	346,426,694.20	490,250,000	74,000,000	360,137,614	-	73.5	-
Department County Executive and PSM								
Programme 3: Administration Services	SP 3.1: Headquarters	450,201,669.10	367,917,557		343,551,298		93.4	-
	SP 3.2: Office of the Governor & Deputy Governor	34,357,584.75	85,279,535		74,429,913		87.3	-
	P3. Projects			47,256,237		5,589,920.50		
	Sub-Total		453,197,092	47,256,237	417,981,211	5,589,921	92.2	11.8

Department Finance, Economy & Strategic Planning								
0711003210 P11 Administration, planning supportservices	SP1.1 Headquarters	93,745,369.85	108,736,992		104,507,285		96.1	-
	SP1.2 KDSP Headquarters	3,474,600.00	45,302,506		40,170,000		88.7	-
	Sub-Total		154,039,498	-	144,677,285	-	93.9	-
0712003210 P12 Control & management of Public Finance	SP2.1 Resource mobilization	3,811,332.10	1,775,205		1,551,824		87.4	-
	SP 2.2 Internal Audit	2,959,124.90	1,567,702		1,426,293		91.0	-
	SP 2.3 Procurement	3,218,568.45	1,704,455		1,446,880		84.9	-
	SP 2.4 Public Finance & Accounting	19,560,322.90	4,333,258		3,872,404		89.4	-
	Total		9,380,620	-	8,297,402	-	88.5	-
	Sub-Total		163,420,118	-	152,974,687	-	93.6	
Department Agriculture and Irrigation and Co-operative Development								

Programme 4: P11: Livestock Extension Services	SP1 Livestock Extension Services		1,827,068	15,000,000	1,444,244	14,995,295	79.0	100.0
P12 Veterinary Service Management - 3214100801	SP 2 Veterinary Service Management		1,382,444	1,559,746	820,082	-	59.3	-
P16 Crop Development & Management	SP 3.1 Promotion of Agro Processing & Value addition Technologies		-	60,880,117	195,000	60,379,987	-	99.2
	SP 3.2 Irrigated Farming			10,000,000		7,851,075		78.5
P16 Crop Development & Management	SUM			70,880,117.00		68,231,061.70		96.3
P6 Administration , Planning and Monitoring & Evaluation	SP6.1 Directorate of Agriculture & Extension Services		94,392,844	18,000,000	90,721,229	14,937,346	96.1	83.0
P8 Co management	SP 8.1: Cooperative Development - ASDSP II Grant		543,280	51,581,716	425,600	38,395,118	78.3	74.4
Value Addition and Marketing	SP5.1 Provision of Relief seeds to vulnerable farmers							

				30,000,000		29,999,526.85	-	100.0
Agriculture and Irrigation and Co-operative Development	Sub-Total		98,145,636	187,021,579	93,411,155	166,558,348	95.2	89.1
Department Land and Physical Planning								
Programme 1: Administration ,planning & support services	SP 1.1: Headquarters		27,721,092		24,458,314		88.2	-
P2: Land Management	SP 2.1: Consultancy services for Planning and Surveying			56,109,907		26,303,279		46.9
	SP 2.2: Land Adjudication & Regularisation			10,000,000		3,955,962	-	39.6
	SP 2.3: Planning and Surveying			10,500,000		3,915,992		37.3
	SP 2.4: RTK Machine and Hand held GPS gadgets			3,200,000		3,086,500		96.5

	SP 2.5: Spatial planning			14,300,000				-
	SUM		-	94,109,907	-	37,261,733	-	39.6
Land and Physical Planning	Sub-Total		27,721,092	94,109,907	24,458,314	37,261,733	88.2	39.6
Department Education and Vocation Training								
0501003210 Programme 1: Administration, planning & support services	SP 1.1: Headquarters		143,218,320		141,646,615		98.9	-
0502003210 Programme 2: Education and Training Programme	SP 2.1: Promotion of Early Childhood Education		120,260,000	51,472,760	119,997,978	14,936,061	99.8	29.0
	SP 2.2: Village Polytechnics			45,000,000		36,000,000	-	80.0
	SUM		120,260,000	96,472,760	119,997,978	50,936,061	99.8	52.8
Education and Vocation Training	Sub-Total		263,478,320	96,472,760	261,644,593	50,936,061	99.3	52.8

Department Medical Services								
0501003210 Programme 1: Administration, planning & support services	SP 1.1: Human resource management and development		940,933,101		925,145,412			98.3 -
3217000201 Programme 2: Curative & Rehabilitative Services	SP 2.1: Primary health services		134,594,688	170,574,316	127,975,922	62,989,225		95.1 36.9
3217000301 Programme 3 Preventive & Promotive Services	SP 4.1: Preventive and Promotive Services		9,352,000	80,000,000	8,633,891	80,000,000		92.3 100.0
Medical Services	Sub-Total		1,084,879,789	250,574,316	1,061,755,225	142,989,225		97.9 57.1
Department Trade, Investment & Tourism								
0301003210 Programme 1: Administration, planning & support services	SP 1.1: Administration Services		31,854,938		31,275,205			98.2 -
0302003210 Programme 2: Tourism Promotion	SP 2.1: Tourism marketing and promotion		21,056,246	-	21,604,254	-		102.6 -

0303003210 Programme 3 Trade Development	SP 3.1 Trade Promotion		665,800	10,303,953	581,680	7,568,297	87.4	73.5
	SP 3.3 Market development			7,651,317		5,546,776	-	72.5
	SUM		665,800	17,955,270	581,680	13,115,073	87.4	73.0
0305023210								-
Programme5 Infrastructure andCivil Works Total	SP 5.1 SME Development			448,407		-		
Trade, Investment& Tourism	Sub-Total		53,576,984	18,403,677	53,461,139	13,115,073	99.8	71.3
Department County Public Service Board								
0709003210 Programme 1: Administration Services	SP 1.2: Personnel service		40,084,728	-	38,588,624	-	96.3	-
0710003210 Programme 10:Human Resource Management & Development	SP 2.1: Headquarters		9,270,596	-	8,264,550	-	89.1	-
County PublicService Board	Sub-Total		49,355,324	-	46,853,174	-	94.9	-

Department Water Management & Conservation								
0105003210 Programme 5: Water management,	SP 5.1 Administrati onServices		21,115,236		18,431,257		87.3	-
Conservation & Provision								
	SP 5.2: Conservatio n &Provision		20,000,500	237,031,737	19,998,186	103,097,971	100.0	43.5
Water Management Conservation	Sub-Total		41,115,736	237,031,737	38,429,443	03,097,971	93.5	43.5
Department Youth, Gender, Culture, Sports and Social Services								
0101003210 Programme 1: Administration ,planning & support Services	Subprogramme1.1: Headquarters		19,595,252		15,424,770		78.7	-
Programme 2Youth and Sports Development	Subprogramme2.1 Construction ofBuildings			3,000,000		-	-	-
	Subprogramme2.2: Promotion ofSports			13,997,999		7,392,342	-	52.8

	Subprogramme2.3: Youth Empowerment			7,000,000	7,000,000	7,000,000	-	100.0
	SUM			23,997,999	7,000,000	14,392,342	-	60.0
0504003210 Programme 3Social Services	Subprogramme3.1: Construction ofSocial Hall			12,034,912		11,087,280	-	92.1
	Subprogramme3.2: PWD Empowerment Programme			7,000,000		7,000,000	-	100.0
	Subprogramme3.3: Renovation ofSocial Hall			12,017,797		4,959,371	-	41.3
	Subprogramme3.4: Women Empowerment			6,947,291		6,947,291	-	100.0
	SUM		-	38,000,000	-	29,993,942	-	78.9
Youth, Gender, Culture, Sports and Social Services	Total		19,595,252	61,997,999	22,424,770	44,386,284	114.4	71.6

Department Sanitation and Environment								
0501003210 Programme 1: General Administration , Planning and Support services	Subprogramme 1.1.Headqu rters		70,802,177		67,889,640		95.9	-
	SubProgramme1.2: Public Health and Sanitation		26,257,081		14,411,287		54.9	-
	SUM		97,059,258	-	82,300,927	-	84.8	-
Programme 4: Environmental health & Sanitation	Subprogramme2.1: Public Health & licencing			7,900,000		6,226,031	-	78.8
	SubProgramme2.2: Waste management			3,600,000		3,556,368	-	98.8
	SUM		-	11,500,000	-	9,782,399	-	85.1
Sanitation and Environment	Sub-Total		97,059,258	11,500,000	82,300,927	9,782,399	84.8	85.1
Department Fisheries Development								
0709003210 Programme 1: Administration	Subprogramme1.1: Headquarters							

, planning and support services.			31,899,812		28,209,330		88.4	-
Programme 2: Fisheries Development services	Subprogramme 2.1: Fish farming			25,000,000		23,407,600	-	93.6
Fisheries Development	Total		31,899,812	25,000,000	28,209,330	23,407,600	88.4	93.6
Department Budget And Economic Planning								
Programme 1: Administrationservices	Subprogramme 1.1 Headquar ters		16,029,984	-	15,494,111	-	96.7	-
Programme 2: Economic planning	Subprogramme 2.1 Budget & Economic planning		9,779,152	-	7,210,167	-	73.7	-
Budget And Economic Planning	Sub-Total		25,809,136	-	22,704,278	-	88.0	-
Department Infrastructure and Energy								
0101003210 Programme 1: Administration ,planning & support Services	Subprogramme 1.1: Headquarters		49,001,448		44,039,198		89.9	-
Programme 2 Infrastructure Development	Subprogramme 2.1: Roads and Civil works			73,000,000		53,865,449	-	73.8

	SubProgramme2.2: Public Street lighting			10,000,000		8,128,626	-	81.3
	Subprogramme2.3: Routine Maintainance			97,000,000		72,916,439	-	75.2
	SUM		-	180,000,000	-	134,910,514	-	75.0
Infrastructure andEnergy	Sub-Total		49,001,448	180,000,000	44,039,198	134,910,514	89.9	75.0
Department Lamu Municipality								
0101003210 Programme 1: Administration, planning & support Services	Subprogramme1.1: Headquarters		37,208,409		33,824,557		90.9	-
	SubProgramme1.2: Kenya Urban Support Programme		15,490,223		10,121,656		65.3	-
	SUM		52,698,632	-	43,946,213	-	83.4	-

Programme Infrastructure Development	4	SubProgramme4.1: Other Infrastructure and Civil Works		70,662,831		19,624,275	-	27.8
		Subprogramme4.2: Purchase of Bicycles, Motorcycles , Trucks, Trailers & Tractors		12,400,000		11,847,793	-	95.5
		SUM	-	83,062,831	-	31,472,068	-	37.9
Lamu Municipality		Sub-Total	52,698,632	83,062,831	43,946,213	31,472,068	83.4	37.9
Grand Total			3,001,203,629	1,366,431,043	2,754,731,271	763,507,194	91.8	55.9

Source : Lamu County Treasury

Sub-programmes with the highest levels of implementation based on absorption rates were: Livestock Extension Services in the Department of Agriculture at 100 per cent, Waste management in the Department of Public Health Sanitation and Environment at 98.8 per cent, Purchase of Bicycles, Motorcycles, Trucks, Trailers & Tractors in the Department of Lamu municipality at 95.5 per cent and Fisheries Development services – Fish Farming in the Department of Fisheries at 93.6 per cent of budget allocation.

2.1.13 Analysis of Departmental Deviation.

Table 10: Analysis Deviation.

S/No.	Department	Classification of Expenditure	Absorption rate	Reasons for deviation	Recommendation
1.	Agriculture, Livestock, Fisheries and Cooperatives	Development	95.2%	Delayed disbursement of funds from the exchequer. Delay in processing acquisition of parcels of land on which fisheries Projects have been initiated/planned	Timely release of funds from the National Treasury
		Recurrent	89.1%	Delays in procuring recurrent goods and services	Timely procurement of goods and services
2.	Health Services	Development	57.1%	Delayed disbursement of funds hindered payment of most of the programs/activities.	Timely disbursement of funds.
		Recurrent	97.9%		
3.	Education, Science and Technology	Development	52.8%	Delays in disbursement from the exchequer	Timely release of funds from exchequer
		Recurrent	99.3%		

				Non-payment of ongoing projects whose payment certificates were ready by close of financial year were not paid	
4.	Roads, Public Works and Energy	Development	75.0%	Non-payment of ongoing projects whose payment certificates were ready by close of financial year were not paid	The National Treasury to ensure timely release of all the budgeted funds as per the law
5.	Lands, Housing, Urban Areas and Physical Planning	Development	63.65%	Delayed completion of KUSP projects especially in Kakamega Municipality	Engage contractors to complete remaining works as per agreed timelines.
		Recurrent	94.40%	Delays in payments for utilities and cleaning services for Municipalities attributed to delays in release of Exchequer	The National Treasury to ensure timely release of all the budgeted funds as per the law
6.	Social services, sports, Youth, Women Empowerment and Culture	Development	71.6%	The department was able to execute the budget as per the planned activities. However, upgrade of Bukhungu stadium and other sports fields were not paid fully as per the contract since the department was underfunded	There's need to increase the funding in order to cater for the running contracts
		Recurrent	114.4%		
7.	Trade, Tourism and Industrialization	Development	71.3%	Delayed disbursement of funds hindered payment of most of the project certificates/activities. Key devolution milestone recommended by cabinet could not be	Timely disbursement of funds. Treasury should consider payment of request on first come first served.

				executed due to limited time	
		Recurrent	99.8%		
8.	Water Environment Natural Resources and Climate Change	Development	43.5%	Late disbursement from the exchequer.	Timely release of funds from the Exchequer
		Recurrent	93.5%		
9.	Public Service and Administration	Development		Prolonged land disputes/court cases on lands earmarked for project implementation.	Due Diligence should be conducted on lands earmarked for development before implementation of projects is initiated.
				Low capacity of contractors.	Award contracts to Contractors with capacity to deliver within the stipulated time frame
				Delayed Procurement process.	Initiate procurement process on time.
		Recurrent	94.9%	Delayed Procurement process.	Initiate procurement process on time.
10.	Office of the Governor	Development	0 %		Initiate procurement process on time.
		Recurrent	87.3%	There was delayed exchequer releases	CoG to engage the National Treasury to release funds in good time as per the law.
11.	Finance	Recurrent	93.6%	There was delayed exchequer release	Enhance own source revenue

	Economic Planning				to reduce overreliance on the exchequer funds. CoG to engage the National Treasury to release funds in good time as per the law.
		Development	45.14%		
12.	County Public Service Board	Recurrent	92.2%		
13.	ICT, e-government and Communication	Recurrent	76.93%	Delayed Procurement process. There was delayed exchequer releases	Initiate procurement process on time.
		Development	-		
14.	County Assembly	Recurrent	73.5%		

2.1.14 Challenges in Implementation of the Budget

In the course of overseeing and reporting on the implementation of the County budget the following challenges which hampered effective budget implementation.

1. Delays in passing of county additional revenue grant bill which was assented on 12th December 2022 meaning that the county could not access the grants for almost six months.
2. A high wage bill, which accounted for 34.9 per cent of the annual realized revenue of Kshs.4.02 billion in FY 2021/22, thus constraining funding to other programmes

2.1.15 Implication of 2021/2022 fiscal performance on fiscal responsibility principles and financial Objectives for FY 2022/2023

- The performance in the FY 2021/2022 has affected the financial objectives set out in the County Fiscal Strategy Paper and the budget for FY 2022/2023 in the following ways:
 - i. Expenditure projections will be affected by payment of pending bills, implying the need for adjustment in the fiscal aggregates for the current budget and the medium-term.
 - ii. The baseline for setting the revenue forecast and expenditure ceilings will be affected. This will prompt the need to adjust the MTEF revenue forecast and expenditure ceilings.
- The overall revenue performance in FY 2021/2022 of KES 1.226 Billion was an increase from the FY 2019/2020 which was KES 1.118 Billion. Despite the increase in performance, the County has strengthened measures to ensure that this performance is improved.

2.1.16 Fiscal Responsibility Principles

Fiscal responsibility	Actual 2022-23	Remarks
The County Executive Committee Member with the approval of the County Assembly shall set a limit on the county government's expenditure on wages and benefits for its public officers pursuant to section 107(2) of the Act; (b) the limit set under paragraph (a) above, shall not exceed thirty-five (35) percent of the county government's total revenue;	34.9	Adhered to
The county public debt shall never exceed twenty (20%) percent of The County Governments total revenue at any one time;	0	Adhered to

<p>Pursuant to section 107(5) of the Act, if the county Government actual expenditure on development shall be at least thirty percent in conformity with the requirement under section 107(2)(a) of the Act;</p>	<p>26.5</p>	<p>Not adhered to County to improve on absorption of development funds in order to Adhere with this principle.</p>
--	-------------	---

SECTION III: RECENT ECONOMIC DEVELOPEMENT AND OUTLOOK

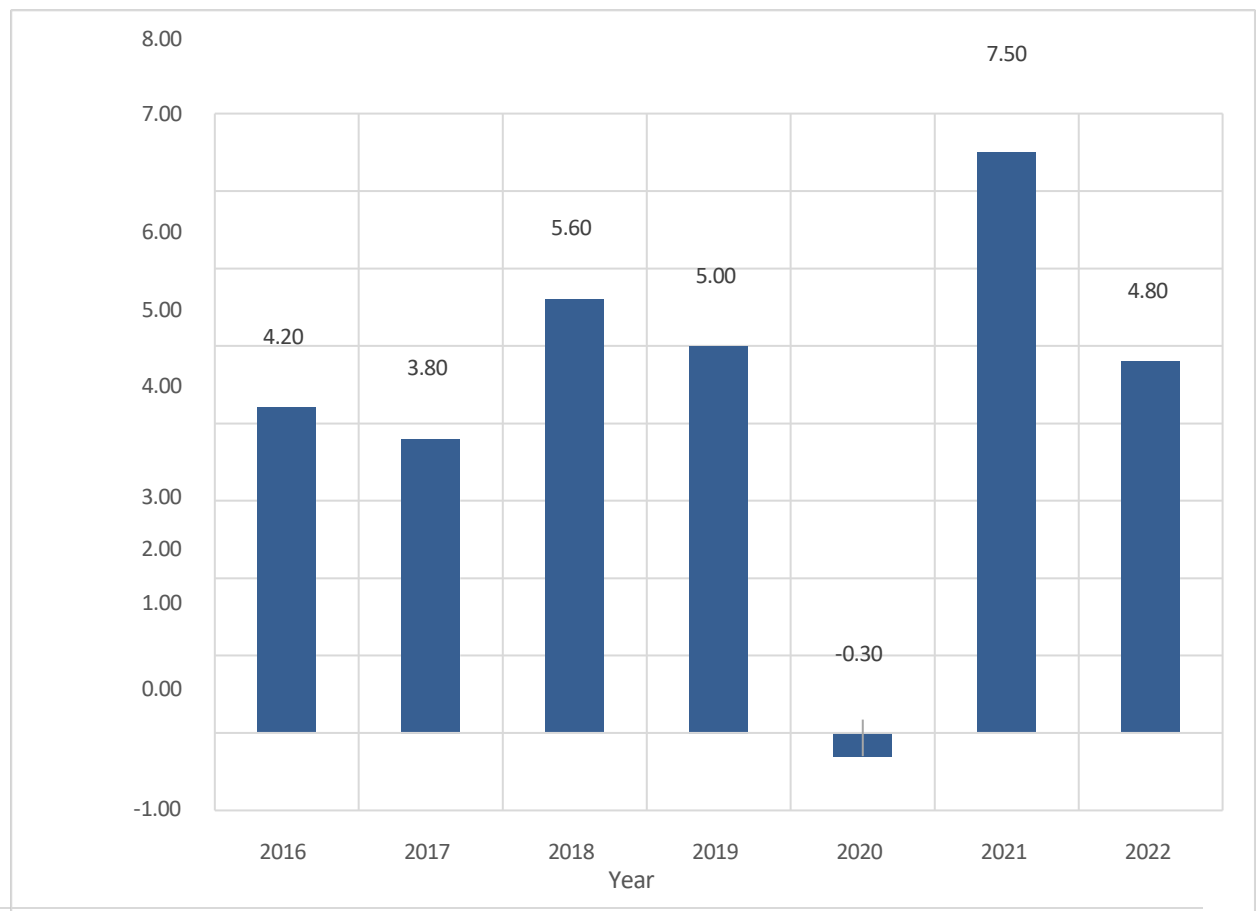
3.1 Recent Economic Performance

3.1.1 Gross Domestic Product (GDP) Growth Rates.

According to the Economic Survey, 2023 by Kenya National Bureau of Statistics (KNBS), Real Gross Product (GDP) is estimated to have expand by 4.8 per cent in 2022 compared to a much more significant expansion of 7.6 per cent in 2021. The decelerated rate of expansion was as a result of reduced agricultural production due to adverse weather conditions during the year. According to the African Development Bank, the Real Gross Product (GDP) is projected to grow 5.6% in 2023. This projected expansion will be driven by an increase in services and household consumption.

Figure 7: GDP Growth Rates

GDP Growth Rates (2016-2022)

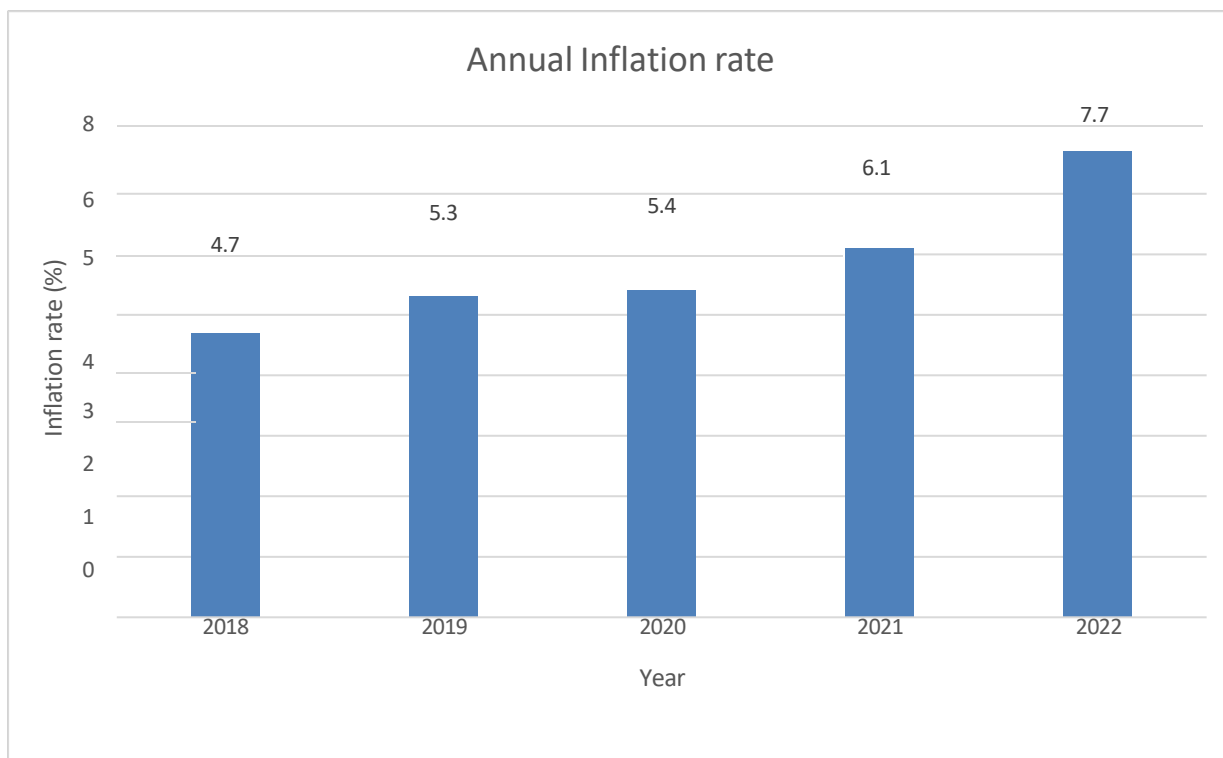


A great majority of economic activities registered positive albeit decelerated growths except Agriculture, Forestry and Fishing which contracted by 1.6 per cent. The majority of economic sectors experienced slower growth rates, primarily attributed to the substantial growth achieved in 2021, which marked a recovery from the economic decline in 2020. Economic growth in 2022 was supported by improved performances in key sectors of the economy such as; Transportation and Storage (5.6%), Financial and insurance activities (12.8%), Information and Communication (9.9%) and Accommodation and Food services activities (26.2%). On the other hand, the widespread drought experienced over the period under review adversely affected the Agriculture, Forestry and Fishing sector, especially crop and livestock production. This was made evident by the significantly high prices of key food crops such as maize, potatoes and vegetables

3.1.2 Inflation rate

1. The annual inflation as measured by the Consumer Price Index (CPI) increased from 6.1 per cent in 2021 to 7.7 per cent in 2022. The increase was accredited to high cost of food and non-alcoholic beverages, transport and housing, water, electricity, gas and other fuels.
2. Food and Non-Alcoholic Beverages Index, which constitutes 32.9 per cent of total household final monetary consumption expenditure, recorded the highest inflation rate of 13.1 per cent. Transport index increased by 8.1 per cent mainly driven by increase in prices of petroleum products. Housing, Water, Electricity, Gas and Other Fuels Index, which accounts for 14.6 per cent of total household final monetary consumption expenditure recorded an inflation rate of 5.9 per cent, in 2022

Figure 8: Annual Inflation rate



Source: Economic Survey 2023

3.1.3 Interest Rate

The Central Bank of Kenya (CBK) adopted a tight monetary policy stance by raising the Central Bank Rate (CBR) from 7.00 per cent in December 2021 to 7.50, 8.25 and 8.75 per cent in June, October and December 2022, respectively.

3.1.4 Exchange Rate

In the period under review, the Kenya Shilling continued to weaken against currencies of key trading countries. This was reflected in the Trade Weighted Index (TWI) which registered a 1.767 per cent increase from 121.66 in 2021 to 123.81 in 2022. The Kenya Shilling depreciated against, the US dollar (7.5%), the UAE dirham (7.5%), Saudi Riyal (7.4%) and Chinese Yuan (3.1%), Rwandese France (24.8%). However, the Kenya Shilling gained against, Tanzanian shilling (7.0%), Ugandan shilling (4.5%), Euro (4.3%), Pound Sterling (3.3%), South African Rand (2.6%), and the Japanese Yen (9.8%) in 2022.

Table 11: Foreign Exchange Rates of Kenya Shilling against Selected Currencies, 2017-2022

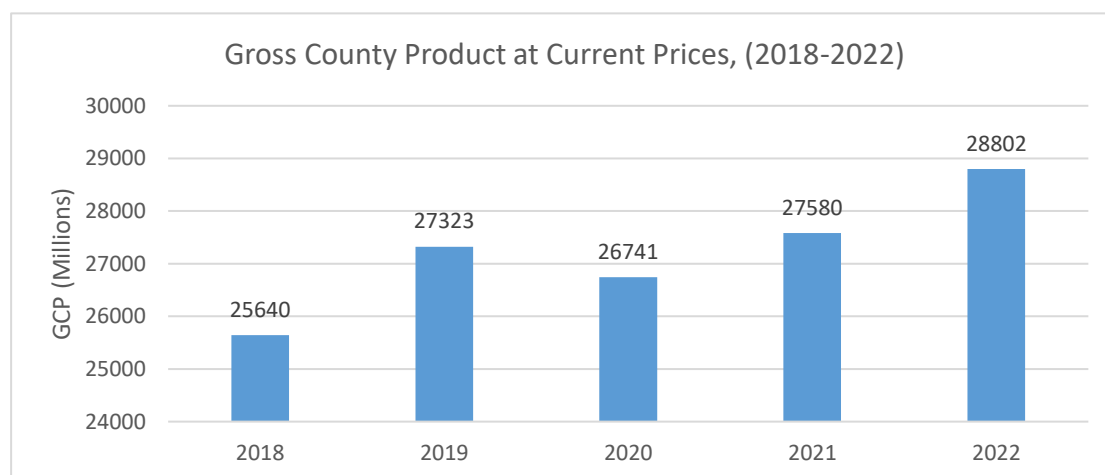
Currency	Exchange Rate against KES					
	2017	2018	2019	2020	2021	2022
1 US Dollar	103.41	101.29	101.99	106.47	109.65	117.87
1 Euro ²	116.73	119.63	114.18	121.65	129.75	124.19
1 Pound Sterling	133.20	135.25	130.18	136.73	150.85	145.80
1 Swiss Franc	105.04	103.58	102.62	113.61	119.98	123.52
1 UAE Dirham	28.15	27.58	27.77	28.99	29.85	32.09
1 Indian Rupee	1.59	1.48	1.45	1.44	1.48	1.50
1 Chinese Yuan	15.30	15.33	14.76	15.45	17.00	17.53
100 Japanese Yen	92.22	91.74	93.59	99.80	99.94	90.15
1 SA Rand	7.77	7.69	7.06	6.51	7.42	7.23
1 Egyptian Pound	5.80	5.69	6.07	6.74	6.99	6.14
TSh/Ksh	21.63	22.48	22.63	21.76	21.12	19.74
USh/Ksh	34.92	36.81	36.32	34.93	32.72	31.30
100 Rwanda Francs	8.11	8.50	8.82	8.86	9.13	11.39

Source: KNBS, Economic Survey 2023 Report

3.2 Gross County Product (GCP)

- GCP is a measure of how much each county contributes to Kenya’s GDP and may therefore be interpreted as the “County GDP”. According to KNBS, Gross County Product Report 2022, the Lamu County GDP was estimated at KES 40164 Million (in current process) which is 0.3 per cent of the national GDP in 2022.

Figure 9 Gross County Product at Constant (2016) Prices, (2018-2022)

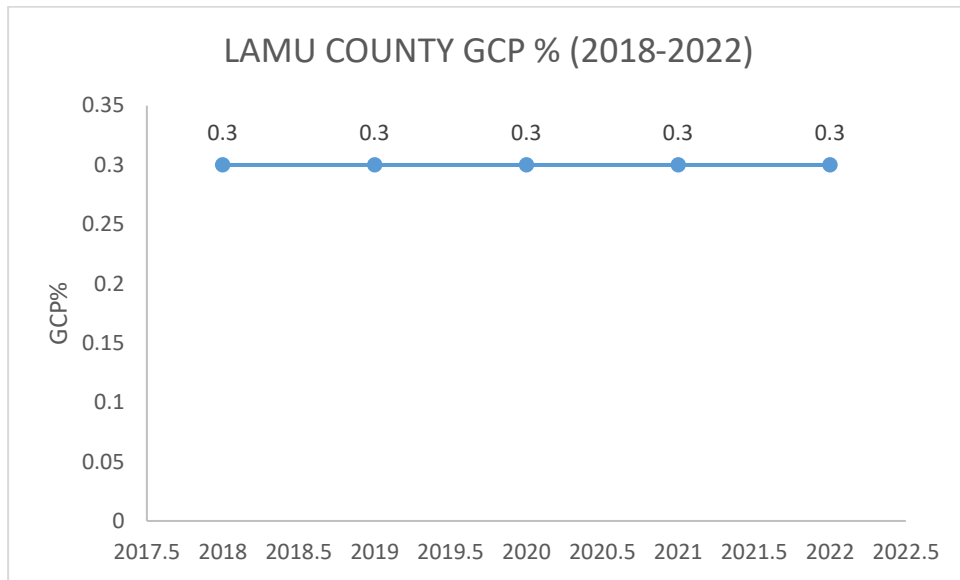


Source: 2023 Gross County Product (GCP) Report

2. Lamu GCP for 2018 –2022 has remained almost constant in the entire five year period.

Figure 10 show the trend of GCP estimates covering the period 2018-2022 for Lamu County

Figure 10 Lamu GCP % contribution to national GDP, 2018- 2022

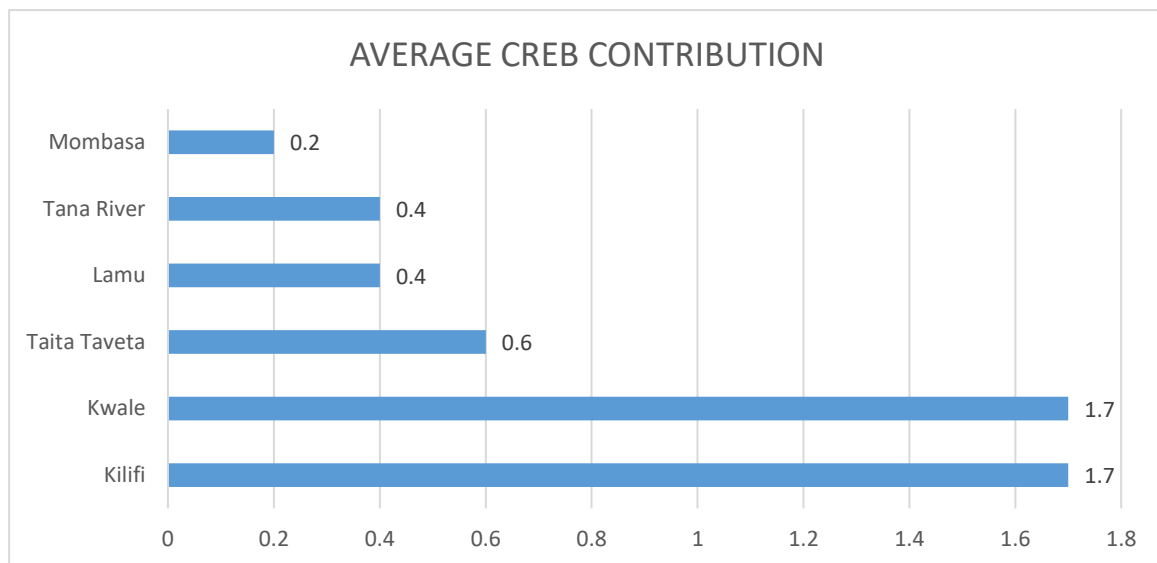


Source: 2023 Gross County Product (GCP) Report

GCP Contribution by Broad sectors of the Economy

Lamu County was ranked fourth in fishing activities among the 6 counties within the Coast Region Economic bloc, hence, the sector significantly contributed to the Lamu GCP. Other sectors that contributed to growth include; manufacturing, other industries (excluding manufacturing activities) and service sector which include all economic activities except agriculture and industry.

Figure 11 Average County Contribution to Agriculture, Forestry and Fishing Activities.



Source: 2023 Gross County Product (GCP) Report

3.3 County Sector/ programme Performance

The County government discharges its mandate and functions as prescribed under schedule four of the Constitution of Kenya through the County Executive, County Assembly and the County Public Service Board.

The major milestones realized by the County include;

- ✚ The Department of Agriculture was able to Successfully distributed 104.8 tons of maize seeds and other seeds to 13,100 households, leading to an estimated production of 131,000 bags of maize (11,790 tons) and a significant reduction in maize prices from Kshs 100 to Kshs 30 per kg.
- ✚ Commission of a new maternity unit at Mpeketoni Sub-County Hospital in partnership with the Safaricom Foundation, significantly improving maternal healthcare services.

- ✚ Achieved a 90% enrollment rate in Early Childhood Development Education (ECDE), facilitated by constructing new classrooms and recruiting additional teachers.
- ✚ Increased the number of community health units from 12 to 27, enhancing community-level health service delivery and participation.
- ✚ Completed construction and renovation of multiple markets, including Mpeketoni and Hongwe fresh produce markets, improving business conditions for small traders.
- ✚ Operationalized the ice plant at Kizingitini and facilitated the issuance of grants to 34 community interest groups (CIGs), supporting local fishery livelihoods and related projects.
- ✚ Conducted a comprehensive vaccination program, protecting over 173,232 animals from diseases such as Foot and Mouth Disease (FMD), Black Quarter, Anthrax, and Rabies
- ✚ Completed the maintenance of 81.2 kilometers of roads, improving connectivity and accessibility throughout the county.

3.4 Implementation of FY 2023/24 budget

The implementation of FY 2023/24 budget has been affected by the delay in exchequer disbursements for the first quarter. This delay will eventually affect the budget implementation.

3.5 Programmes Performance in the FY 2022-2023

1. Successfully implemented an Integrated Pest Management Program, achieving a 40% reduction in crop losses across the county, demonstrating a significant enhancement in agricultural productivity and sustainability.

2. Distributed 5,000 tons of organic fertilizer, benefiting over 15,000 farmers and promoting sustainable farming practices while increasing soil fertility and crop yields.
3. Established 15 community-managed irrigation schemes, which collectively increased agricultural productivity by 30%, thereby bolstering food security and resilience against climatic variability.
4. Recruited and trained 500 community health volunteers, leading to a 20% increase in immunization coverage and a 15% reduction in child mortality rates, reflecting a substantial improvement in community health outcomes.
5. Launched a comprehensive mental health awareness campaign, reaching more than 10,000 residents and fostering community understanding and support for mental health issues.
6. Collaborated with international partners to enhance maternal and neonatal health, successfully distributing safe birthing kits and training 200 midwives, resulting in safer childbirth experiences and reduced maternal mortality rates.
7. Constructed 20 new classrooms for Early Childhood Development Education (ECDE) and recruited 50 additional teachers, expanding access to quality early education.
8. Provided scholarships to 500 students from disadvantaged backgrounds, increasing school enrollment rates by 70% and reducing dropout rates by 60%, thereby promoting educational equity and inclusivity.
9. Successfully implemented a Malaria Control Program that reduced malaria incidence by 40% through community-based initiatives and targeted interventions.
10. Initiated a county-wide community sanitation campaign, resulting in the construction of 15 public sanitation facilities and significant improvements in access to clean water and sanitation.

11. Conducted extensive public health awareness campaigns focusing on non-communicable diseases, reaching an audience of 30,000 residents and promoting healthier lifestyles and preventive healthcare measures.
12. Established a market linkage program that connected 1,000 local farmers and artisans to broader markets, resulting in a 35% increase in sales and a stronger local economy.
13. Launched a Small and Medium Enterprises (SME) support program, providing comprehensive training to 500 entrepreneurs, enhancing business skills, and increasing sustainability by 40%.
14. Introduced the "Women in Trade" initiative, supporting 500 women entrepreneurs through capacity-building training and micro-loans, thereby fostering economic empowerment and gender equality.
15. Formed 10 community-based fishing cooperatives, promoting sustainable fishing practices and enhancing community livelihoods through capacity building and resource management.
16. Achieved a 25% increase in fish production by establishing 50 new fish ponds, improving local food security and contributing to economic diversification.
17. Partnered with international organizations to introduce sustainable fishing techniques, which have positively impacted biodiversity conservation and maintained healthy fish stocks.
18. Successfully vaccinated over 20,000 livestock, significantly reducing disease outbreaks by 30% and improving overall animal health and productivity.
19. Launched a Dairy Improvement Program, leading to a 40% increase in milk production through the introduction of improved breeding and feeding practices.
20. Piloted a Livestock Improvement Initiative that enhanced genetic quality and provided specialized training to 300 farmers, promoting best practices in animal husbandry.

21. Rolled out a Youth Empowerment Program that provided vocational training to 1,000 young individuals, leading to a 25% reduction in youth unemployment and promoting economic self-reliance.
22. Organized multiple sports tournaments that engaged over 5,000 young people, fostering physical fitness, teamwork, and community cohesion.
23. Launched a Youth Innovation Challenge that provided grants and incubation services to youth-led startups, stimulating creativity, innovation, and entrepreneurship among young people.
24. Upgraded 10 kilometers of urban roads, significantly reducing travel times by 50%, improving traffic flow, and enhancing the overall urban experience.
25. Introduced a comprehensive Solid Waste Management Program that established 100 waste collection points, promoting a cleaner and healthier environment.
26. Developed the "Green Spaces" Project, creating four public parks and planting 2,000 trees, thereby enhancing urban aesthetics, air quality, and community well-being.
27. Constructed 50 kilometers of rural access roads, greatly improving connectivity and access to essential services and markets, thereby boosting economic activities in remote areas.
28. Implemented the Water Supply Improvement Project, providing clean and safe drinking water to 15,000 residents, enhancing public health and well-being.
29. Installed solar-powered street lighting along key highways and urban centers, increasing safety and reducing the county's carbon footprint.

3.6 Medium Term Fiscal Framework (MTEF)

- The County pursues prudent fiscal policies aimed at achieving macroeconomic stability in collaboration with the National Treasury and Planning. In addition, the County fiscal policy objectives provide an avenue to support economic activities through

implementation of the CIDP 2023 – 2027 with an objective of improving efficiency to effectively deliver public services and ensure various departments receive adequate resources to undertake their priorities sustainably.

- The County Government is committed to achieving its full Medium Term budgetary targets which will help to improve the budget absorption rate

3.7 Risks to the outlook.

- The risks to the outlook over the Medium-Term include weak internal control systems within the revenue collection and complacency of the citizens. Tackling these issues will reduce the risk and increase revenue collection.
- Public expenditure pressures, especially recurrent expenditure, pose a fiscal risk. Wage bill pressures and the need to hire more personnel limit funding for development expenditure.
- The County Government will undertake appropriate measures to safeguard fiscal stability should these risks materialize by mitigating against them.

SECTION FOUR

RESOURCE ALLOCATION FRAMEWORK

4.1 Implementation of the FY 2023/24 Budget

Implementation of the FY 2023/24 Budget has begun on a positive note since indicators on revenue for the first two-month points to an increase in local revenue compared to the same period 2022-23 by Kshs 6.3 million as indicated in the two tables below with the largest increase being in single business permit and Physical planning. The target will be retained as approved by Assembly in June 2023 and are broadly in line with the 2023 County Fiscal strategy paper.

Table 12: Revenue collection July and August 2022-23 vs 2023-24

REVENUE STREAMS	Revenue 2023/2024	Revenue 2022/2023	Increase /Decrease
	Kshs	Kshs	Kshs
Business Permit Current Year	2,812,700	288,400	2,524,300
Health Centres	2,701,345	1,652,925	1,048,420
Training/Learning Centres (Atc)	70,000	175,400	(105,400)
Market Stalls Rent	210,000	228,200	(18,200)
Fruits & Vegetables/Produce Cess	258,800	212,380	46,420
Meat Inspection Fees	26,550	22,550	4,000
Council Vehicles Hire (Ams Tractors)	7,200	848,400	(841,200)
Open Air Market Fee	170,790	60,830	109,960
Slaughtering Fee	177,270	54,600	122,670
Livestock Cess	81,400	35,000	46,400
Fish Cess	853,760	99,063	754,697
Street Parking Fee	444,100	207,500	236,600
Sales Of Flowers, Miraa,Etc	332,000	1,148,000	(816,000)
Vetenary	-	800	(800)
Forest Cess	203,870	85,200	118,670
Metal Scrap	411,480	8,800	402,680
Sign Boards & Advertisement Fee	219,500	83,000	136,500

Physical Planning	1,658,867	210,847	1,448,020
Sand, Gravel, And Ballast Extraction Fees	377,280	217,755	159,525
Fisheries Licence	50,400	2,500	47,900
Land Rates	277,265	14,156	263,109
Public Health	730,200	62,350	667,850
Hides And Skins Fee	1,000	-	1,000
Water Disilation Plant	-	20,000	(20,000)
Salary Commision	201,194	167,933	33,261
Others Miscellaneous	500	-	500
Total Collection	12,277,471	5,906,589	6,370,882

4.2 Amendment to the FY 2023/24 budget

There are expenditure pressures arising from FY 2022/23 carryovers amounting to Ksh 294 million which may necessitate revision of the budget to cater for emerging expenditure pressures. County's pending bills, rollover projects, the shortfall in salaries as a result of increment in salaries as per SRC circular and the new housing levy introduced in the 2023 finance Act. Table 13 provides revised budget 2023-24

Table 13: Amended Budget 2023-24

REVENUE STREAM	PRINTED ESTIMATES	Supplement	Total Supplementary
Equitable share	3,237,350,707		3,237,350,707
Local Revenue	350,000,000	-	350,000,000
FLOCAA	100,000,000	87,540.00	100,087,540
Climate Smart	90,000,000		90,000,000
ASDP	1,622,700	12058392	13,681,092
Aggregated Industrial Parks Programme	100,000,000		100,000,000
DANIDA	7,610,625	5,089,125.00	12,699,750
KISSP	150,000,000	50,000,000.00	200,000,000
Kenya Maritime Fisheries & Social Economic Developments- KEMSFED	48,764,809	- 48,764,809	-
Derisking & Value enhancement (Drive)	63,341,980	- 63,341,980	-
Brought Forward 2022-27	438,223,152	317,432,862.20	755,656,014

Fuel levy	-	8,631,794.00	8,631,794
KDSP	-	5,132,506.00	5,132,506
Covid 19 GRANT	-	2,839,717.00	2,839,717
UIG	-	5,508,060.91	5,508,061
UDG	-	41,214.00	41,214
Total Revenue	4,586,913,973	294,714,422	4,881,628,395

4.3 FY 2024-25 Revenue Outlook

The resource envelope is projected at a total of Ksh 3.7 billion, which comprises of Equitable share of revenue raised nationally of Ksh 3.4 billion. This does not include the conditional grants. Meanwhile the county treasury is projecting to collect Kish 350 million as OSR.

However, these estimates shall be firmed up by the Budget Policy Statement (BPS), County Allocation of Revenue Act 2024, and approved policies by the County Executive Committee. The County is also expected to benefit from various grants from National Government and development partners.

Table 14: Revenue Projections over the medium

Revenue	Budgeted 2022/23	actual 2022/23	2023/24	2024/25	2024/25	2025/26
Equitable share	3,105,649,643	3,105,649,643	3,237,350,707	3,399,218,242	3,569,179,154	3,747,638,112
Local revenue	131,000,000	156,907,612	350,000,000	350,000,000	350,000,000	350,000,000
GRAND TOTAL	3,236,649,643	3,262,557,255	3,587,350,707	3,749,218,242	3,919,179,154	4,097,638,112

Expenditure Outlook

The total expenditure is estimated at Ksh 3.7 billion comprising recurrent expenditure which is estimated at 70 percent and development estimated at 30 percent. Currently, the county wage bill has exceeded the 35 percent ceiling as

stipulated in the fiscal responsibility principles of the Public Finance Management Act, 2012. Over the medium term the County intends to live within its means and therefore shall endeavor to operate a balanced budget. Table below indicates projections for expenditure in the Medium-Term 2022/23 – 2024/25.

Table 15: Summary of Expenditure Projections for FY 2024/25 and MTEF in Million KShs

Revenue type	Budgeted	Projected Expenditures			
	2023/24	2024/25	2025/26	2026/27	%
Personnel Emoluments	1,754,969,065	1,842,717,518	1,934,853,394	2,031,596,064	49
Operations & Maintenance	807,717,591	790,603,471	812,633,645	835,765,327	21
Development	1,024,664,051	1,115,897,254	1,171,692,116	1,230,276,722	30
Total	3,587,350,707.00	3,749,218,242.35	3,919,179,155.47	4,097,638,113.24	100

4.4 Medium-Term Expenditure Framework

The County Government will continue with its policy of expenditure prioritization with a view to supporting economic recovery and achieving its transformative development agenda.

This agenda is anchored on provision of core services, creation of employment opportunities improving the general welfare of the people and ensuring equity while minimizing costs through the elimination of duplication and inefficiencies. The realization of these objectives will have implications in the budget ceilings provided

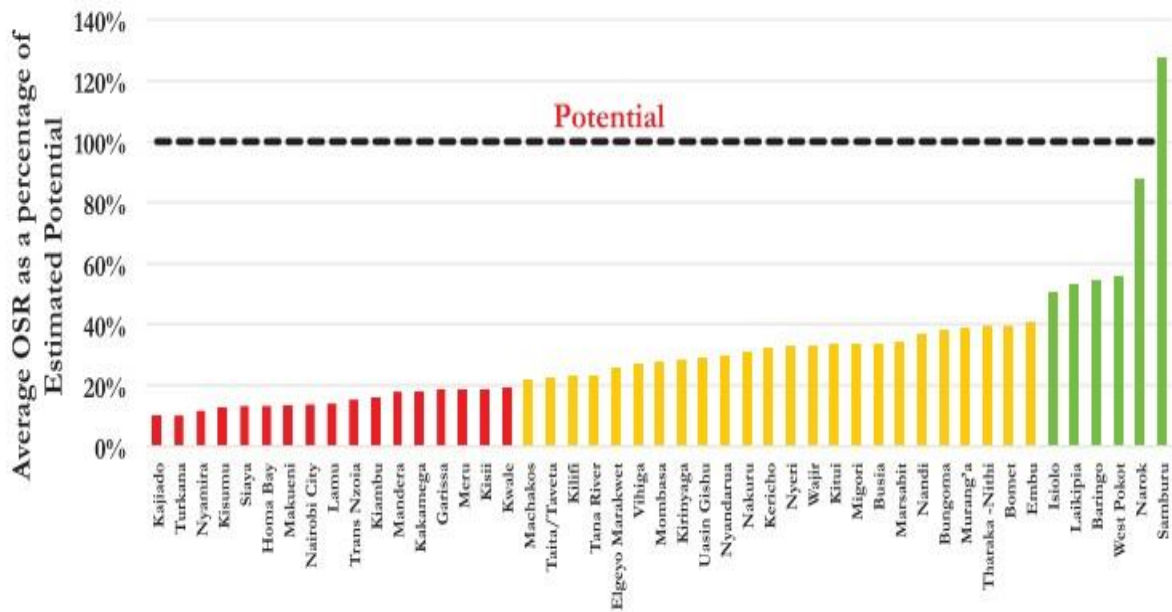
in this BROP. The following criteria will serve as a guide for allocating resources:

- i) Linkage of Programmes that support Economic Recovery.
- ii) Linkage of programs that support completion of ongoing intervention under the BETA Agenda either as drivers or enablers.
- iii) Linkage of the program with the priorities of CIDP III, Governor's manifesto MTP IV of the Vision 2030.
- iv) Degree to which a programme addresses job creation and poverty reduction.
- v) Degree to which a programme addresses the core mandate of the Department,
- vi) Expected outputs and outcomes from a programme.
- vii) Cost effectiveness and sustainability of the programme.
- viii) Extent to which the Programme seeks to address viable stalled projects and verified pending bills; and
- ix) Requirements for furtherance and implementation of the Constitution.

4.4.1 Medium-Term Revenue Strategy

The County Government revenues have been on the increase trend for the last four years. However, the figure of revenue collected is still below the projected revenue target as per the study commissioned by commission of revenue allocation (CRA) which indicated lamu revenue potential as Kshs 426,500,000

Table 16: Average OSR Collection as a % of the Estimated Revenue Potential

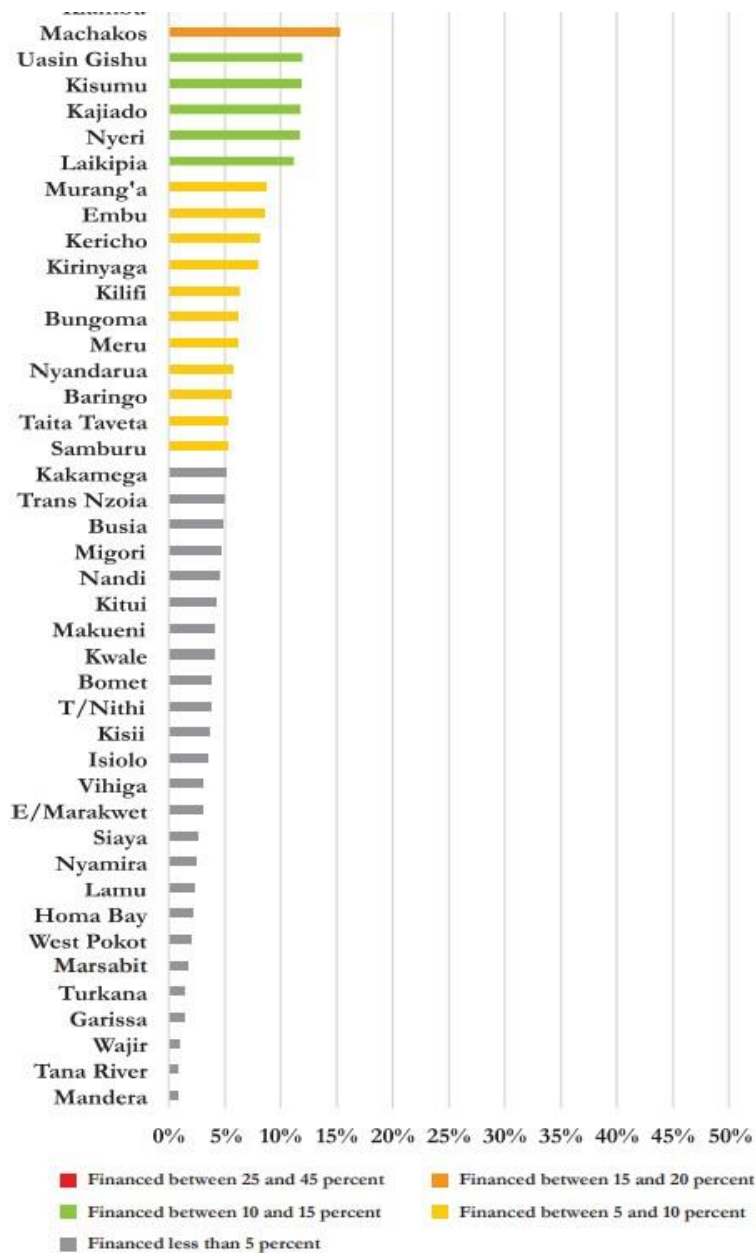


As it can be seen Lamu County is among the Counties that collect less than 20% of its revenue potential. This is as per the study by the National Treasury that estimated the potential of only six, revenue streams that met the following four criteria. The streams that had adequate policy rationale, clear legal basis, a high contributor and has a revenue-raising objective applicable across all counties. The six revenue streams were property tax, building permits, business licenses, liquor licenses, vehicle parking fees and outdoor advertising. The average collection over the past six years was compared to the estimated revenue potential, and the results are as illustrated in figure four above

4.4.2 Variuos challenges that have hindered the actualization of revenue collection.

The contribution of lamu county OSR to our County budget is less than five percentage making it over rely on the National Government transfers as indicated in the figure below:

—Figure 12 : Percentage of County Budget financed by OSR collection.



Some of the challenges includes the following: -

1. The county has been relying on old finance act of 2016 to collect revenue. Various attempt to amend the act has not been successful. However, 2023-24 financial bill has been approved and is expected to boost revenue collections.

2. Manual revenue collection
3. Lack legislation on various revenue streams. The last legislation on revenue were done in 2015 and not implemented fully.
4. Capacity of staff in the revenue department
5. Lack of enforcement of county revenue legislation
6. Lack of proper facilitation of revenue staff

To improve the revenue-raising measures, the County treasury needs to-

1. Develop the finance bill together with enabling legislation for approval by the Executive and County Assembly in order for the County to be able to diversify its revenue base.
2. The County also needs to relook at the option of domiciling each revenue stream to the respective department and setting a target for each department on revenue collection to be part of performance contracting.
3. In order also to improve revenue collection the county should also look at the issue of zoning of the County. Uniform collection of revenue disadvantages some areas making it hard for businesses to comply with rates as suggested in the finance act.
4. Recruit competent and enough personnel in the revenue department and provide necessary support like transport facilities for revenue collectors.
5. Implement the various acts that were approved by the County Assembly i.e Liquor Licensing Act.
6. Automation of revenue collection
7. Enforcement of revenue collection and legislation

SECTION FIVE: CONCLUSION AND NEXT STEPS

5.0 CONCLUSION AND NEXT STEPS

Global economic outlook remains uncertain reflecting the impact of the tightening of monetary policy and escalation of geopolitical tensions particularly the ongoing war in Ukraine. Consequently, the global growth is projected to slow down to 3.0 percent in 2023 and 2024 from 3.5 percent in 2022. Kenya's economic performance is projected to remain strong and resilient over the medium term. The economy recorded a strong growth of 5.3 percent in the first quarter reflecting a strong recovery in agriculture sector and buoyant services sector including financial and insurance, information and communication, wholesale and retail trade and transport and storage. The economy is expected to remain strong and expand by 5.5 percent in 2023 (5.6 percent in FY 2023/24) and 5.7 percent in 2024 (5.9 percent in FY 2024/25). The growth outlook will be supported by broad-based private sector growth, resilient services sector, the rebound in agriculture. The growth outlook will be reinforced by implementation of policies and reforms under the priority sectors of the Bottom - Up Economic Transformation Agenda geared towards economic turnaround and inclusive growth.

Consequently, the economy is projected to slow down to 2.6 percent in 2020 from the 5.4 percent registered in 2019.

Given the limited resources, the County Departments will therefore be required to critically review, evaluate and prioritize all budget allocations to strictly achieve the county priorities as stipulated in County integrated Development plan 2023-27. The hard department ceilings to be provided for the FY 2024/25 budget and the Medium Term will form the basis of allocations

ANNEX I: BUDGET CALENDAR FOR THE FY 2023/24 MEDIUM-TERM BUDGET

ACTIVITY		RESPONSIBILITY	TIMELINE
i.	Develop and issue MTEF guidelines	County Treasury	30-August -23
ii.	Submission of Annual Development plans to county assembly for Approval	County Treasury	1 st September 2023
iii.	Draft Budget Review and Outlook Paper(CBROP)	County Treasury	15-October-23
iv.	Submission and approval of CBROP by County Executive	County Treasury	30-Sep-23
v.	Submission of approved CBROP to Assembly	County Treasury	14-Oct-23
vi.	County department inputs to CFSP	Line Departments	15-Jan 2024
vii.	Consultative meeting with CECMs/COs on Departmental Budget proposals	County Treasury	16-20 Jan -24
viii.	Draft CFSP & Medium-Term Debt Strategy(CDMSP)	County treasury	05-Feb-24
ix.	Submission of CFSP, CDMSP to County Executive for approval	County Treasury	15-Feb-24
x.	Submission of CFSP, CDMSP to Assembly for approval	County Treasury	28-Feb-24
xi.	Develop and issue final guidelines on preparation of 2024/25 - of 2026/27 MTEF Budget	County Treasury	10-March-24
xii.	Submission of Budget Proposals to Treasury	Line Departments	20-March-24
xiii.	Consolidation of the Draft Budget Estimates	County Treasury	01-April-24
xiv.	Submission to Cabinet for Approval	County Treasury	15-April -2024
xv.	Submission of Draft Budget Estimates to Assembly	County Treasury	30-April-24
xvi.	Submission of Appropriation Bill to Assembly	County Treasury	30-April-24
xvii.	Budget Statement	County Treasury	30-April-24
xviii.	Appropriation Bill passed	County Assembly	30-June-24
xix.	Vote on account if Applicable	County Assembly	15-June 2024
xx.	Finance Bill Passed	County Assembly	31-Sep-24

Table 17: OSR Growth Trends from FY 2021/2022 to FY 2022/23

County	FY 2020/21 Actual OSR Collection (Kshs)	FY 2021/22 Actual OSR Collection (Kshs)	FY 2022/23 Actual OSR Collection (Kshs)	FY 2021/22 OSR Growth Rate	FY 2022/23 OSR Growth Rate	Two Year Average Growth Rate
Homa Bay	120,412,567	146,642,418	491,496,550	21.8%	235.2%	128.5%
Narok	618,992,783	1,334,563,666	3,061,007,640	115.6%	129.4%	122.5%
Elgeyo Marakwet	69,075,375	162,252,071	217,350,490	134.9%	34.0%	84.4%
Samburu	70,378,827	120,049,011	226,516,961	70.6%	88.7%	79.6%
Isiolo	57,181,282	107,832,875	151,805,623	88.6%	40.8%	64.7%
West Pokot	68,866,910	113,444,832	128,195,210	64.7%	13.0%	38.9%
Kwale	250,090,346	302,688,593	392,952,872	21.0%	29.8%	25.4%
Baringo	205,203,689	264,898,800	313,351,637	29.1%	18.3%	23.7%
Lamu	108,433,650	126,995,226	156,907,612	17.1%	23.6%	20.3%
Kitui	326,450,311	361,271,342	464,354,467	10.7%	28.5%	19.6%
Migori	288,535,155	386,872,946	406,364,909	34.1%	5.0%	19.6%
Bomet	183,008,302	202,430,010	242,395,023	10.6%	19.7%	15.2%
Kajiado	862,288,151	527,943,689	875,281,130	-38.8%	65.8%	13.5%
Siaya	332,883,061	434,376,276	402,229,607	30.5%	-7.4%	11.5%
Nyandarua	408,718,259	473,061,809	505,913,306	15.7%	6.9%	11.3%
Mombasa	3,314,532,178	3,608,672,111	3,998,628,848	8.9%	10.8%	9.8%
Kakamega	1,118,235,983	1,226,076,737	1,309,679,900	9.6%	6.8%	8.2%
Kirinyaga	346,521,599	364,653,724	399,321,046	5.2%	9.5%	7.4%
Machakos	1,296,364,668	1,118,461,753	1,429,791,260	-13.7%	27.8%	7.1%
Kiambu	2,425,245,161	3,149,182,552	2,424,634,382	29.9%	-23.0%	3.4%
Nairobi City	9,958,038,681	9,238,804,878	10,237,263,780	-7.2%	10.8%	1.8%
Kisii	403,001,860	404,554,620	413,988,597	0.4%	2.3%	1.4%
Embu	375,326,291	394,540,728	383,178,337	5.1%	-2.9%	1.1%
Nakuru	1,628,821,537	1,707,447,685	1,611,062,682	4.8%	-5.6%	-0.4%
Makueni	527,527,341	749,406,507	418,752,940	42.1%	-44.1%	-1.0%
Meru	435,932,406	385,391,541	418,801,954	-11.6%	8.7%	-1.5%
Bungoma	395,118,238	368,035,218	379,716,358	-6.9%	3.2%	-1.8%
Kisumu	822,299,848	982,789,204	731,449,033	19.5%	-25.6%	-3.0%
Taita Taveta	302,005,400	315,575,986	265,254,255	4.5%	-15.9%	-5.7%
Garissa	103,525,792	65,624,500	81,361,298	-36.6%	24.0%	-6.3%
Uasin Gishu	1,105,676,540	858,341,720	936,606,563	-22.4%	9.1%	-6.6%
Murang'a	627,164,598	520,317,425	534,416,925	-17.0%	2.7%	-7.2%
Vihiga	169,109,802	236,265,160	108,347,382	39.7%	-54.1%	-7.2%
Mandera	143,313,898	132,899,851	122,528,934	-7.3%	-7.8%	-7.5%
Turkana	209,830,607	204,349,844	177,717,811	-2.6%	-13.0%	-7.8%
Kericho	595,976,653	566,821,704	501,354,545	-4.9%	-11.5%	-8.2%
Trans Nzoia	340,453,746	379,991,105	267,760,051	11.6%	-29.5%	-9.0%
Kilifi	833,845,292	827,496,951	661,686,660	-0.8%	-20.0%	-10.4%
Nandi	261,039,027	275,658,466	200,737,628	5.6%	-27.2%	-10.8%
Nyeri	886,892,734	948,313,629	610,656,883	6.9%	-35.6%	-14.3%
Nyamira	162,863,880	166,487,465	113,484,901	2.2%	-31.8%	-14.8%
Tana River	83,075,805	72,260,813	59,173,171	-13.0%	-18.1%	-15.6%
Laikipia	840,396,632	894,884,655	504,274,788	6.5%	-43.6%	-18.6%
Tharaka Nithi	254,745,602	234,293,360	164,200,787	-8.0%	-29.9%	-19.0%
Wajir	73,955,722	52,415,625	46,746,101	-29.1%	-10.8%	-20.0%
Busia	322,558,227	292,736,456	201,772,364	-9.2%	-31.1%	-20.2%
Marsabit	110,368,253	99,563,452	58,565,723	-9.8%	-41.2%	-25.5%

Source of data: Controller of Budget

Table 21: County Governments' Fiscal Performance for FY 2022/23

County	Annual Own Source Revenue (Kshs.)	Actual OSR Collection (Kshs.)	% of Collection of OSR Against Annual Target	Budget Estimates (Kshs. Million)			Expenditure (Kshs. Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
				Rec	Dev	Total	Rec	Dev	Total			
				A	B	C=A+B	D	E	F=D+E			
				G=D/A*100	H=E/B*100	I=F/C*100						
Baringo	387,429,514	313,351,637	80.9	5,368.69	3,888.73	9,257.42	5,368.49	2,432.72	7,801.21	100	62.6	84.3
Bomet	300,000,000	242,395,023	80.8	5,848.16	2,439.18	8,287.34	5,530.23	1,533.35	7,063.57	94.6	62.9	85.2
Bungoma	500,000,000	379,716,358	75.9	10,378.86	4,445.88	14,824.74	9,278.83	2,734.12	12,012.95	89.4	61.5	81
Busia	310,711,243	201,772,364	64.9	6,544.61	3,033.28	9,577.88	6,225.69	1,257.07	7,482.76	95.1	41.4	78.1
Elgeyo Marakwet	246,239,213	217,350,490	88.3	3,991.29	2,264.90	6,256.19	3,769.50	1,390.64	5,160.15	94.4	61.4	82.5
Embu	514,140,000	383,178,337	74.5	5,109.35	2,191.72	7,301.07	4,890.56	1,223.44	6,114.00	95.7	55.8	83.7
Garissa	100,000,000	81,361,298	81.4	6,556.23	2,813.92	9,370.15	6,162.63	1,597.33	7,759.96	94	56.8	82.8
Homa Bay	818,315,811	491,496,550	60.1	6,983.69	3,095.42	10,079.11	6,940.82	2,474.76	9,415.58	99.4	79.9	93.4
Isiolo	178,097,913	151,805,623	85.2	4,377.52	2,083.19	6,460.71	4,027.38	1,462.41	5,489.79	92	70.2	85
Kajiado	1,743,946,728	875,281,130	50.2	7,476.38	3,192.25	10,668.63	7,107.55	2,411.57	9,519.12	95.1	75.5	89.2
Kakamega	1,942,426,514	1,309,679,900	67.4	11,338.34	4,859.70	16,198.04	10,477.29	3,657.54	14,134.83	92.4	75.3	87.3
Kericho	1,019,388,053	501,354,545	49.2	5,825.29	2,628.29	8,453.57	5,431.89	2,190.79	7,622.68	93.2	83.4	90.2
Kiambu	3,392,022,527	2,424,634,382	71.5	13,074.22	4,587.82	17,662.04	10,650.88	1,212.26	11,863.14	81.5	26.4	67.2
Kilifi	1,051,376,905	661,686,660	62.9	9,931.46	5,420.29	15,351.76	7,825.66	3,355.06	11,180.72	78.8	61.9	72.8
Kirinyaga	355,601,999	399,321,046	112.3	4,847.45	2,185.06	7,032.51	4,836.07	1,609.99	6,446.06	99.8	73.7	91.7
Kisii	650,000,000	413,988,597	63.7	7,810.10	3,303.76	11,113.86	7,520.21	457.82	7,978.02	96.3	13.9	71.8
Kisumu	1,518,837,525	731,449,033	48.2	8,483.12	3,562.16	12,045.28	7,271.83	1,808.50	9,080.33	85.7	50.8	75.4
Kitui	420,000,000	464,354,467	110.6	8,662.90	3,643.15	12,306.05	8,173.76	2,129.55	10,303.32	94.4	58.5	83.7
Kwale	454,276,121	392,952,872	86.5	7,061.20	4,868.21	11,929.41	6,758.72	2,950.19	9,708.91	95.7	60.6	81.4
Lakipia	821,111,327	504,274,788	61.4	5,358.07	1,833.28	7,191.35	5,323.92	1,225.93	6,549.85	99.4	66.9	91.1
Lamu	131,000,000	156,907,612	119.8	3,001.20	1,366.43	4,367.63	2,747.93	763.51	3,511.43	91.6	55.9	80.4
Machakos	1,717,118,593	1,429,791,260	83.3	8,778.23	3,766.36	12,544.59	7,926.94	1,600.08	9,527.02	90.3	42.5	75.9
Makueni	670,000,000	418,752,940	62.5	7,485.99	3,278.76	10,764.74	7,309.93	2,537.37	9,847.31	97.6	77.4	91.5
Mandera	290,436,786	122,528,934	42.2	8,427.76	4,286.08	12,713.84	8,198.47	3,656.65	11,855.12	97.3	85.3	93.2
Marsabit	170,000,000	58,565,723	34.5	5,033.71	3,798.97	8,832.68	4,928.06	2,698.78	7,626.84	97.9	71	86.3
Meru	600,000,000	418,801,954	69.8	8,932.70	3,716.32	12,649.03	8,816.19	2,640.93	11,457.11	98.7	71.1	90.6
Migori	600,000,000	406,364,909	67.7	7,253.87	3,103.11	10,356.99	6,808.40	1,690.15	8,498.55	93.9	54.5	82.1
Mombasa	5,004,354,326	3,998,628,848	79.9	9,868.41	4,131.59	14,000.00	10,355.16	2,183.64	12,538.80	104.9	52.9	89.6
Murang'a	1,265,765,573	534,416,925	42.2	6,861.82	2,942.06	9,803.88	6,432.54	2,037.80	8,470.34	93.7	69.3	86.4
Nairobi City	17,505,011,669	10,237,263,780	58.5	30,369.96	9,243.95	39,613.92	28,627.93	4,610.46	33,238.38	94.3	49.9	83.9
Nakuru	2,280,000,000	1,611,062,682	70.7	12,870.61	8,339.09	21,209.70	10,520.71	3,008.13	13,528.84	81.7	36.1	63.8
Nandi	373,234,444	200,737,628	53.8	6,114.46	2,398.28	8,512.74	5,961.12	1,969.44	7,930.57	97.5	82.1	93.2
Narok	4,204,783,838	3,061,007,640	72.8	10,153.46	4,827.66	14,981.12	9,654.28	3,149.84	12,804.13	95.1	65.2	85.5
Nyamira	432,000,000	113,484,901	26.3	4,909.47	2,185.41	7,094.89	4,341.27	1,393.94	5,735.21	88.4	63.8	80.8
Nyandarua	660,000,000	505,913,306	76.7	5,307.09	2,274.98	7,582.07	4,983.24	1,673.14	6,656.38	93.9	73.5	87.8
Nyeri	800,000,000	610,656,883	76.3	5,316.93	2,291.54	7,608.47	5,113.88	1,718.40	6,832.29	96.2	75	89.8
Samburu	240,330,500	226,516,961	94.3	4,794.78	2,184.83	6,979.61	4,491.86	1,837.44	6,329.30	93.7	84.1	90.7
Siaya	590,261,582	402,229,607	68.1	5,775.87	2,827.00	8,602.86	5,279.00	1,520.28	6,799.27	91.4	53.8	79
Taita Taveta	389,402,624	265,254,255	68.1	4,996.55	2,197.01	7,193.56	4,874.53	1,261.05	6,135.58	97.6	57.4	85.3
Tana River	87,846,000	59,173,171	67.4	5,468.74	2,511.27	7,980.02	4,626.32	1,288.96	5,915.28	84.6	51.3	74.1
Tharaka Nithi	259,700,000	164,200,787	63.2	4,364.60	1,316.77	5,681.36	4,083.61	914.06	4,997.67	93.6	69.4	88
Trans Nzoia	328,400,000	267,760,051	81.5	5,807.36	3,309.33	9,116.68	5,458.99	2,138.90	7,597.89	94	64.6	83.3
Turkana	198,000,000	177,717,811	89.8	12,528.85	5,880.28	18,409.13	11,191.08	3,318.04	14,509.12	89.3	56.4	78.8
Uasin Gishu	1,400,471,851	936,606,363	66.9	7,308.95	4,514.71	11,823.66	7,161.67	3,218.77	10,380.44	98	71.3	87.8
Vihiga	181,484,444	108,347,382	59.7	4,551.02	1,937.00	6,488.02	4,482.55	1,464.63	5,947.18	98.5	75.6	91.7
Wajir	100,000,000	46,746,101	46.7	8,125.45	3,109.23	11,234.68	7,848.01	2,377.74	10,225.75	96.6	76.5	91
West Pokot	170,000,000	128,195,210	75.4	5,200.51	2,464.03	7,664.54	5,120.22	2,193.11	7,313.33	98.5	89	95.4
Total			65.9	354,635.28	160,542.25	515,177.52	330,915.78	97,980.28	428,896.06	93.3	61	83.3

Source of Data: Controller of Budget