



LAMUCOUNTY GOVERNMENT



COUNTY FISCAL STRATEGY PAPER

FY 2024/ 5

VISION

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

FEBRUARY 2024

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Table of Contents

FOREWORD 8

ACKNOWLEDGEMENT 10

EXECUTIVE SUMMARY 11

CHAPTER ONE19

1.0 INTRODUCTION 19

Overview 19

RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK 21

 1.1 Overview 21

 1.2 Recent Economic Developments and Outlook Global and Regional Economic21

 Developments 21

 Table 1.1: Global Economic Growth Projections, Percent22

 1.2.1 Kenya’s Economic Developments and Macro-Economic Indicators22

 Table 1.2: Sectoral GDP Performance 23

 1.2.2 Inflation Rate24

 Figure 1.1: Inflation Rate26

 1.2.3 Kenya Shilling Exchange Rate and Money Supply26

 Figure 1.2: Kenya Shilling Exchange Rate27

 1.2.4 Interest Rates27

 Figure 1.3: Short Term Interest Rate, Percent28

22/23 AND HALF YEAR 2023-25 FISCAL PERFORMANCE 29

Overview of 2022-23 FINANCIAL YEAR BUDGET29

Revenue Performance 29

Table 1: Lamu County, Revenue Performance in FY 2022/23 30

Table 2: First Half County Receipts FY 2020/2021-2023/2024 31

OWN SOURCE REVENUE 32

Top Streams of Own Source Revenue in FY 2022/2332

Table 3: Half Year Revenue Streams Performance 33

Exchequer Issues 36

County Expenditure Review 36

Settlement of Pending Bills 36

Expenditure by Economic Classification37

Table 2: Summary of Budget and Expenditure by Economic Classification	37
Expenditure on Employees' Compensation	37
Expenditure on Operations and Maintenance	38
Development Expenditure	38
Budget Performance by Department	39
Table 3: Lamu County, Budget Allocation and absorption Rate by Department	39
County Governments' Compliance with Fiscal Responsibility Principles	40
Allocation to Development Expenditure over the Medium-Term	41
Figure 3: FY 2022/23 Budgeted Development Expenditure as a Percentage of Total County Expenditure	41
Actual Development Expenditure over the Medium Term	41
Figure 4: FY 2022/23 Actual Development Expenditures as a Percentage of Total Expenditure	42
Figure 6: FY 2022/23 Actual Revenue Collected by the County Governments as a percentage of	44
Annual Revenue Target	44
FY 2023/24 Half Year Revenue Performance	44
Overview of FY 2023/24 Budget	44
Revenue Performance	45
Figure 7: Trend in Own-Source Revenue Collection from the First Half of FY 2016/17 to the First Half of FY 2023/24	46
Figure 8: Top Streams of Own Source Revenue in the First Half of FY 2023/24	47
Exchequer Issues	47
County Expenditure Review	47
Settlement of Pending Bills	48
Expenditure by Economic Classification	48
Table 5: Summary of Budget and Expenditure by Economic Classification	48
Expenditure on Employees' Compensation	49
County Emergency Fund and County-Established Funds	49
Table 6: Performance of County Established Funds in the First Half of FY 2023/24	50
Expenditure on Operations and Maintenance	50
Figure 9: Lamu County, Operations and Maintenance Expenditure by Major Categories	51
Table 7: Lamu County, List of Development Projects with the Highest Expenditure	52
Table 8: Lamu County, Budget Allocation and Absorption Rate by Department	52
1.5 Economic Outlook	57
1.6 Risks to Fiscal Policy	58

II. POLICIES TO ACHIEVE MEDIUM TERM OUTLOOK	59
2.1 Leveraging on the Growth of Productive Sectors in the Economy	59
Agriculture	59
Wholesale and retail trade	64
Tourism	64
2.2 Promotion of Access to Quality and Affordable Healthcare Services	66
III. INTERGOVERNMENTAL FISCAL RELATIONS AND DIVISION OF REVENUE	67
3.1 Intergovernmental Relations	67
3.1.1 PFM Institutions	67
3.0 DEVELOPMENT PRIORITIES AND STRATEGIES FOR THE FY 2024/2025 AND THE MEDIUM TERM	70
Fiscal Policy Environment	70
Key Departmental Priorities for FY 2024/2025	70
Agriculture, Livestock and Fisheries sector	70
Department of Education and Vocational Training	71
Department of Finance and Economic Planning	71
Department of Trade, Tourism, Culture	72
Department of Budget and Economic planning	72
Department of Infrastructure and Energy	73
Department of Public Service Management and Administration	73
Department of Lands, Housing and Urban Planning	73
County Public Service Board	74
4.0 FISCAL POLICY, 2024/25 FY BUDGET AND THE MEDIUM-TERM EXPENDITURE FRAMEWORK	75
TABLE 8: TOTAL REVENUE PROJECTIONS FOR FY 2024-25	77
Expenditure Projections	79
Table 11: FY 2024/25 BUDGET ALLOCATION AS PER ECONOMIC CLASSIFICATION	80
Risks to the 2024/25 Budget framework	81
Fiscal Structural Reforms	82
Revenue mobilization:	82
5.0 CONCLUSION	85
ANNEXURES	86
Annex 1: Projected Revenue Summary 2024-25-2026-27	86
REVENUE SUMMARY	86

ANNEX 2: Proposed recurrent ceilings 2024-25-2026-27 87
.....87
ANNEX 1: Proposed development ceilings 2024-25-2026-2788
ANNEX 2: Summary of first charge Expenditure Ceilings88
ITE89
.....90
ANNEX 5: Summary of CFSP 2024 Ceilings90
ANNEX 6: LAMU COUNTY PUBLIC PARTICIPATION REPORT FOR THE LAMU COUNTY FISCAL STRATEGY
PAPER 2024/202591

ABBREVIATION	ACRONYMS
ANC	Antenatal care
BPS	Budget policy statement
CFSP	county fiscal strategy paper
CHVs	community health volunteers
CICs	community information
CIDP	county integrated development plan
ECDE	early childhood development education
MTEF	medium term expenditure fund
OSR	own source revenue
FIF	facility improvement fund
PFMA	public finance management act

FOREWORD

One of the key stages in the County budget preparation cycle is the production of the County Fiscal Strategy Paper (CFSP). It sets out the county policy goals and strategic priorities that will be the basis for formulation of the County's Financial Year 2024/2025 budget and the Medium-Term projections. This is an annual planning document that shows the various Fiscal strategies that the County Government of Lamu intends to employ to meet its overall objective of improving the livelihoods of its citizens.

Consequently, through this document the County Government has set out priorities which will lead to the realization of the Governor's Nine Point manifesto with emphasis on food security, water as a universal right, revenue enhancement, public private partnerships, health care, education and partnerships building over the medium-term period. These priorities are based on the third generation CIDP (2023-2027), Annual Development Plan (CADP) 2024-2025, the Kenya Vision 2030 and the MTP IV. The finalization of this CFSP 2024 was informed by the provisions and guidelines as per the PFM Act, 2012 and the PFM (County Government Regulations 2015).

As a build-up on the County Budget Review and Outlook Paper (CBROP) 2023, which analyzed the performance in the FY 2022/2023 financial year's budget, scanned the current year's fiscal environment and provided an outlook for the FY 2024/2025 and the medium term, this CFSP shows the allocation of resources to all sectors and departments.

The main sources of County revenue, in the medium term, will be the equitable share, conditional grants, local revenue collections and donor funding. The paper covers the following broad areas; highlights of the recent economic developments and the economic outlook; broad strategic priorities and policies for the Medium-Term Fiscal Framework. The fiscal framework presented in the paper ensures a sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives

calls for greater transparency, effectiveness and efficiency in public financial management in order to ensure fiscal discipline.

MOHAMMED ALI MBWANA

COUNTY EXECUTIVE COMMITTEE MEMBER

FINANCE, BUDGET, STRATEGY AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

Much effort, time and dedication has been put in the drafting and submission of the County Fiscal Strategy Paper (CFSP), 2024, as required under the PFM Act, 2012. The objective of the document is to highlight some of the fiscal strategies and plans the County Government has in the financing of the priorities for the period FY 2024/25. I take this opportunity to sincerely thank the general public and all interested groups who participated fully towards finalization of the CFSP 2024. Your invaluable contributions helped to shape the County Fiscal Framework.

It will be very important at this point to highlight that, in the allocation of resources for the fiscal period, various factors were considered and more importantly the pressing needs of the county residents.

As a County Treasury, we are grateful and indebted to our County Executive Member for Finance, budget, strategy and Economic Planning for his invaluable guidance and counsel in the development of this document. My sincere gratitude goes to my colleagues the Chief Officers and the department staff for their contributions and dedication to help this process concluded on time. Equally, we value the useful inputs we received from the public when we undertook consultations through public participation in line with the requirements of the Public Finance Management Act, 2012 and the Constitution. Those inputs are submitted alongside this document.

BWANAHERI A. HARUN

COUNTY CHIEF OFFICER

BUDGET, STRATEGY AND ECONOMIC PLANNING

EXECUTIVE SUMMARY

The 2024 Lamu County Fiscal Strategy Paper is the second paper to implement the 3rd generation County Integrated Development Plan 2023–2027. This paper lays out the medium-term developmental strategy in line with the CIDP III theme of building a resilient economy for sustainable development, as well as the FY2024/25 theme of sustaining economic gains for inclusive development. The Public Finance Management (PFM) Act, 2012 provides that the County Fiscal Strategy Paper will outline the key goals of the government, the current state of the economy, medium-term budget estimates and ceilings that will guide the creation of the FY 2024/25 budget.

The development theme for FY 2024/25, ‘sustaining economic gains for inclusive development’, will be guided by the following objectives: to increase access to potable

water; to improve production, productivity, and food security; to enhance access to universal healthcare; to develop urban infrastructure; to automate government services, procedures, and innovation; and to mobilize resources through strategic partnerships. This will be implemented through seven sectors: Water, Sanitation, Environment and Natural Resources; Agriculture and Rural Development; Transport, Infrastructure, Energy and ICT; Health Services; Social Protection, Education and Recreation; General Economic and Commercial Affairs; Lands and Urban Development; and Devolution.

The paper consists of six chapters with the following key highlights:

Chapter One:

Chapter one provides the introduction. The paper is prepared in adherence to the PFM Act, 2012, Section 117, with guidelines for the key fiscal strategies and the components of the CFSP. The CFSP for the FY 2024/25 budget will provide a comprehensive overview of the county's fiscal strategy (including revenue projections, expenditure priorities and the overall economic and financial outlook), the government's plans for resource mobilization, debt management and fiscal sustainability.

Chapter Two: The chapter sets out the county government fiscal performance in FY 2022/23 and FY 2023/24. The overall revenue performance for FY 2022/23 was 119.8 percent (Kshs. 156,907,612 out of the total budgeted revenue of Kshs. 131,000,000). The performance increased by 14 percent compared to the 105 percent recorded in FY 2021/22. Recurrent expenditure for FY 2022/23 amounted to Kshs. 2,747,926,271 representing an absorption rate of 91.6 percent an increase from the 86.5 percent recorded in FY 2021/22. The development expenditure amounted to Kshs. 763,507,194 representing 55.9 percent

absorption rate. This was a 0.5 percent increase from the 55.4 percent recorded in FY 2021/22.

The total revenue receipts for from equitable share the period ending 31st December 2023 stood at Kshs. 1,068,325,734, reflecting a performance rate of 32 percent. County-generated revenue accounted for 25 percent of this performance. Additionally, receipts from conditional allocations, loans, and grants totaled KShs 500,000 constituting 0.1 percent of the total revenue.

Chapter Three: Chapter three outlines the development priorities and economic performance and outlook.

Chapter Four: Chapter four examines the resource envelope for the FY2024/25–2026/27 medium-term expenditure framework. The FY 2024/25 Equitable share is projected to increase by Kshs 48,602,071.00 to Kshs 3,285,952,778.00 from Kshs 3,237,350,707.00 in FY 2023/24 representing a growth of 2 percent. The growth is contributed by the increase of equitable share as outlined in the 2024 Budget Policy Statement Paper. The county Own Source Revenue and Facility improvement fund is projected at Kshs 160M and Kshs 130 M respectively. This is a decline by Kshs 60M from Kshs 350 M target set for FY 2022-23. The budget will be funded from three main sources namely equitable share -71 percent, conditional allocations including Road Maintenance Levy Fund, loans and grants – 20 percent and own source revenue at 6 percent.

Chapter Five: This chapter finally gives the conclusion and next steps.

Legal Basis for the Publication of the County Fiscal Strategy Paper

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

1. The County Treasury shall prepare and submit to County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by 28th February of each year.
2. The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
3. In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing their budget both for the coming financial year and over the medium term.
4. The county treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
5. In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of -
 - a) the commission of revenue allocation;
 - b) the public;
 - c) the interested persons or groups; and
 - d) any other forum that is established by legislation.
6. Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.
7. The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.
8. The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 107(b)) 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 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 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;
 - (d) Over the medium term, the government's borrowings shall be used only for 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, considering 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 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

| Page

Participation/Sector Hearings and Involvement of Stakeholders

Public participation provides an all-inclusive avenue for identifying and prioritizing Government projects and activities under the budgeting process by key stakeholders and the public.

In this regard, the County Fiscal Strategy Paper (CFSP) 2024 was subjected to public hearings by various Stakeholders, Institutions and the public through a public participation exercise.

CHAPTER ONE

1.0 INTRODUCTION

Overview

1. This County Fiscal Strategy Paper (CFSP 2023) is the 11th edition since the advent of devolution to be prepared by the Lamu County Government, with its focus on Governor's manifesto in addressing the needs of the county residents.
2. The Fiscal Strategy paper provides information on the County government spending as well as information on revenue collection that is used to inform the sector ceilings. It looks at performance on the FY 2022/2023 and half year 2023-24 budget implementation and makes projections indicating the overall revenue and expenditure expected for the 2024/2025 financial year.
3. In order to come up with departmental allocations, the paper outlines County key sector priorities to help identify areas to fund and by what proportion of the total budget. It provides departmental ceilings representing the budget limits, the amount of money the County plans to spend in meeting the identified priorities in the 2024/2025 financial year.

Organization of the paper

4. The CFSP document contains six chapters that is organized as follows:

Chapter 1: This chapter gives the overview and the organization of the CFSP.

Chapter2: This chapter provides an overview of the recent economic developments and the macroeconomic outlook that covers the global and domestic scene.

Chapter 3: This chapter contains the County Development Priorities that outlines budget priorities and resources.

Chapter 4: This chapter contains the Budget framework which outlines the fiscal framework that is supportive of growth over the medium-term, while continuing to provide adequate resources to facilitate execution of policy priorities of the County Government of Lamu.

Chapter 5: This chapter finally gives the conclusion and next steps.

RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

1.1 Overview

1. High global interest rates arising from inflationary pressures, prolonged Russia Ukraine conflict, losses and damages due to frequent extreme weather events form part of challenges affecting the global economy. These uncertainties have caused increased fiscal pressures thus limiting access to credit and increased debt servicing costs. With this environment, a slowdown in the growth global economy is projected to 3.0 percent in 2023 and 2.9 percent in 2024 -- below historical (2000-2019) average of above 3.8—and increases the risks of geopolitical fragmentation which could weigh on the global economic outlook.

1.2 Recent Economic Developments and Outlook Global and Regional Economic Developments

2. The global economy is facing significant uncertainty due to a combination of factors such as the prolonged Russia-Ukraine conflict, high global interest rates on account of inflationary pressures which limit access to credit and exacerbates the cost of servicing debts; among others. According to the IMF World Economic Outlook, October 2023 report, global growth is expected to slow down from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 in 2024.
3. Advanced economies are projected to experience slowed growth of 1.5 percent and 1.4 percent in 2023 and 2024 respectively. The US economy is expected to have slowed growth of 2.1 percent in 2023 and 1.5 percent in 2024 down from 2.1 percent growth in 2022. The Euro Area economy is projected to experience a slowdown from 3.3 percent in 2022 to 0.7 percent in 2023 and 1.2 percent in 2024. The slowdown in growth in the advanced economies is attributed to aggressive monetary policy tightening which has contributed to a significant deterioration of global financial conditions.

4. Conversely, emerging and developing economies are expected to experience growth of 4.0 percent in both 2023 and 2024. The Chinese economy is expected to grow by 5.0 percent in 2023 and 4.2 percent in 2024 while the Indian economy is projected to increasing by 6.3 percent in both 2023 and 2024.

5. The sub-Saharan Africa region economic growth is projected to decline to 3.3 percent in 2023 from 4.0 percent in 2022 reflecting worsening climate change related shocks, inflationary and exchange rate pressures, and domestic supply issues, including, notably, in the electricity sector. Growth in the region is expected to rebound to 4.0 percent in 2024, picking up in four fifths of the sub-Saharan Africa's countries, and with strong performances in non-resource intensive countries. Table 1 provides a snapshot of global economic growth for 2021 & 2022 and projections for 2023 and 2024.

Table 1.1: Global Economic Growth Projections, Percent

Economy	Growth (%)			
	Actual		Projected	
	2021	2022	2023	2024
World	6.3	3.5	3.0	2.9
Advanced Economies	5.4	2.6	1.5	1.4
<i>Of which: USA</i>	5.9	2.1	2.1	1.5
<i>Euro Area</i>	5.3	3.3	0.7	1.2
Emerging and Developing Economies	6.8	4.1	4.0	4.0
<i>Of which: China</i>	8.4	3.0	5.0	4.2
<i>India</i>	9.1	7.2	6.3	6.3
Sub-Saharan Africa	4.7	4.0	3.3	4.0
<i>Of which: South Africa</i>	4.7	1.9	0.9	1.8
Nigeria	3.6	3.3	2.9	3.1
Kenya*	7.6	4.8	5.5	5.5

*Source: IMF World Economic Outlook, October 2023. *National Treasury Projection*

1.2.1 Kenya's Economic Developments and Macro-Economic Indicators

6. Although 2022 had a myriad of shocks for the Kenyan economy, the domestic demonstrated resilience with a growth in the performance averaging higher than the global and Sub-Saharan Africa (SSA)

average. The real GDP for the first three quarters averaged 5.6 percent – 5.5 percent in the first and second quarters and 5.9 percent for the third quarter – (See **Table 1.2**). The growth is mostly attributed to a rebound in agriculture which averaged 7.0 percent by the end of the third quarter compared to a contraction of 1.8 percent for the same period in 2022. Growth was recorded for all economic sectors in the first three quarters of 2023 albeit with varied magnitudes

Table 1.2: Sectoral GDP Performance

Sectors	Annual Growth Rates		Quarterly Growth Rates					
	2021	2022	2022 Q1	2022 Q2	2022 Q3	2023 Q1	2023 Q2	2023 Q3
1. Primary Industry	0.5	(1.0)	(0.4)	(1.5)	(1.5)	5.9	8.0	6.4
1.1. Agriculture, Forestry and Fishing	(0.4)	(1.6)	(1.7)	(2.4)	(1.3)	6.1	8.2	6.7
1.2. Mining and Quarrying	18.0	9.3	23.8	16.6	(4.5)	3.3	5.2	1.1
2. Secondary Sector (Industry)	6.8	3.5	4.4	4.2	3.0	2.4	1.7	2.9
2.1. Manufacturing	7.3	2.7	3.8	3.6	1.8	2.0	1.4	2.6
2.2. Electricity and Water supply	5.6	4.9	3.2	5.6	6.0	2.5	0.8	1.9
2.3. Construction	6.7	4.1	6.0	4.5	3.5	3.1	2.6	3.8
3. Tertiary sector (Services)	9.6	6.7	8.5	7.7	5.7	5.9	5.9	6.9
3.1. Wholesale and Retail trade	8.0	3.8	4.9	4.1	3.6	5.7	4.2	4.8
3.2. Accomodation and Restaurant	52.6	26.2	40.1	44.0	16.9	21.5	12.2	26.0
3.3. Transport and Storage	7.4	5.6	7.7	7.2	5.1	6.2	3.0	2.8
3.4. Information and Communication	6.1	9.9	9.0	11.2	11.8	9.0	6.4	7.3
3.5. Financial and Insurance	11.5	12.8	17.0	16.1	9.6	5.8	13.5	14.7
3.6. Public Administration	6.0	4.5	6.2	3.8	3.4	6.6	3.8	4.2
3.7. Others	10.8	5.2	6.7	5.5	4.7	4.8	4.9	6.3
of which: Professional, Admin & Support Services	7.1	9.4	13.1	10.9	9.0	7.3	5.5	9.5
Real Estate	6.7	4.5	6.0	5.0	4.0	5.2	5.8	6.2
Education	22.8	4.8	4.6	4.4	3.9	3.0	4.0	4.7
Health	8.9	4.5	5.7	4.4	3.7	5.4	5.0	5.1
Taxes less subsidies	11.9	7.0	9.5	6.1	7.3	5.3	4.0	2.8
Real GDP	7.6	4.8	6.2	5.2	4.3	5.5	5.5	5.9

Source: Kenya National Bureau of Statistics.

7. During the first three quarters of 2023, the agriculture sector showed notable growth, with a 6.1 percent, 7.7 percent and 6.7 percent increase in the first, second and third quarters respectively. The performance manifested in enhanced production, particularly in food crops, resulting in increased exports of tea, coffee, vegetables, and fruits. The industry sector saw a slower growth rate in the first three quarters of 2023 of 2.4 percent in the first quarter, 1.7 percent in the second quarter and 2.9 percent in the third quarter. This is in comparison to growth rates of 4.4 percent, 4.2 percent and 3.0 percent in

similar quarters of 2022. The slowdown primarily affected manufacturing, electricity and water supply sub-sectors. The construction sector saw growth particularly, in increased consumption of cement and imports of bitumen, iron and steel. Manufacturing, which contributes nearly half of the industrial sector's output, faced challenges such as reduced production of both food (especially sugar) and non-food products. Additionally, the electricity sub-sector experienced a slowdown due to decreased electricity generation from all sources except geothermal energy.

8. The services sector maintained its growth trajectory throughout the first three quarters of 2023, expanding by 5.9 percent in the first quarter and second quarters each and 6.9 percent in the third quarter. This strong performance was evident across various segments. Information and communication saw notable growth, fuelled by increases in wireless internet and fiber-to-home subscriptions. Wholesale and retail trade, accommodation, and food services experienced growth, driven by a rebound in tourism. Transport and storage, financial and insurance services, and real estate also contributed to the sector's robust performance. Factors such as strong private sector credit growth, government lending, and sustained expansion in the construction industry supported these positive outcomes.

1.2.2 Inflation Rate

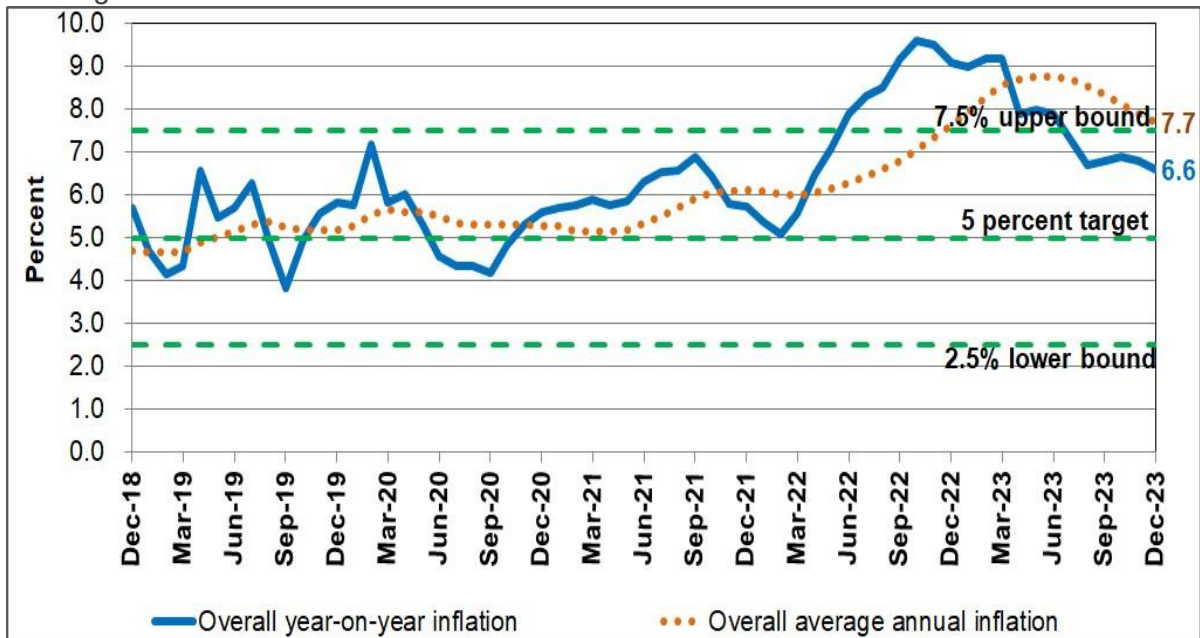
10. June 2022 to June 2023 consistently saw the inflation rate above the Government's target range of 5 ± 2.5 percent. In response, the Monetary Policy Committee (MPC) incrementally raised the policy rate (Central Bank Rate) from 7.50 percent in May 2022 to 10.50 percent in June 2023, further elevating it to 12.50 percent in December 2023. This strategic tightening of monetary policy aimed to counter pressures on the exchange rate and mitigate secondary effects, including those stemming from global prices, while maintaining anchored inflation expectations and steering inflation towards the 5.0 percent midpoint of the target range.

11. These efforts yielded positive results, with inflation gradually decreasing to 6.6 percent in December 2023 from a peak of 9.6 percent in October 2022, marking a consistent presence within the target range for five months of FY 2023/24. Nevertheless, the inflation rate persisted above the 5.0 percent target since July 2023. The downward inflation rate trend was supported by declining food prices, with food inflation remaining the primary driver of overall inflation in November 2023. Notably, food inflation eased to 7.7 percent in November 2023 from a peak of 15.8 percent in October 2022, attributed to various factors such as international price declines, zero rating of select food commodities, and improved weather conditions bolstering the production of key food items. Even so, the prices of sugar remained high driven by both domestic and global factors.

12. Fuel inflation declined to 13.7 percent in December 2023 from 15.5 percent in November 2023 as a result of price adjustment by the Energy and Petroleum Regulatory Authority (EPRA). However, the fuel inflation remained high a reflection of heightened international oil prices, currency (KES) depreciation, gradual phasing out of fuel subsidies since September 2022, and upward adjustments in electricity tariffs since April 2023. Furthermore, the upward revision of VAT on petroleum products in July 2023 from 8.0 percent to 16.0 percent exerted additional upward pressure on prices. Nevertheless, the decline in cooking gas prices persisted, attributable to the impact of zero-rating VAT on liquefied petroleum gas (LPG).

13. Core (non-food non-fuel) inflation-maintained stability at 3.4 percent in December 2023, following a peak of 4.4 percent in March 2023. This decline is credited to the effects of the tight monetary policy and subdued demand pressures.

Figure 1.1: Inflation Rate



Source: Kenya National Bureau of Statistics.

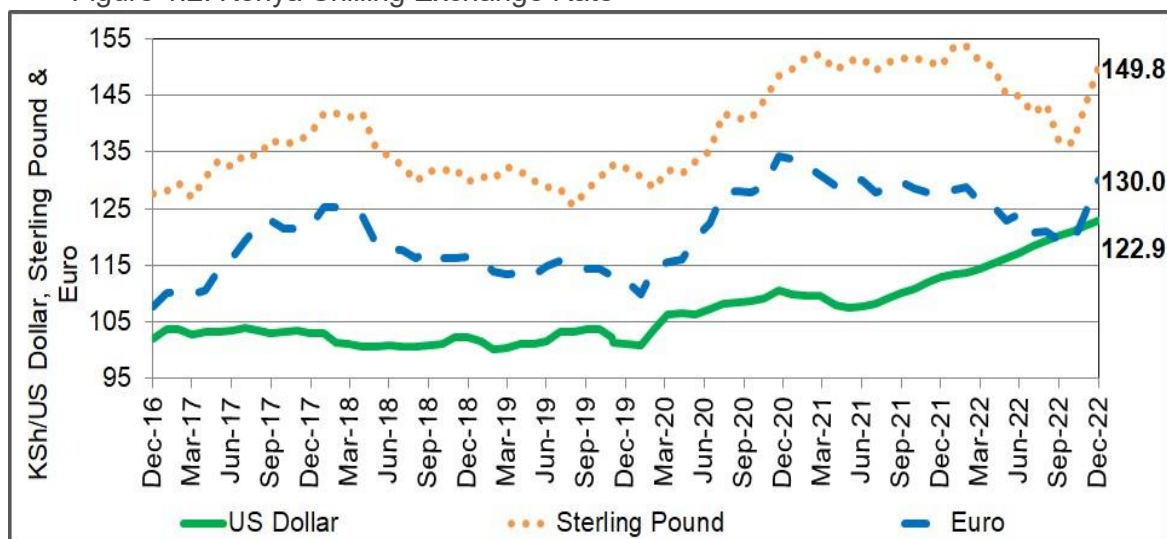
1.2.3 Kenya Shilling Exchange Rate and Money Supply

14. Kenya, along with several other countries, is grappling with foreign exchange challenges exacerbated by the increase in US interest rates. In November 2023, the Kenya Shilling saw significant weakening, depreciating by 24.7 percent against the US Dollar, 31.9 percent against the Sterling Pound, and 32.2 percent against the Euro compared to the same period in 2022.

15. The average exchange rate for the Kenya Shilling in November 2023 stood at Ksh 152.0, compared to Ksh 121.9 in November 2022. Against the Euro, the Kenya Shilling weakened further, exchanging at Ksh 164.2 in November 2023 compared to Ksh 124.2 in November 2022. Similarly, against the Sterling Pound, the Kenyan Shilling depreciated to exchange at Ksh 188.6 compared to Ksh 143.0 over the same period. Despite these challenges, the Kenyan Shilling received support from increased remittances, adequate foreign exchange reserves, and strong export receipts.

16. To address the volatility in the foreign exchange market, the Government has implemented measures, including a government-to-Government petroleum supply arrangement. This arrangement aims to alleviate US Dollar liquidity challenges and exchange rate fluctuations caused by a global dollar shortage and market reactions, which were driving volatility and distorting the market with false depreciation due to scarcity value.

Figure 1.2: Kenya Shilling Exchange Rate



Source: Central Bank of Kenya

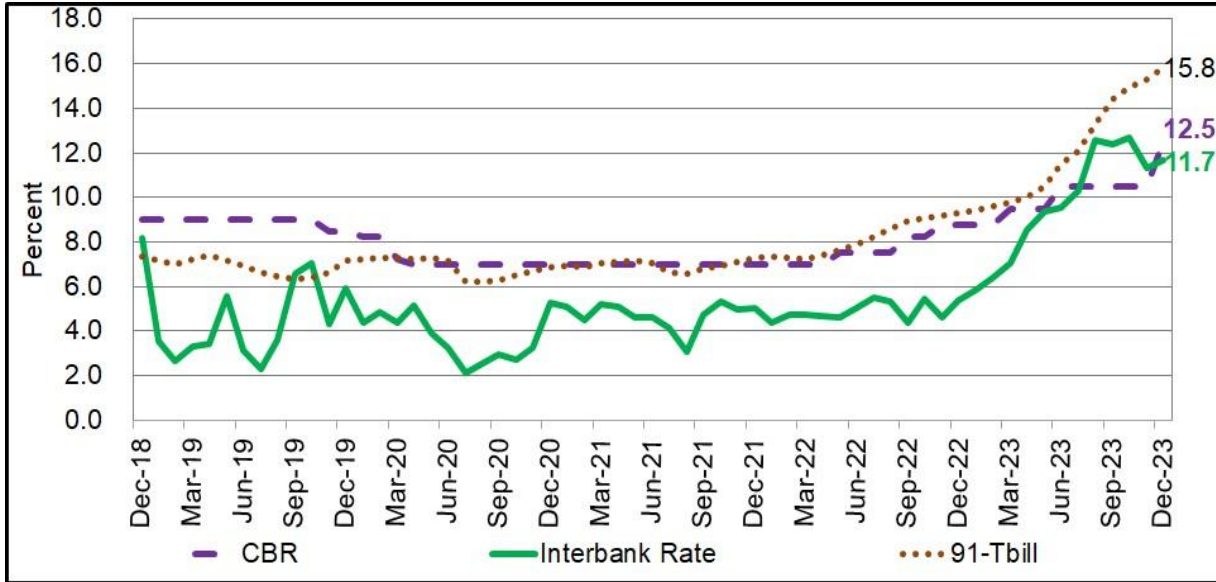
1.2.4 Interest Rates

17. The Central Bank has tight monetary policy stance to control rising inflation. Transmission of the monetary policy has been boosted by the introduction of the interest rate corridor around the CBR (set at $CBR \pm 250$ basis points by the MPC in August 2023) that has aligned the interbank weighted average rate to the Central Bank Rate. The interbank rate increased to 11.7 percent in December 2023 from 5.4 percent in December 2022 while the 91-day Treasury Bills rate increased to 15.8 percent compared to 9.3 percent over the same period.

18. The commercial bank average lending and deposit rate increased between October 2022 and October 2023. The average lending rate was 14.2 percent in October 2023, slightly higher than the previous year's rate of 12.4 percent. At the same time, the average deposit rate increased from 7.0 percent to 9.1

percent. This means that the average interest rate spread declined to 5.1 percent in October 2023 from to 5.4 percent over the same period.

Figure 1.3: Short Term Interest Rate, Percent



Source: Central Bank of Kenya

FY 22/23 AND HALF YEAR 2023-25 FISCAL PERFORMANCE

Overview of 2022-23 FINANCIAL YEAR BUDGET

The County's approved Second supplementary budget for the FY 2022/23 is Kshs.4.37 billion, comprising Kshs.1.37 billion (31.3 per cent) and Kshs.3.00 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.3.11 billion (71.1 per cent) as the equitable share of revenue raised nationally, generate Kshs.131.0 million (3.0 per cent) from its own sources of revenue, Kshs.100.08 million as additional allocations, and cash balance of Kshs.1.03 billion (23.6 per cent) from FY 2021/22. A breakdown of the additional allocations is provided in Table 3.139.

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

Revenue Performance

In FY 2022/23, the County received Kshs.3.105 billion as the equitable share of the revenue raised nationally, raised Kshs.156.91 million as own-source revenue, Kshs.100.08 million as additional allocations, and had a cash balance of Kshs.0.8 billion from FY 2021/22. The total funds available for budget implementation during the period amounted to Kshs.4.64 billion, as shown in Table below.

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

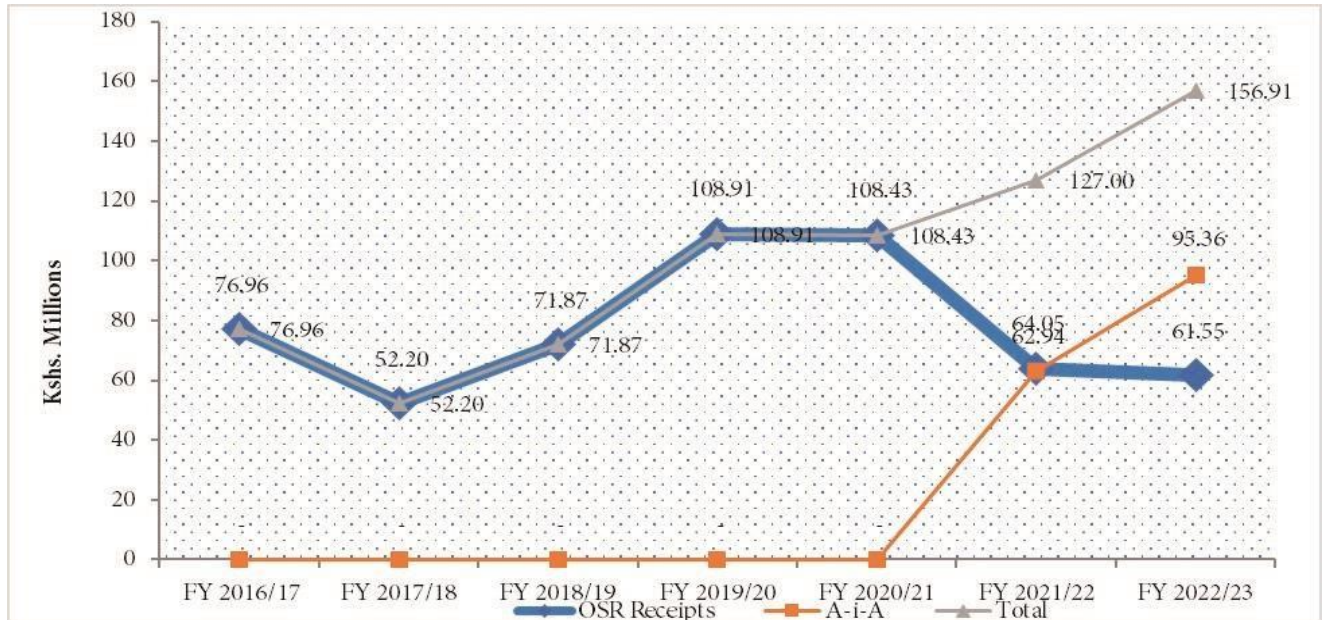
S/No.	Revenue Category	FY 2021/2022	FY 2022/2023			
		Amount Disbursed (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipt (Kshs.)	Actual Receipts as Percentage of Annual Budget Allocation (%)	Actual to total budget %
A	Equitable Share of Revenue Raised Nationally	2,857,197,673	3,105,649,643	3,105,649,643	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-Flloca		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 AGRICULTURL 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
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Table 2: First Half County Receipts FY 2020/2021-2023/2024

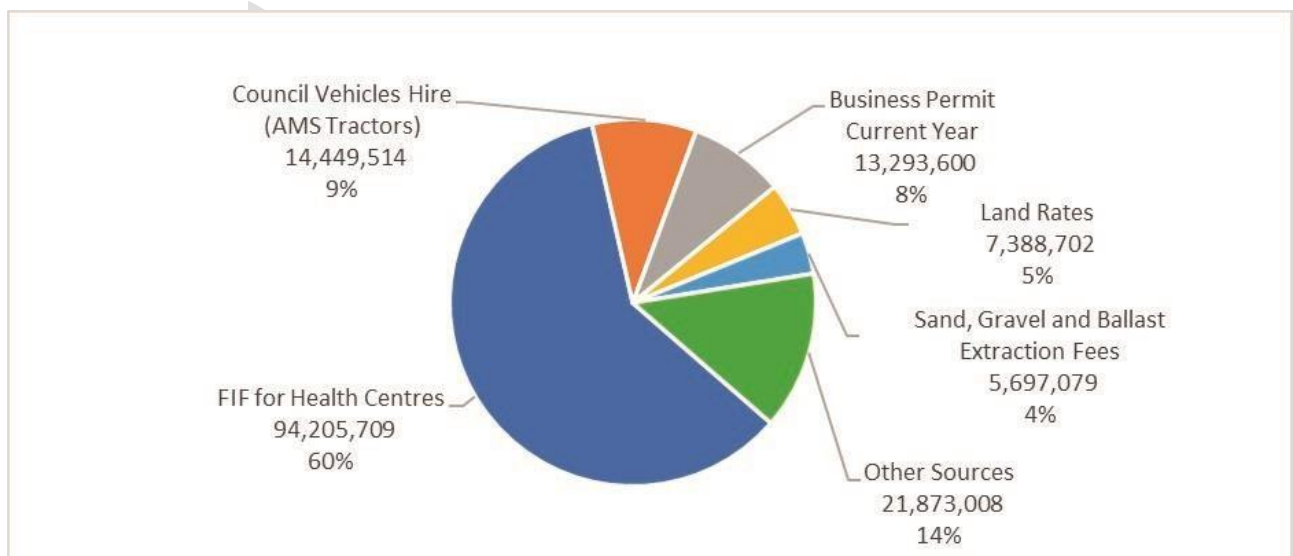
Revenue source	First half 2020/2021	First half 2021/2022	First half 2022/2023	First half 2023/2024	Annual target FY 2023/2024	Percent of achievement FY 2023/2024
Exchequer releases/equitable share	651,420,300	1,024,864,383	776,412,411	1,068,325,734	3,237,350,707	33.00%
Proceeds from domestic and foreign grants (conditional grants)	128,854,849	-	-	11,500,000	91,622,700	12.55%
County own generated receipts	24,803,561	50,884,663	54,839,243	31,257,088	350,000,000	8.93%
Fiscal balance	1,354,453,684	1,051,232,760	1,028,455,857	438,223,152	438,223,152	100%
Total receipts	2,159,532,394	2,126,981,806	1,859,707,511	1,549,305,974	4,117,196,559	37.63%

OWN SOURCE REVENUE



In FY 2022/23, the County generated a total of Kshs.156.91 million from its own sources of revenue. This amount represented an increase of 23.6 per cent compared to Kshs.127 million 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. The revenue streams which contributed the highest OSR are shown in Figure 1.

Figure 1: 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 the health sector (Health Centers Facility Improvement Fund), contributing to 60 per cent of the overall OSR in FY 2022/23.

Table 3: Half Year Revenue Streams Performance

REVENUE STREAMS	Half Year FY 2020/2021	Half Year FY 2021/2022	Half Year FY 2022/2023	Half Year FY 2023/2024
BUSINESS PERMIT	14,315,200	12,501,700	13,293,600	20,885,500
HEALTH CENTERS	43,399,523	62,192,682	94,205,709	36,236,617
TRAINING/LEARNING CENTERS	575,546	358,210	336,400	457,000
MARKET STALLS RENT	37,100	12,600	933,800	1,094,950
FRUITS AND VEGETABLE PRODUCE CESS	1,520,867	611,950	748,550	1,222,480
MEAT INSPECTION FEES	29,520	186,850	144,200	332,800
COUNCIL VEHICLES HIRE (AMS TRACTORS)	5,989,490	6,070,725	14,449,514	8,629,339
OPEN MARKET FEE	457,020	538,800	697,800	1,558,520

SLAUGHTERING FEE	354,470	419,140	945,050	747,770
LIVESTOCK CESS	62,350	265,050	313,070	217,810
FISH CESS	768,550	1,527,644	1,961,300	7,618,328
STREET PARKING FEE	1,316,490	1,588,100	1,709,700	3,860,330
SALE OF FLOWERS, MIRAA, ETC	15,677,450	20,101,758	3,453,975	4,609,000
WHEAT AND MAIZE CESS	-	-	-	-
VETENARY	44,750	35,800	1,800	16,050
FOREST CESS	563,400	599,200	578,700	1,207,995
METAL CRAP	191,950	40,850	100,700	2,196,080
SIGN BOARDS AND ADVERTISEMENT FEE	3,319,700	3,374,628	2,970,113	4,613,556
PHYSICAL PLANNING	577,637	2,829,017	3,699,095	8,105,651
SAND, GRAVEL AND		3,647,011	5,697,079	5,266,727

BALLAST EXTRACTION FEES	5,242,063			
FISHERIES LICENCES	405,305	305,400	25,050	107,500
LAND RATES	8,667,706	6,789,675	7,388,702	8,520,930
PUBLIC HEALTH	761,270	749,070	1,151,600	1,984,810
HIDES AND SKINS FEE	1,500	4,300	4,500	3,450
WATER DISTILLATION PLANT	-	-	20,000	-
SALARY COMMISSION	3,656,229	2,029,956	1,968,131	2,465,063
OTHER MISCELLANEOUS	498,564	216,690	109,107	217,684
F.I. F	-	-	-	89,747,742
LIQOUR LICENCE	-	-	-	1,262,050
TOTAL COLLECTION	108,433,650	126,996,806	156,907,245.20	213,185,731.80

Exchequer Issues

The Controller of Budget approved the withdrawal of Kshs.3.47 billion from the CRF account during the reporting period. This amount comprised Kshs.714.20 million (20.6 per cent) for development programmes and Kshs.2.76 billion (79.4 per cent) for recurrent programmes. Analysis of the recurrent exchequer released in FY 2022/23 indicates that Kshs. 1.69 billion was released towards compensation to employees, and Kshs.1.07 billion was for Operations and Maintenance expenditure.

County Expenditure Review

The County spent Kshs.3.51 billion on development and recurrent programmes during the reporting period. This expenditure represented 103.7 per cent of the total funds released by the CoB and comprised Kshs.763.51 million and Kshs.2.75 billion on development and recurrent programmes, respectively. Expenditure on development programmes represented an absorption rate of 55.9 per cent. In contrast, recurrent expenditure represented 91.6 per cent of the annual recurrent expenditure budget.

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.

Expenditure by Economic Classification

Analysis of expenditure by economic classification indicates that the County Executive spent Kshs.1.45 billion on employee compensation, Kshs.933.88 million on operations and Maintenance, and Kshs.763.51 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, as shown in Table below

Table 2: Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	2020/2021	2021/2022		2022/2023					
	Actuals	Actual		Budget (Kshs.)			Expenditure (Kshs.)		
	Total	County Executive	County Assembly	County Executive	County Assembly	Total	County Executive	County Assembly	Total
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
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
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
Development Expenditure	854122278	1027842407	15073820	1,292,431,043	74,000,000	1,366,431,043	796387913	-	796,387,913
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

Source: Lamu County Treasury

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.

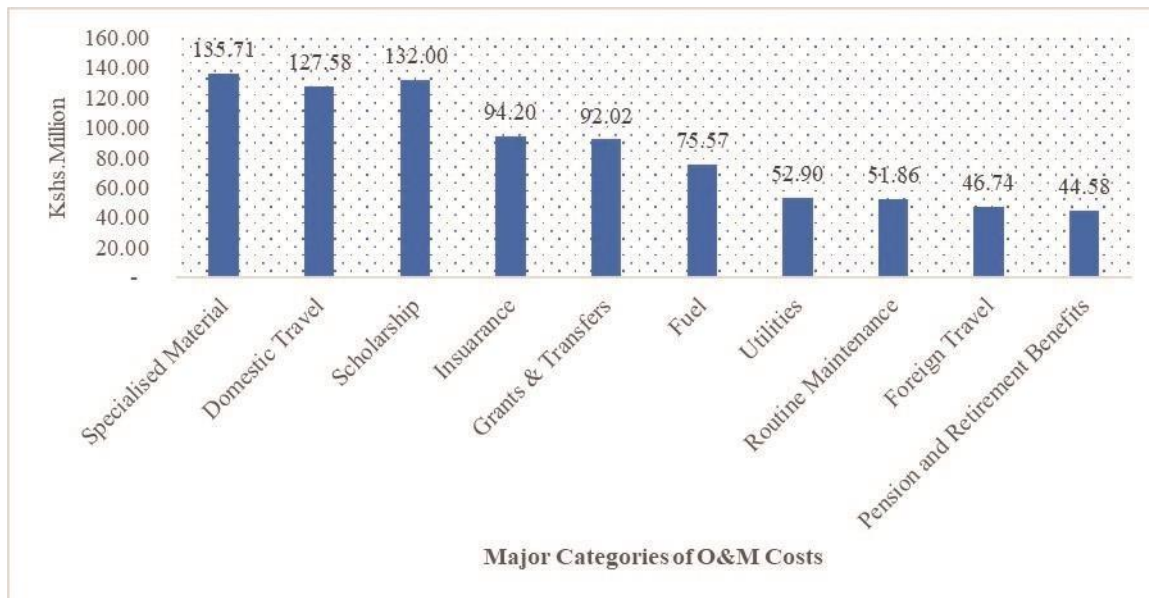
The County Assembly spent Kshs.8.54 million on committee sitting allowances for the 18 MCAs and the

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.

Expenditure on Operations and Maintenance

Figure below shows a summary of operations and Maintenance expenditure by major categories.

Figure 2: Lamu County, Operations and Maintenance Expenditure by Major Categories



Source: Lamu County Treasury

Development Expenditure

In FY 2022/23, the County incurred Kshs.763.51 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.

Budget Performance by Department

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

Table 3: 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.

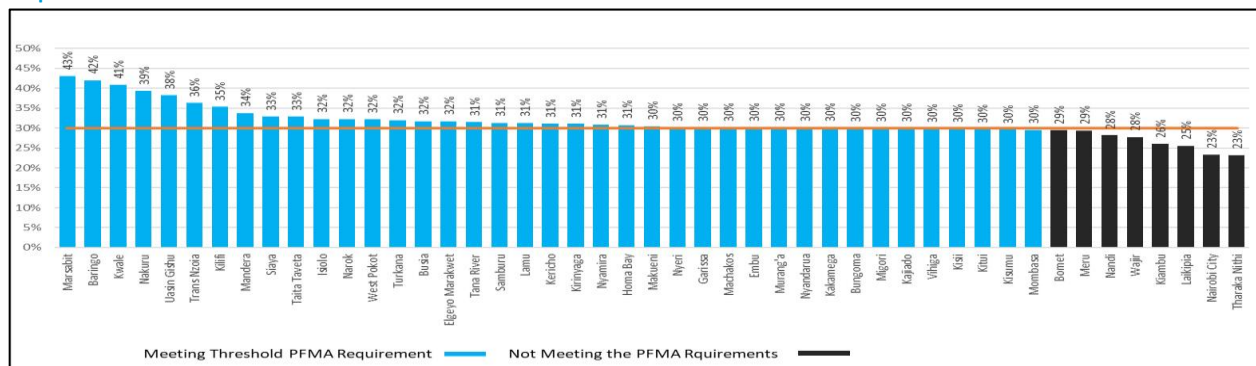
County Governments' Compliance with Fiscal Responsibility Principles

Management of county finances shall be in accordance with the Constitution, Public Finance

Management (PFM) Act, 2012 and the Public Finance Management (County Government) Regulations, 2015. PFMA 2012 requires counties to allocate at least 30 percent of its revenue to development programmes. In the period under review Lamu County Government allocation on revenue was 31% which was above the 30% threshold

Allocation to Development Expenditure over the Medium-Term

Figure 3: FY 2022/23 Budgeted Development Expenditure as a Percentage of Total County Expenditure

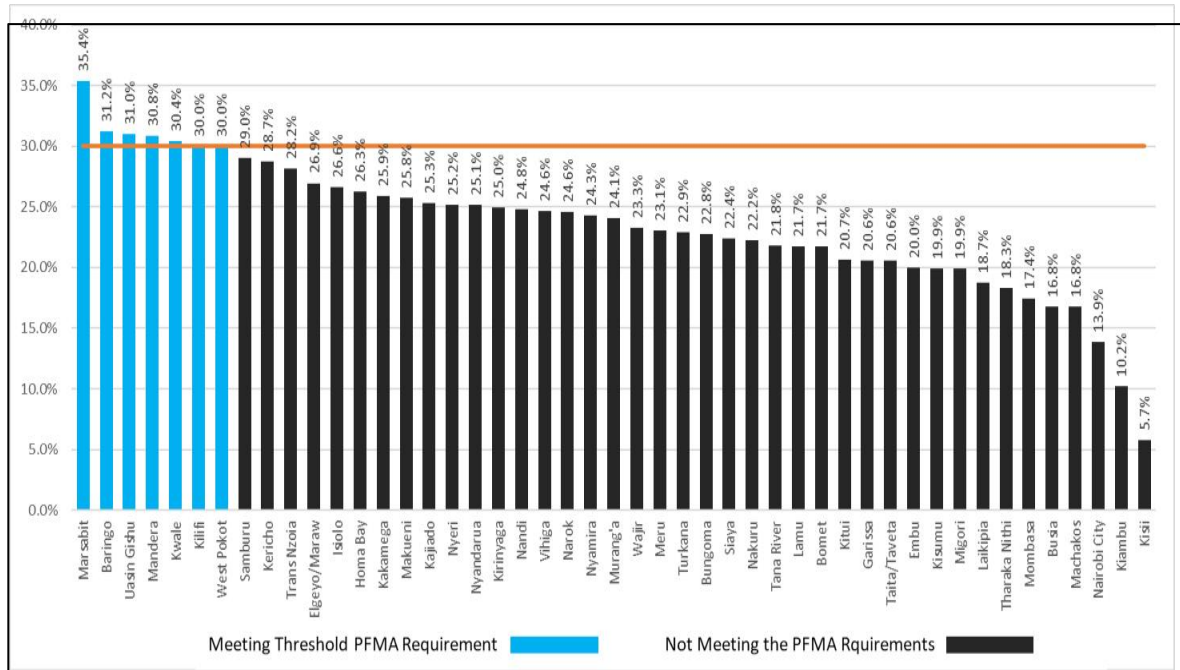


Source of Data: Controller of Budget

Actual Development Expenditure over the Medium Term

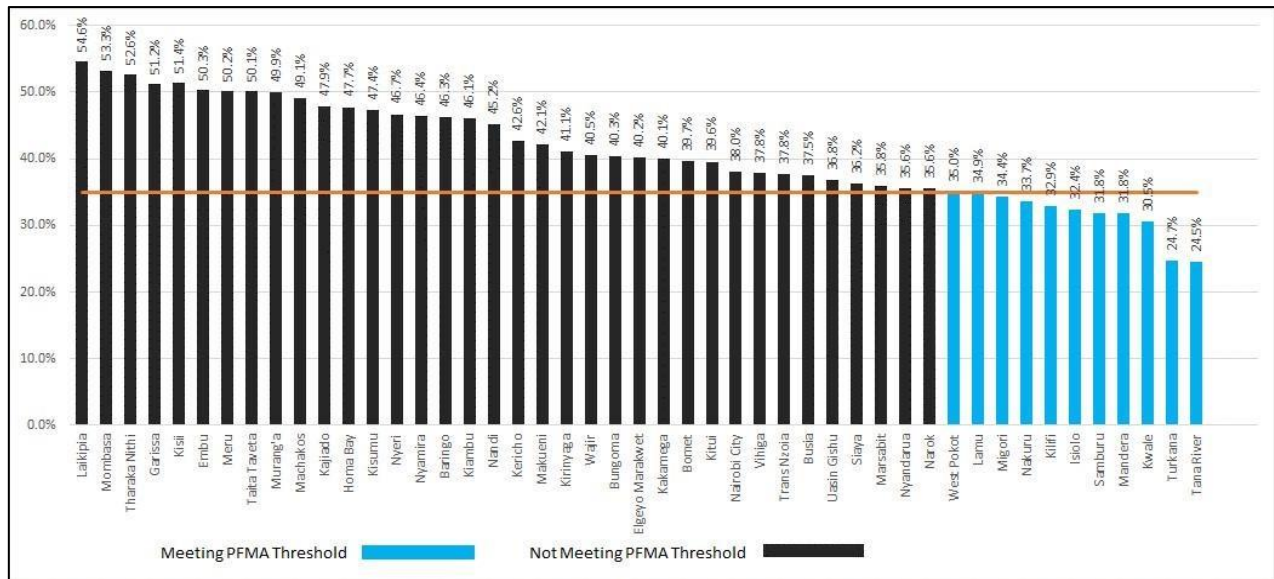
Whereas Lamu County allocated the required 30% of its budget towards development, the actual development expenditure in the period under review was less over the medium term. This implies that County Governments’ development agenda is compromised with higher allocations going towards recurrent expenditure. There is need for the relevant institutions, including the Controller of Budget to put measures in place to enhance compliance with the PFM law provision on development expenditure and ensure the actual expenditures are aligned with spirit of the PFM Act, 2012.

Figure 4: FY 2022/23 Actual Development Expenditures as a Percentage of Total Expenditure



Compliance with the Requirement on Expenditure on Wages and Benefits

During the period under review, Lamu county was among the 11 counties whose expenditure on wages and salaries was below the 35%. Other counties that were able to maintain their expenditures to wages and salaries below the 35 percent in FY 2022/23 are Tana River, Turkana, Kwale, Mandera, Samburu, Isiolo, Kilifi, LAMU, Migori and West Pokot as shown in Figure below

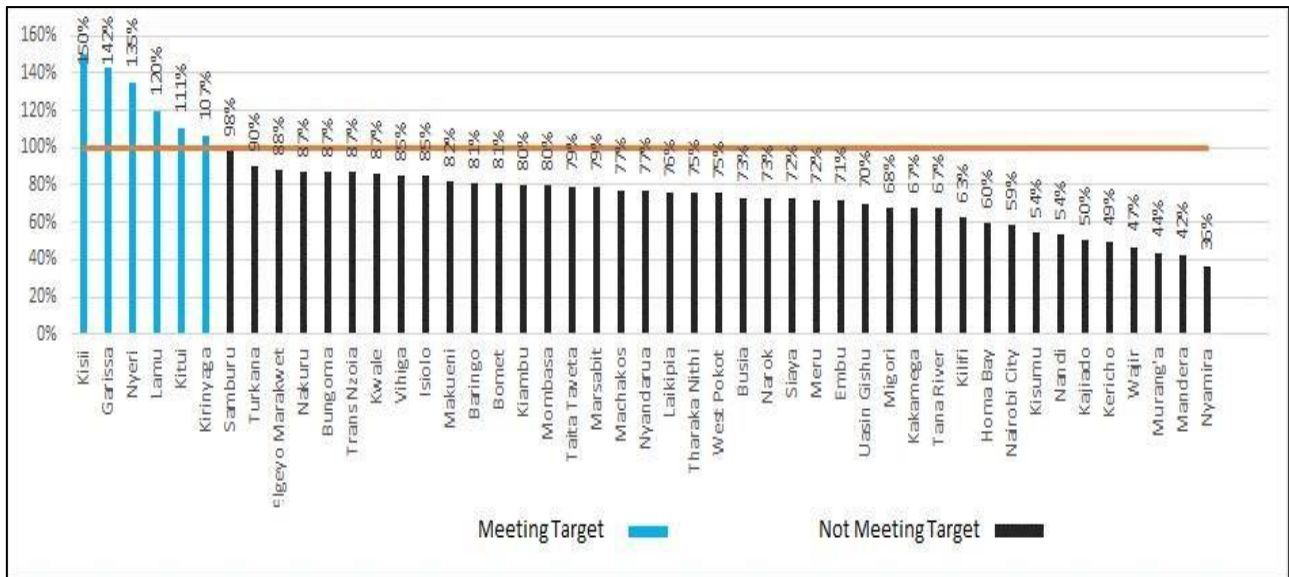


Source of Data: Controller of Budget

Enhancement of County Governments' Own-Source-Revenue

In FY 2022/23 six counties were able to meet their revenue targets namely Kisii (150%), Garissa (142%), Nyeri (135%), **Lamu (119.8)**, Kitui (111%) and Kirinyaga (107). On the other hand, forty-one (41) County Governments did not meet their OSR revenue targets in FY 2022/23. Five counties collected less than 50% of their OSR targets which are Kericho (49%), Wajir (47), Murang'a (44%), Mandera (42%), Nyamira (36%) as shown in **Figure below**.

Figure 6: FY 2022/23 Actual Revenue Collected by the County Governments as a percentage of Annual Revenue Target



Source of Data: Controller of Budget

FY 2023/24 Half Year Revenue Performance Overview of FY 2023/24 Budget

The County’s approved budget for the FY 2023/24 is Kshs.4.59 billion, comprising Kshs.1.9 billion (41.4 per cent) and Kshs.2.69 billion (58.6 per cent) allocation for development and recurrent programmes respectively. The approved budget estimates represent a decrease of 1.2 per cent compared to the previous financial year when the approved budget was Kshs.4.64 billion and comprised of Kshs.1.64 billion towards development expenditure and Kshs.3 billion for recurrent expenditure.

To finance the budget, the County expects to receive Kshs.3.24 billion (71 per cent) as the equitable

share of revenue raised nationally, Kshs.561.34 million (12.2 per cent) as additional

allocations/conditional grants, a cash balance of Kshs.438.22 million (8 per cent) brought forward from FY 2022/23, and generate Kshs.350 million (8 per cent) as gross own source revenue. The own-source revenue includes Kshs.150.18 million (3.3 per cent) as Facility Improvement Fund (revenue from

health facilities), and, Kshs.199.82 million (4.4 per cent) as ordinary own-source revenue. A breakdown of the additional allocations/conditional grants is provided in Table 4.

Revenue Performance

In the first six months of FY 2023/24, the County received Kshs.1.07 billion as the equitable share of the revenue raised nationally, Kshs.11.5 million as additional allocations/conditional grants, had a cash balance of Kshs.438.22 million from FY 2022/23 and raised Kshs.90.35 million as own-source revenue (OSR). The raised OSR includes Kshs.59.09 million as FIF and Kshs.31.26 million ordinary OSR. The total funds available for budget implementation during the period amounted to Kshs.1.61 billion, as shown in table 4.

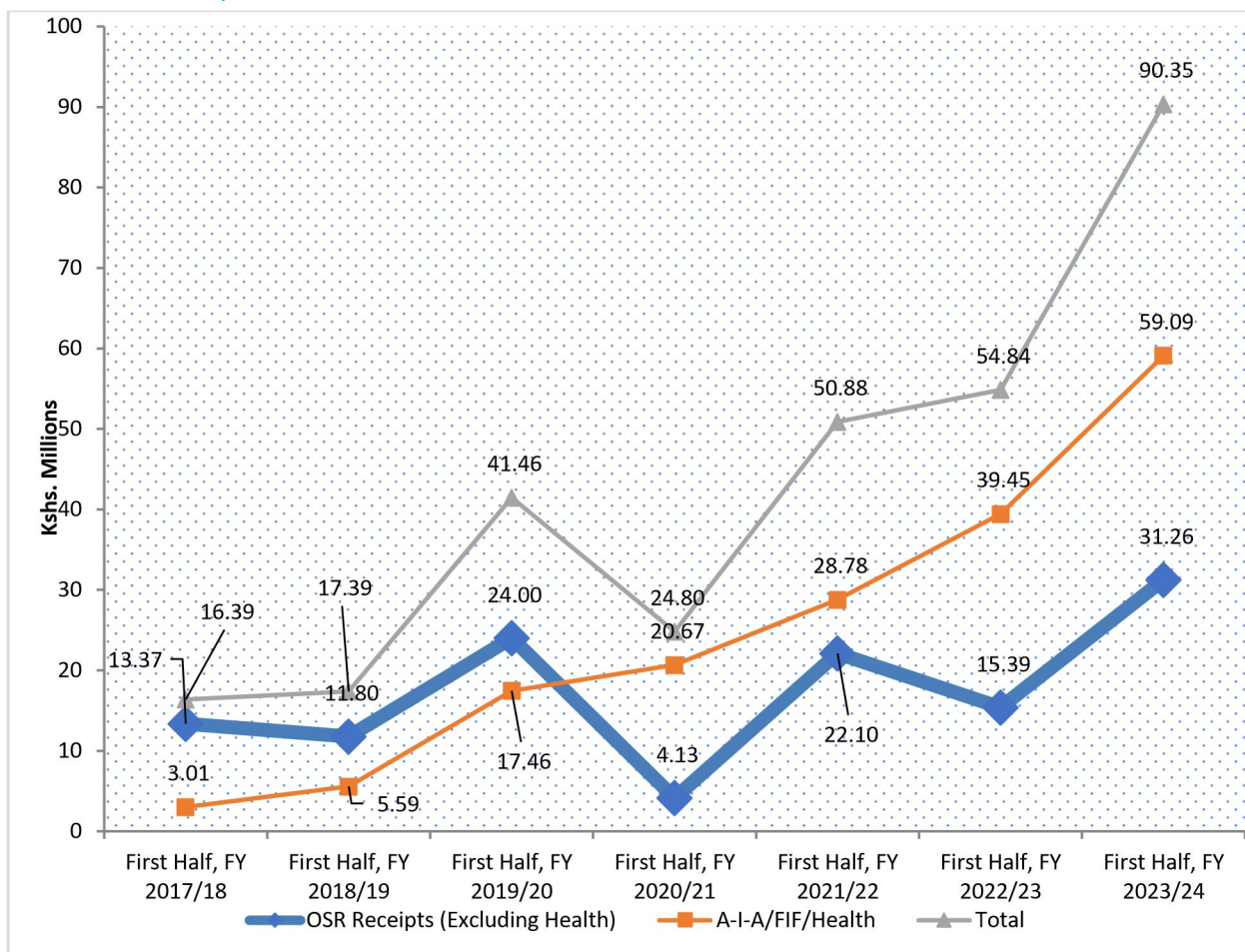
Table 4: Lamu County, Revenue Performance in the First Half of FY 2023/24

S/No.	Revenue Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Budget Allocation (%)
A	Equitable Share of Revenue Raised Nationally	3,237,350,707	1,068,325,734	33.0
	Subtotal	3,237,350,707	1,068,325,734	33.0
B	Additional Allocations/Conditional Grants			
1.	Agricultural Sector Development Support Program	1,622,700	500,000	30.8
2.	Climate Smart	90,000,000	11,000,000	12.2
	Subtotal	91,622,700	11,500,000	12.6
C	Own Source Revenue			
3.	Ordinary Own Source Revenue	199,820,000	31,257,088	15.6
4.	Facility Improvement Fund (FIF)	150,180,000	59,088,557	39.3
	Subtotal	350,000,000	90,345,645	25.8
D	Other Sources of Revenue			
5.	Unspent balance from FY 2022/23	438,223,152	438,223,152	100
	Sub Total	438,223,152	438,223,152	100
	Grand Total	4,586,913,973	1,608,394,531	35.1

Source: Lamu County Treasury

Error! Reference source not found. shows the trend in own-source revenue collection from the first half of FY 2017/18 to the first half of FY 2023/24.

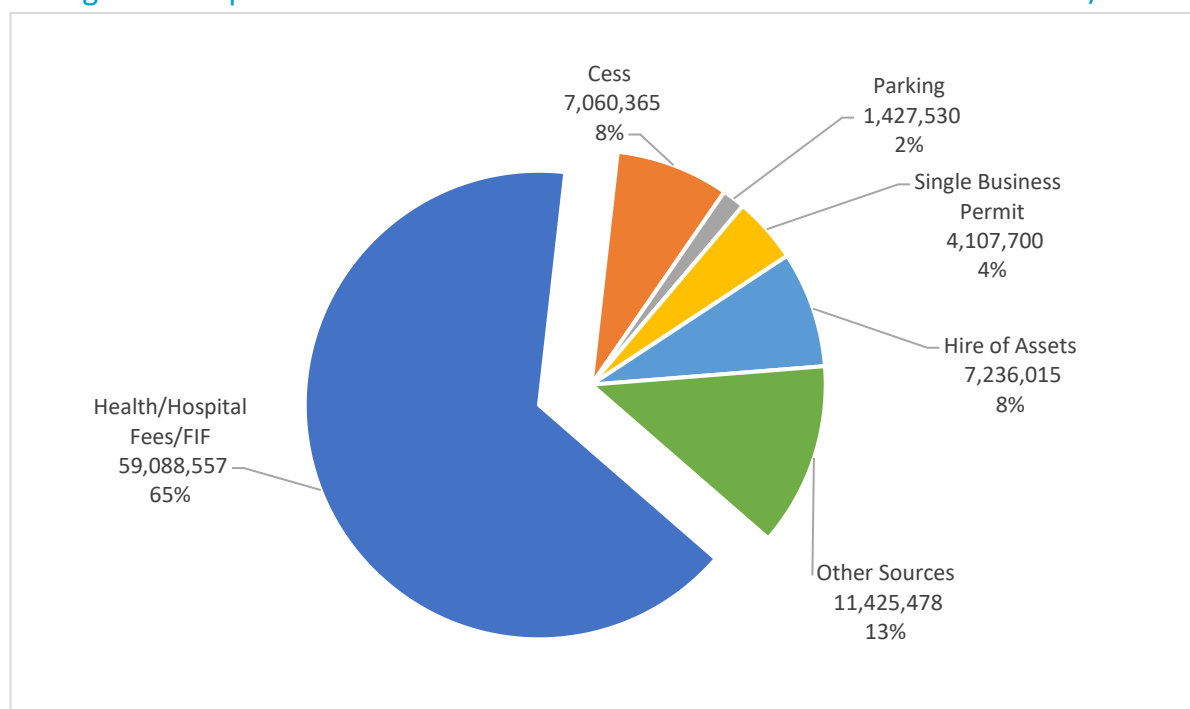
Figure 7: Trend in Own-Source Revenue Collection from the First Half of FY 2016/17 to the First Half of FY 2023/24



Source: Lamu County Treasury

In the first half of FY 2023/24, the County generated a total of Kshs.90.35 million from its sources of revenue inclusive of FIF and ordinary AIA. This amount represented an increase of 60.7 per cent compared to Kshs.54.84 million realised in FY 2022/23 and was 25.8 per cent of the annual target and 8.5 per cent of the equitable revenue share disbursed during the period. The positive revenue growth was resulted by the 20,000 households under the County indigent cover are all under county hospitals increasing the amount of capitation hence improved claims to NHIF card holders, less waivers especially hospitals and improved enforcement. The revenue streams which contributed the highest OSR receipts are shown in Figure 8.

Figure 8: Top Streams of Own Source Revenue in the First Half of FY 2023/24



Source: Lamu County Treasury

The highest revenue stream of Kshs.59.09 million was from Facility Improvement Fund contributing to 65 per cent of the total OSR receipts during the reporting period.

Exchequer Issues

The Controller of Budget approved withdrawals of Kshs.1.46 billion from the CRF account during the reporting period which comprised Kshs.221.58 million (15.2 per cent) for development programmes and Kshs.1.24 billion (84.8 per cent) for recurrent programmes. Analysis of the recurrent exchequers released in the first half of FY 2023/24 indicates that Kshs.900.27 million was released towards Employee Compensation and Kshs.335.07 million was for Operations and Maintenance expenditure.

The available cash balance in the County Revenue Fund Account at the end of the first half of FY 2023/24 was Kshs.469.88 million.

County Expenditure Review

The County spent Kshs.1.29 billion on development and recurrent programmes in the reporting period.

The expenditure represented 88.3 per cent of the total funds released by the CoB and comprised Kshs.141.62 million and Kshs.1.14 billion on development and recurrent programmes, respectively. Expenditure on development programmes represented an absorption rate of 7.5 per cent, while recurrent expenditure represented 42.6 per cent of the annual recurrent expenditure budget.

Settlement of Pending Bills

At the beginning of FY 2023/24, the County Executive reported a stock of pending bills amounting to Kshs.69.35 million, comprising Kshs.42.25 million for recurrent expenditure and Kshs.4.22 million for development activities. No amount of the pending bill was settled during the period under review.

The County Assembly did not report any pending bills as of 31st December 2023.

Expenditure by Economic Classification

Analysis of expenditure by economic classification indicates that the County Executive spent Kshs.714.14 million on employee compensation, Kshs.254.34 million on operations and maintenance, and Kshs.141.62 million on development activities. Similarly, the County Assembly spent Kshs.94.95 million on employee compensation and Kshs.81.16 million on operations and maintenance, the County Assembly as shown in Table 55.

Table 5: Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	2020/2021	2021/2022		2022/2023					
	Actuals	Actual		Budget (Kshs.)			Expenditure (Kshs.)		
	Total	County Executive	County Assembly	County Executive	County Assembly	Total	County Executive	County Assembly	Total
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
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

Operations and Maintenance	844090470	1000171544	166426258	977,638,671	249,112,290	1,226,750,961	923,693,662	192,986,777	1,
Development Expenditure	854122278	1027842407	15073820	1,292,431,043	74,000,000	1,366,431,043	796387913	-	7
Total	3117959113	3391925432	346426694	3,803,384,672	564,250,000	4,367,634,672	3,151,295,851	361,376,637	3,

Source: Lamu County Treasury

Expenditure on Employees' Compensation

In the first six months of FY 2023/24, expenditure on employee compensation was Kshs.809.10 million, or 47.5 per cent of the available revenue which amounted to Kshs.1.61 billion. This expenditure represented an increase from Kshs.732.33 million reported in a similar period in FY 2022/23. The wage bill included Kshs.428.97 million paid to health sector employees, translating to 53 per cent of the total wage bill.

Further analysis indicates that PE costs amounting to Kshs.725.14 million were processed through the Integrated Personnel and Payroll Database (IPPD) system, while Kshs.83.95 million was processed through manual payrolls. The manual payrolls accounted for 10.4 per cent of the total PE cost.

The County Assembly spent Kshs.6.6 million on committee sitting allowances for the 20 MCAs and the Speaker against the annual budget allocation of Kshs.10.49 million. The average monthly sitting allowance was Kshs.54,956 per MCA. The County Assembly has established 17 Committees.

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.190 million to county-established funds in FY 2023/24, constituting 4.1 per cent of the County's overall budget. Table 66 summarizes each established Fund's budget allocation and performance during the reporting period.

Table 6: Performance of County Established Funds in the First Half of FY 2023/24

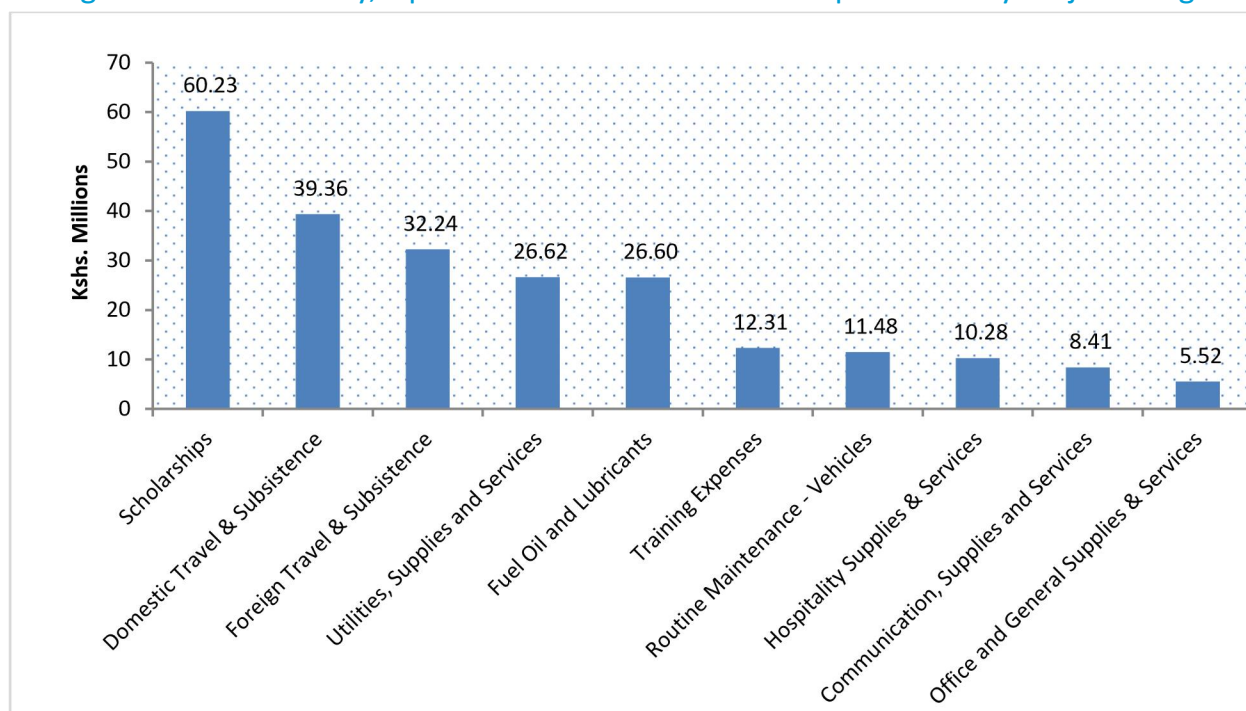
S /No .	Name of the Fund	Approved Budget	Exchequer Issues	Actual Expenditure	Submission of
		Allocation in FY	(Kshs .)	(Kshs .)	Financial Statements
		2032/24(Kshs.)			as of 31st December
					2023
					(Yes /No .)
1.	Emergency Fund	20,000,000.00	17,953,157.96	17,352,438.96	Yes
2.	Scholarship and Other Education Benefits	100,000,000.00	81,032,786.09	79,662,447.52	Yes
3.	Executive Housing Fund	40,000,000.00	37,231,755.00	37,231,755.00	Yes
4.	Disability Fund	10,000,000.00	8,731,217.00	8,731,217.00	Yes
5.	Youth Development Fund	10,000,000.00	8,568,566.00	8,568,566.00	Yes
6.	Women Empowerment Fund	10,000,000.00	8,384,499.00	8,384,499.00	Yes
	Total	190,000,000.00	161,901,981.05	159,930,923.48	Yes

Source: Lamu County Treasury

Expenditure on Operations and Maintenance

Figure 9 summarizes the Operations and Maintenance expenditure by major categories.

Figure 9: Lamu County, Operations and Maintenance Expenditure by Major Categories



Source: Lamu County Treasury

During the period, expenditure on domestic travel amounted to Kshs.39.36 million and comprised Kshs.20.23 million spent by the County Assembly and Kshs.19.13 million by the County Executive. Expenditure on foreign travel amounted to Kshs.32.24 million and comprised Kshs.31.06 million by the County Assembly and Kshs.1.18 million by the County Executive.

Development Expenditure

In the first half of FY 2023/24, the County incurred Kshs.141.62 million on development programmes, representing an increase of 179.1 per cent compared to a similar period of FY 2023/24 when the County spent Kshs.50.74 million. The table summarizes development projects with the highest expenditure in the reporting period.

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

No.	Sector	Project Name	Project Location	Contract sum (Kshs)	Amount paid to date (Kshs)	Implementation status (%)
1	County Executive and PSM	Construction of sub-county headquarters offices county contribution	Faza	48,644,051.00	35,365,894.00	100.0
2	County Executive and PSM	Construction of Governors Residence	County HQRS	27,000,000.00	13,499,921.00	100.0
3	Water & Energy	Manda Yawi-Raskitau Water Project	Shella	15,000,000.00	11,076,144.00	100.0
4	Lamu Municipality	Cabro Paving at Hindi	Hindi	8,400,000.00	8,397,690.00	100.0
5	Water & Energy	Basuba water project	Basuba	15,000,000.00	6,955,464.00	100.0
6	Lamu Municipality	Cabro Paving at Mkunumbi	Mkunumbi	10,000,000.00	5,445,852.00	100.0
7	Lamu Municipality	Renovation of Faza Social Hall	Faza	5,000,000.00	4,927,564.00	100.0
8	Water & Energy	Kiwayu Chandani water project and pump station house	Kiunga	4,500,000.00	4,062,780.00	100.0
9	Land, Physical Planning, & Urban Development	Digitization of Land Records	County Wide	10,000,000.00	3,971,840.00	100.0
10	Land, Physical Planning, & Urban Development	Planning and surveying of Witu village	Witu	10,000,000.00	3,880,000.00	100.0

Source: Lamu County Treasury

Budget Performance by Department

Table 8 summarises the approved budget allocation, expenditure and absorption rate by departments in the first half of FY 2023/24.

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

Department	Budget Allocation (Kshs. Million)	Exchequer Issues (Kshs. Million)	Expenditure (Kshs. Million)	Expenditure to Exchequer Issues (%)	Absorption rate (%)
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	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	460.00	89.00	164.68	-	176.11	-	106.9	-	38.3	-
County Executive and PSM	238.26	77.00	136.19	13.50	93.13	13.50	68.4	100.0	39.1	17.5
Finance, Economy & Strategic Planning	104.35	6.50	50.56	-	46.69	-	92.3	-	44.7	-

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Irrigation & Food Security	71.69	185.74	27.08	4.98	30.34	15.78	112.1	316.9	42.3	8.5
Land, Physical Planning, & Urban Development	28.17	228.00	10.68	71.17	10.42	21.17	97.6	29.7	37.0	9.3
Education, Technology, Gender, Youth Affairs, Sports & Social Services	302.93	153.90	149.83	6.11	141.95	6.11	94.7	100.0	46.9	4.0
Medical Services	1,002.92	265.30	498.79	49.09	466.25	4.95	93.5	10.1	46.5	1.9
Trade, Investment & Tourism	47.05	225.00	12.80	-	14.91	-	116.5	-	31.7	-
Climate Change, Information, Communication, E-Government & Citizen Participation	35.26	131.00	13.60	-	3.13	-	23.0	-	8.9	-
Fisheries, Blue Economy, Livestock, Veterinary & Cooperative Development	63.80	166.11	22.57	-	21.18	7.44	93.9	-	33.2	4.5
County Public Service Board	54.36	-	23.92	-	22.39	-	93.6	-	41.2	-
Water & Energy	46.12	149.00	21.22	22.09	25.09	18.03	118.2	81.6	54.4	12.1
Public Health, Environment and Sanitation	80.67	12.00	35.07	3.18	32.65	3.18	93.1	100.0	40.5	26.5
Budget And Economic Planning	17.44	-	6.56	-	6.03	-	91.9	-	34.5	-
Road, Transport, Infrastructure & Public Works	26.76	111.05	11.53	16.09	10.22	16.09	88.7	100.0	38.2	14.5
Lamu Municipality	50.06	42.50	17.46	-	15.95	-	91.4	-	31.9	-
Devolutions, Disaster and Resource Mobilization	56.33	58.64	32.82	35.37	28.16	35.37	85.8	100.0	50.0	60.3
Total	2,686.17	1,900.74	1,235.35	221.58	1,144.59	141.62	92.7	63.9	42.6	7.5

Source: Lamu County Treasury

Analysis of expenditure by department shows that the Department of Devolution, Disaster and Resource Mobilization recorded the highest absorption rate of development budget at 60.3 per cent, followed by the Department of Public Health Environment and Sanitation at 26.5 per cent. The Department of Water

and Energy had the highest percentage of recurrent expenditure to budget at 54.4 per cent while the Department of Climate Change, Information, Communication, E-Government & Citizen Participation had the lowest at 8.9 per cent.

1.4 Fiscal Policy

1.The County fiscal framework for the 2024/2025 – 2026/2027 MTEF period will be determined a slow by assured recovery from supply chain shocks, full transition into current County administration and within the priorities of the approved County Integrated Development Plan (CIDP 2023-2027) and the Governor’s Manifesto programme/projects.

2.The fiscal policy will prioritize the following fiscal policy initiatives: completion of ongoing projects, leveraging on growth in productive sectors of the economy, promotion of access to integrated, quality and affordable healthcare services; Enhancing governance, transparency & accountability in delivery of public good; creating enabling environment for promoting private sector growth and faster growth of MSMEs; and operationalization of County physical and social infrastructure.

3.Over the next MTEF period the County Government will continue implementation of the medium-term development plan through the Annual development plans and annual budgets. The County Government will continue to pursue a balanced budget in line with the state fiscal policy objectives over the medium-term period and efforts towards a sustainable County fiscal framework. This will be partly achieved by managing County wage bill towards the 35 percent proportion allowed under PFM law and 30 percent minimum development expenditure.

4. In further compliance with public finance fiscal responsibility principles, the County Government will continue to assess its revenue and expenditure forecasting model to ensure budget credibility and reduce unnecessary shift in fiscal framework during budget implementation. The County Government shall continue to improve the capacity of the budget practitioners through training on the County budget manual targeting all sector working groups, managers of the Facility Improvement Fund (FIF), Urban Boards.

5. On the supply side of the budget County revenue enhancement plan will entail the following;

Consolidating gains in automation of the revenue administration continued automation of the revenue streams and maintenance of a cashless system;

Data collection, revenue sources mapping and data driven revenue forecasting and decision making;

Complete the process of updating the County valuation roll in order to maximize collection of the land-based revenues.

Strengthening financial reporting and non-financial reporting in revenue administration.

Cascading and dissemination of national policies on County Own Source Revenues

6. In the Expenditure management, the County Government will focus on rationalization of County expenditure to ensure maximum economy in resource use. The County will concentrate on settlement of all

eligible pending bills in the next MTEF period and progressively work to ensure that new pending bills are kept at maximum of one percent of the total budget in line with the allowed limits.

7. The County will continue to manage the high wage bill through the ongoing human resource reforms and setting fiscal limits for allocation to salaries and wages. The County Government will continue to engage stakeholders and the public in fiscal policy formulation and implementation and further provide necessary feedback in order to assure efficacy in public finance management.

8. The County Government will further prioritize mainstreaming of cross cutting issues in development such as climate change, and provision of social safety nets for youth, women, PWD and other vulnerable groups.

1.5 Economic Outlook

1. The recent fluctuations on the global economy are expected to ease on account of stabilization of the supply chain and easing of the oil prices. The national economy is expected to expand by approximately 5.5 percent in both 2023 and 2024.
2. The performance of the national and subnational economy is expected to stabilize on account of better performance of the agriculture and other productive sectors. The positive in weather condition towards the end of 2023 and beyond as well as implementation of the fertilizer subsidy programme expected to improved agriculture performance in Lamu County will continue to contribute to improve agriculture productivity and therefore improves food security.
3. The prudent management of maturing public debts and strong fiscal policy has reduced uncertainties, speculative tendencies on and vulnerabilities of local currencies. This is expected to assure investor

confidence and stabilize both public sector and private sector investments on the medium-term period.

4. The full transition into current administration at both levels of government and consolidation of the gains in implementation of the previous development plans expected economy, are expected to further lead to more consistent performance of the national and county economy. This is expected to promote more private sector participation, increase consumer spending and positively impact on the aggregate demand.

1.6 Risks to Fiscal Policy

1. *Own Source Revenue underperformance* – the County Budget Review and Outlook Paper (CBROP 2023), trend over the last three fiscal years demonstrate that County OSR has recorded an average underperformance of 18 percent. If this trend were to persist into the next MTEF period, it will necessitate revision of the budget framework and further impact negatively on overall budget performance.
2. *Weak execution of development expenditure* – During FY 2022/2023 and FY 2021/2022 the County Government recorded below par performance in development expenditure. This constraint was partly attributed to delays in project conceptualization, planning and implementation. If this phenomenon continues it may reduce the realization of project outcomes and further lead lower the overall County budget credibility.
3. *External shocks to sub national economy* – the recent developments affecting the oil prices and currency exchange fluctuations have resulted in inflationary pressure and monetary policy shifts. If

the observed macroeconomic variations are to persist into the short term to medium term, they are likely to cause further uncertainty of the sub national economy.

4. Erratic disbursement of national transfers – the transfers to County Government in form equitable share and other conditional grants account for approximately over 95 percent funding to the County budget. Fluctuations in disbursement from the exchequer will impact on the County cash-flows projections and general financial planning.

5. Incidences of pending bills – the 2022/2023 fiscal year revealed the weak execution of development expenditure and accumulation of pending bills and reduced ability of the County government in meeting financial obligations. These occurrences are likely to reduce efficiency in budget executions in subsequent budget and further impact on the business climate of local economy.

II. POLICIES TO ACHIEVE MEDIUM TERM OUTLOOK

The CFSP 2024 shall be founded on the following fiscal strategy initiatives that the County has adopted in the medium-term period:

2.1 Leveraging on the Growth of Productive Sectors in the Economy

1. Over the medium term, the county government intends to leverage the growth potential of productive sectors to among other stimulate economic growth, create employment, spur innovation and promote resilience amidst a struggling economy. Among the key sectors identified to help realize the medium-term outlook include, Agriculture, forestry and fishing, wholesale and retail trade, manufacturing, Energy, as well as Building and construction sectors.

Agriculture

1. The agriculture sector continues to play a critical role in Kenya accounting for 21 percent of Gross Domestic Product (GDP) and 27 percent indirectly through its linkages with other sectors (CBK, 2023).

The sector also employs over 40 percent of the total population and more than 70 percent of the rural populace.

2. In the first half of 2023, the agriculture sector rebounded strongly after the persistent drought experienced early on in 2023. The recovery has been attributed to improved weather conditions and the impact of fertilizer and seed subsidies provided to farmers by the Government.
3. Given the critical role the sector plays in providing livelihoods and a food basket for the Citizens, the County government has prioritized policies and programmes intended to facilitate attainment of food security, sustainable management and utilization of land, improved productivity across various agricultural value chains, improved farmer incomes, and employment creation.
4. The County government will continue to collaborate with the National Government, development partners and other private sector players to address the cost, quality and availability of agricultural inputs. Key among these is the fertilizer subsidy programme that has seen the cost of fertilizer drop significantly from an average of 6,500 in the 2022 planting season to 2,500 in the current season. The Department purchased 104.8 tons of maize seeds, 4 tons of green grams, 4 tons of cow peas, 2 tons of Nerica, 1 ton of sorghum and 1.5 tons of cotton hybrid seeds. The seeds were bought just before the onset of the long rains and distributed to farmers in all the 10 wards and following the good rains the performance was above average leading reduction of maize price from Kshs 100/ per kg to Kshs 30/- per kg. The certified seeds purchased (maize, green grams, cowpeas, nerica and sorghum) benefited a total of 13,100 households, each receiving enough seeds for one acre. The over 13,100 acres of maize was achieved with a production estimated at 131,000 bags of 90kgs (10 bags per acre totaling 11,790 tons).
5. The department also purchased 1.5 ton of hybrid BT cotton seeds and received from stakeholders an additional 6.67 tons totaling to 8.17 tons. A total of 5,446 acres were planted and an estimated harvest of 5,446 tons of seed cotton valued at Kshs 283,192,000 was achieved.

6. The county also purchased 4,166 coconut seedlings and received 1,500 seedlings from AFA making a total of 5,666 seedlings which were all distributed to farmers.

7.

8. In the livestock value chain, the Lamu County government has prioritized interventions aimed at increasing livestock production, and productivity, promoting animal health and enhancing value addition for livestock products and by- products. The department in collaboration with FCDC supported 1 Officer for 1 Year Diploma Course in Animal health at AHITI Ndomba at a cost of Kshs. 111,300.00. The department procured Veterinary Medicines worth Kshs. 2,917,560.00

The department Procured Veterinary vaccines worth Kshs. 3,469,500.00

The department Procured Veterinary Acaricides worth Kshs. 2,483,160.00

The department Procured Veterinary Equipment worth Ksh.338, 000.00

The department Procured Artificial insemination straws and accessories worth Kshs. 2,560,915.00

The Department vaccinated 23,411 Goats against Contagious Caprine Pleuropneumonia (CCPP), 52,004 Goats and sheep against PPR, 3,908 Cattle against FMD, 45,302 against Black quarter and Anthrax and 48,607 against CBPP.

The department vaccinated 3,814 dogs against Rabies disease in the whole County

9. To prevent and control major livestock diseases like Foot and Mouth, Rabies, Lumpy skin disease, Anthrax among others, the County Government has provided sustained free County-wide vaccinations where 947,738 animals were vaccinated across the County.

10. Repossessed land at the old Mokowe cold storage site

Gazetted fish landing sites at Mokowe jetty and Fisheries office HQ

Prepared draft blue economy investment blue print for Lamu county

In partnership with Red cross, issued compliant fishing gears to over 800 fishermen under fishing gears exchange programme.

Facilitated the preparation and designing of modern fish landing site at Mokowe.

In partnership with KCSAP, mobilized funding for the revival of Faza ice plant and cold storage facility

Operationalized ice plant at Kizingitini

1. Overall, the County Government will align policies under the agriculture sector towards increasing food production, boosting smallholder productivity and reducing the cost of food. These will further aid in reducing the cost of food and cost of living in general; reducing the number of food insecure Kenyans; raising productivity of key food value chains; increasing access agricultural extension services; creating employment, increasing average daily income of farmers as well as growing foreign exchange earnings.

Wholesale and retail trade

1. The County government is committed to creating a conducive environment for businesses to thrive through implementation of key transformative programmes/projects/initiatives. Chief among this, is the unification of business permits to reduce turnaround time of registering and operationalizing a business. This will not only boost revenue collection from business permits but also improve investor confidence and the number of new businesses coming up. Additionally, the county plans to operationalize the SME and Cooperative revolving funds to allow enhanced access to credit and promote individual business growth prospects. The County Government in collaboration with the National government and other stakeholders will leverage the opportunities from registered Cooperative movements to drive economic growth in the Trade Sector by providing support to existing cooperatives, reviving dormant cooperatives and encouraging the formation of new ones.

Tourism

Development of Market infrastructure: The department has been involved in construction of markets in order to enhance conducive business environment for small traders and ensure compliance to acceptable market standards. Currently construction of Mpeketoni and Hongwe

fresh produce Open Air Markets are on their final phase while construction of Majembeni Market, renovation of Mpeketoni old market toilet, construction of Mpeketoni market abolition and drilling of Borehole at Hindi market have been completed.

Establishment of legal framework to Finance MSEs; Many micro and small businesses in Lamu are faced with challenges in accessing credit facilities to startup or grow their businesses. The department of Trade in conjunction with department of Education has initiated legislation to implement interest free revolving fund to address the issue. The revolving fund regulation awaits executive endorsement and fund availability. The trade department also works to network local traders with financial institutions to facilitate easy access to business capital through various financial products.

Promotion and Marketing of tourism; The department has been involved in promotion of Lamu County as most preferred tourist destination in Kenya through digital platforms, media as well as organizing various cultural festivals including

Lamu Cultural Festival, Lamu Seafood Cuisine, Lamu Food Bazar, Lamu Yoga festival, Shela hat contest and Maulid festival. Annual Lamu cultural festival is the most popular festival in Kenya attracting both local and international visitors. The department of tourism has taken central role to organize and hold this important event every year.

Promoting fair trade practices: The department has had continuous engagements with its stakeholders especially the traders in relation to enhancing fair trade practices and collecting views on how we can improve on offering our services. Plans are underway to recruit a weights and measures officer to ensure compliance by traders on the set operation standards.

2.2 Promotion of Access to Quality and Affordable Healthcare Services

Primary healthcare is the foundation of universal health coverage. The Department initiated a program branded Timamycare based on the vision of H.E. the Governor. Under this program, community health providers were facilitated to make household visits accompanied by professional health workers. About 991,960 and 943 home based care visits were made in Lamu West, Lamu Central and Lamu East sub-counties respectively.

The Beyond Zero mobile clinic was revived and offered services to more than 3,800 County residents who live more than five kilometers from a health facility. In addition, specialized doctors made visits to primary health facilities as part of the primary care networks. About 500 patients with chronic illnesses benefited from these clinics saving them long journeys to level 4 hospitals. A multi-specialty camp was also held at the Lamu County Referral Hospital with 1068 patients benefiting from a wide range of specialized services that they would ordinarily not receive in the County.

A new maternity unit was commissioned at Mpeketoni Sub-County Hospital, in partnership with Safaricom Foundation. This will provide dignity to those who come to deliver at the hospital. Two container clinics were operationalized at Soroko and Kona Njema villages as level II health facilities. Further, a medical waste incinerator was commissioned at the Lamu County Referral Hospital. This meets the latest environmental standards hence mitigating the environmental impacts of health service delivery.

Gains made in some key health service delivery indicators were also sustained. For example,

the maternal mortality ratio, in the hospitals, nearly halved from 160 to 95 per 100,000 live births. Additionally, 86% of children below one year of age received all the basic childhood vaccines to protect them from vaccine preventable diseases.

To strengthen leadership and governance, two bills were prepared and presented to the County Assembly. The Lamu County Facility Financing Improvement Bill 2023 seeks to increase financial autonomy of the health facilities hence addressing some of the health financing challenges currently affecting service delivery. On the other hand, the Lamu County Health Services and Community Health Bill 2023 aims to institutionalize structures that facilitate the effective and efficient delivery of health services across the different levels of care and life cohorts.

III. INTERGOVERNMENTAL FISCAL RELATIONS AND DIVISION OF REVENUE

1. This section provides the intergovernmental fiscal relations and division of revenue. The County Government will continue foster harmonious fiscal relations both horizontally and vertically with other government agencies with the aim of promoting harmony in County Social economic development. The FY 2024/2025 budget and the Medium-term framework builds on the County Government effort to support the Five-point development agenda that lay a basis on the implementation of the third CIDP 2023-2027 which integrates the Governor's manifesto and the national government's administration's Bottom-up Economic transformation Agenda.

3.1 Intergovernmental Relations

3.1.1 PFM Institutions

1 The County Government of Lamu has been receiving support from the National Treasury to enhance the skills of its officers in various areas of public financial management (PFM), including accounting, budgeting, revenue management, and intergovernmental fiscal relations. This support includes training in financial reporting, the use of the IFMIS system, internal audit functions, and the budgeting process. These

consistent efforts in capacity building have led to an improvement in the quality of financial statements/reports produced by the county government over time.

2 **The Office of the Controller of Budget (COB)** is mandated by Article 228 of the Kenyan Constitution. Its primary role is to oversee the implementation of budgets for both the National and County Governments by approving withdrawals from public funds. COB has been sensitizing counties on the withdrawal procedures and necessary requirements to ensure timely release of funds from the County Revenue Fund. It also aims to promote fiscal discipline, equitable allocation of resources, and enhance transparency and accountability in budget implementation through effective expenditure control. Furthermore, COB provides regular updates on the progress of settling eligible pending bills and collaborates with counties on budget execution, reporting quarterly on the same.

the National Assembly and the Senate.

The Commission on Revenue Allocation (CRA) is established under Article 215 of the Constitution with the primary mandate of recommending the equitable sharing of revenue between the national and county governments. CRA provides recommendations on the financing and financial management of county governments as stipulated by the Constitution and national legislation. The Commission is tasked with expanding revenue sources and ensuring fiscal responsibility in counties. To fulfil this mandate, the CRA supports counties through capacity building and system development. Over the years, the Commission has played a pivotal role in helping counties enhance their revenue potential through system development and training initiatives. They have also been instrumental in establishing and training County Budget and Economic Forums (CBEFs) to promote sound fiscal resource management.

The Intergovernmental Budget and Economic Council (IBEC) is chaired by H.E. the Deputy President. It plays a crucial role in discussing and guiding economic and budgetary matters that impact both

counties and the national government. IBEC will continue its efforts to enhance counties' public financial management systems, aiming to improve service delivery and facilitate a conducive environment for development. These initiatives are geared towards achieving better budget outcomes and enhancing financial processes. The County will maintain its collaboration with this institution to make recommendations on fair revenue distribution between the two levels of government, as outlined in section 190 of the PFM Act.

The Office of the Auditor General is responsible for auditing and reporting on the accounts of both levels of government annually. It plays a crucial government, as well as the Constitutional Commissions and Independent Offices. To enhance prudence and the auditing process, the office provides capacity building for internal audit departments and county officials on how to address audit queries effectively, aiming to prevent their recurrence in subsequent reports. The Salaries and Remuneration Commission (SRC), the Public Procurement Regulatory Authority (PPRA), and the Central Bank of Kenya (CBK) are other key Public Financial Management (PFM) institutions that closely work with the LAMU County Government.

The Intergovernmental Relations Technical Committee (IGRTC) is a significant intergovernmental entity established by the Intergovernmental Relations Act of 2012 and the Public Finance Management Act of 2012. Chaired by the Deputy President, IGRTC has formulated a framework, process, and program for finalizing the transfer of devolved functions that were not completed by the Transition Authority. Additionally, IGRTC collaborated with the Council of Governors (CoG), the Kenya Institute for Public Policy Research and Analysis (KIPPRA), and the State Department of Planning to support counties in reviewing the County Integrated Development Plan (CIDP) for the period 2023-2027.

3.0 DEVELOPMENT PRIORITIES AND STRATEGIES FOR THE FY 2024/2025 AND THE MEDIUM TERM

Fiscal Policy Environment

Budget estimates for the FY 2024/2025 and the MTEF shall be based on the priorities that are outlined in the County Integrated Development Plan (2023-2027), Budget Policy Statement (BPS 2024), Medium Term Plan (MTP IV), and Kenya vision 2030, the Governor’s manifesto and the Bottom-Up Economic

Transformation Agenda (BETA)

Several measures have been and continue to institute to ensure compliance with fiscal responsibility including timely payment of contractors, deployment of more staff to key directorates like revenue and procurement and continued automation of revenue streams

Key Departmental Priorities for FY 2024/2025

This chapter presents development priorities, strategies and programmes for some key county departments over the medium term.

Agriculture, Livestock and Fisheries sector

The department shall implement various projects cutting across the county under the following programmes:

- a. Crop Production and Management
- b. Agricultural Training and Extension Services
- c. Agribusiness and Agricultural Value Chain Development
- d. Agri-Nutrition Support Programme
- e. Agricultural Services
- f. Kenya Climate Smart Agriculture
- g. Fisheries and Aquaculture Resources Development •

- h. Livestock Resource Development and Management
- i. Veterinary Health Services.

Department of Education and Vocational Training

The department shall prioritize to undertake the following programmes and projects:

- Scholarship and bursary programmes
- Construction and renovation of ECDE classroom and child-friendly toilet
- Purchase of furniture for ECDE centers,
- Promotion of TVET by offering grants
- Procurement of ECDEs learning materials
- grants to Women, Youth and People living with Disabilities
- Improvement of county sporting facilities
- Provision of sports training uniforms and equipment
- Nurturing of county different sport talents by organizing county and cross counties tournaments
- Renovation of social Halls

Department of Finance and Economic Planning

The department shall prioritize to undertake the following programmes and projects:

- Finalization County asset register
- Automation of all local revenue
- Exploring other local resources streams
- Enforcement of fiscal responsibility to Prompt payment of good, services and work

- Reduction of value of audit queries
- Reduction of county pending bills
- Purchase of receipts with security features
- Installation of a strong-room safe with fireproof and mold-free capabilities adequate for long-term storage of critical documents.
- Publication of implementation reports of Capacity build suppliers to improve the efficiency of the county supply chain system.

Department of Trade, Tourism, Culture

The department through its directorates shall implement the following programmes of

- Construction of modern markets across the County to improve the business environment of
- Tourism Promotion

Department of Budget and Economic planning

The department through its directorates shall implement the following programmes of Rolling of E-Cimes in all county Department of Uploading of all county development projects in E-CIMES of Preparation of Quarterly and Annual budget implementation reports

- Operationalize County Monitoring and Evaluation programme by ensuring adoption of M&E policy, rolling out of e-CIMES, purchase of M&E vehicles among other key initiatives
- Capacity building of personnel responsible for planning and budgeting in the county departments
- Develop County statistical framework through production and publishing of County Statistical Abstracts and period data reports.
- Coordination and operationalization of sector working groups and culminate in the production of sector plans

-Developing and publishing wananchi friendly citizen planning and budget documents for every financial year.

Department of Infrastructure and Energy

63. The key priority areas in the medium term will

be; of Routine Maintenance of County Roads,

Construction of minor and major drainage (Bridges & Box Culverts) Countywide,

maintenance of acquired roads construction equipment, of Maintenance of electrical

works in public buildings, of Installation and maintenance of street lights, of Maintenance

of jetties

Department of Public Service Management and Administration

Key priorities

Human resource management and development, o records management, of staff performance management, of training and capacity building, of organizational design and development, industrial relations, gender/disability mainstreaming, staff benefits and welfare schemes, guidance and counselling on HIV and AIDs employee relationship, promotion of staff cohesion, Staff payroll management.

o Staff skills inventory

o Development of county staff establishment

Department of Lands, Housing and Urban

Planning Land surveying and planning o

Updating of valuation roll

1. the department will prioritize increasing access to quality and affordable health care in line with the national priority for the Universal Health Coverage Programme.

2. The Department will increase the number of Households under the County Sponsored NHIF to reduce the out-of-pocket payments for health expenses.
3. The department will also invest in infrastructure, equipping and staffing of the yet to be completed capital projects,
4. the department will also prioritize equipping of the existing health centers and dispensaries in order to ensure they function optimally. This is one of the targeted measures to consolidate the gains following a cumulative significant investment over time.
5. More investment in the preventive programme, and more so in the sub programs Disease Surveillance (in light of post covid recovery) of Non-Communicable Diseases, RMNCAH, HIV/AIDS among others.
6. the department will also strengthen the Primary health care services, and will prioritize the implementation of the yet to be enacted Community health Services Bill to improve on primary health
Implementation of facility improvement fund act 2023 in order for the department to focus on achieving greater efficiency in collection and management of the fund, with an aim of sustaining healthcare financing, leveraging on the goodwill from the County leadership.

County Public Service Board

Promotion of values and principles of Governance as per Article 10 and 232 of the Constitution of Kenya in the County Public Service

The Department plan to Undertake Staff capacity building in various cadres of the employees Development of county human resource system o Implementation of Performance Management System in the County by the next Financial Year.

4.0 FISCAL POLICY, 2024/25 FY BUDGET AND THE MEDIUM-TERM EXPENDITURE FRAMEWORK

The County government is committed to fiscal discipline in order to promote productive sector growth and overall economic growth. In this regard, expenditure management and revenue administration reforms will be implemented to increase efficiency, reduce wastage and mobilize revenues to create fiscal space for funding development programmes within the budget.

4.1 FY 2024/25 Budget Framework

In the FY 2024/25 prioritization of resource, allocation will be based on the County Integrated Development Plan (CIDP), Departmental priorities, programmes and development policies of the County Government. The 2024/25 FY budget will institute reforms targeted at consolidating gains, achieving efficiency and productivity of government spending. The CIDP takes into account the development Agenda of the Country by including programmes for the County residents with high impact on their welfare.

Revenue Projections

The County government projects to receive a transfer of about KShs. 3.285 billion from the National Government for the FY 2024/25 as equitable share. The allocations on grants expected to be received amounts to Kshs 944,443,674.00. The county also expects to generate kshs 290 M as own source revenue

Table 9: Trend in Growth of Equitable share of Revenue and Local Revenue (Base Year) FY2013/2014 – FY2024/2025

EXCHEQUER RECEIPTS	ALLOCATION	GROWTH
TRENDS		
2013/2014 (Base Year)	1,500,755,102	1,500,755,102
2014/2015	1,746,977,915	246,222,813
2015/2016	2,051,883,746	304,905,831
2016/2017	2,214,008,743	162,124,997
2017/2018	2,476,400,000	262,391,257

2018/2019	3,548,000,000	1,071,600,000
2019/2020	2,595,300,000	-952,700,000
2020/2021	2,595,300,000	0
2021/2022	3,105,649,643	510,349,643
2022/2023	3,105,649,643	0
2023/24	3,237,350,707	131,701,064
2024/25	3,285,952,778	48,602,071

Own Source Revenue

The County also projects to collect kshs 290 M as Own Source Revenue as tabulated below

The County Executive will present to the County Assembly, more detailed structural measures to boost revenue generation through the Finance Bill, 2022, for consideration and enactment as required by the PFM Act, 2012

Table 10:projected local revenue 2024/ 2025-2026/27

REVENUE STREAMS	2024-25	2025-26	2026-27
BUSINESS PERMIT CURRENT YEAR	15,000,000.00	15,750,000.00	16,537,500.00
HEALTH CENTRES	130,000,000.00	136,500,000.00	143,325,000.00
TRAINING/LEARNING CENTRES (ATC)	240,000.00	252,000.00	264,600.00
MARKET STALLS RENT	1,200,000.00	1,260,000.00	1,323,000.00
FRUITS & VEGETABLES/PRODUCE CESS	10,800,000.00	11,340,000.00	11,907,000.00
MEAT INSPECTION FEES	360,000.00	378,000.00	396,900.00
COUNCIL VEHICLES HIRE (AMS TRACTORS)	6,160,000.00	6,468,000.00	6,791,400.00
OPEN AIR MARKET FEE	1,200,000.00	1,260,000.00	1,323,000.00
SLAUGHTERING FEE	480,000.00	504,000.00	529,200.00
LIVESTOCK CESS	120,000.00	126,000.00	132,300.00
FISH CESS	840,000.00	882,000.00	926,100.00
STREET PARKING FEE	3,000,000.00	3,150,000.00	3,307,500.00
SALES OF FLOWERS, MIRAA,ETC	1,800,000.00	1,890,000.00	1,984,500.00
VETENARY	120,000.00	126,000.00	132,300.00

FOREST CESS	600,000.00	630,000.00	661,500.00
METAL SCRAP	840,000.00	882,000.00	926,100.00
SIGN BOARDS & ADVERTISEMENT FEE	5,900,000.00	6,195,000.00	6,504,750.00
PHYSICAL PLANNING	720,000.00	756,000.00	793,800.00
SAND, GRAVEL, AND BALLAST EXTRACTION FEES	6,000,000.00	6,300,000.00	6,615,000.00
FISHERIES LICENCE	120,000.00	126,000.00	132,300.00
LAND RATES	102,040,000.00	107,142,000.00	112,499,100.00
PUBLIC HEALTH	600,000.00	630,000.00	661,500.00
SALARY COMMISSION	1,800,000.00	1,890,000.00	1,984,500.00
OTHERS MISCELLANEOUS	60,000.00	63,000.00	66,150.00
TOTAL COLLECTION	290,000,000.00	304,500,000.00	319,725,000.00

The county will also undertake to automate all the revenue streams with the aim of enhancing revenue collection.

Revenue Basket	2024-2025	2025-2026 PROJECTIONS	2026-2027
Equitable Share	3,285,952,778.00	3,450,250,416.00	3,622,762,937.00
OSR	160,000,000.00	168,000,000.00	176,400,000.00
Facility Improvement Fund	130,000,000.00	136,500,000.00	143,325,000.00
Roads Maintenance Fuel Levy	134,869,251.00	141,612,713.00	148,693,349.23
DANIDA	3,997,500.00	4,197,375.00	4,407,243.75
KISIP II (FSRP)	441,000,000.00	463,050,000.00	486,202,500
KUSP-UIG	173,076,923.00	181,730,769.00	190,817,307.61
BALANCE B/F	35,000,000.00	36,750,000.00	38,587,500.00
COUNTY HQS	140,000,000.00	0	—
	119,000,000.00	0	—
TOTAL	4,660,396,452	4,621,466.28	4,852,539,588

TABLE 8: TOTAL REVENUE PROJECTIONS FOR FY 2024-25

As it can be seen from the above Lamu county has Kshs 3.75 billion being sum of equitable share and own source revenue to prioritize among the all-15 county departments.

a) This section presents ~~4/2025~~ departmental ceilings and MTEF projections.

In the FY 2024/2025 Budget, ceilings are guided by the following: MTEF budgeting and CIDP 2023-2027 that will entail adjusting non-priority expenditures to cater for the priority sectors.

CIDP Priority Projects: These are projects forwarded during consultative forums,

On-going Projects: emphasis is given to completion of on-going projects

Operationalization of Projects: Priority will be given to operationalization of already complete

Ward Priority Projects: These are ward specific projects to ensure fair distribution of the projects
[Medium Term Expenditure Estimate](#)

b)

c) projects currently not in use.

d)

Expenditure Projections

The PFM (County Governments) Regulations, 2015, requires that the County Governments maintain employee compensation levels at not more than 35 percent of their total revenue. In the medium term, the County government is committed to ensuring compliance with this fiscal responsibility principle.

The wage bill is projected at Kshs. 2,022,000,000.00 in the FY 2024/25, which is 43 percent of total revenues. This way and above the PFM regulation by 8 percent. This is due to the implementation of various SRC circulars on salary adjustments, 1.5 percent housing levy as per 2023 National Finance Act and revised NSSF rates.

The Operations and Maintenance expenditures will be lower in the medium term due to removal of one-off expenditures such as office infrastructure and equipment from the recurrent budget coupled with other expenditure rationalization measures. The estimated amount in the FY 2024/25 is Kshs 969405,287 which is 21% of the total budget.

Table 11: FY 2024/25 BUDGET ALLOCATION AS PER ECONOMIC CLASSIFICATION

Economic Classification	Projected 2024/25	% of the total Budget
Personal Emoluments	2,022,299,991.00	43%
Operations & Maintenance	967,450,287.00	21%
Total Recurrent Estimates	2,989,750,278	64%
Development Estimates	1,670,646,174.	36%
Total Budget Estimates	4,660,396,452.00	100%

Development Expenditure Projections

In the FY 2024/24, the overall development expenditure is expected to be Ksh. 1,670,646.174 This accounts for 36 percent of the overall budget, which is above the limit of the fiscal responsibility requirement of allocating at least 30 percent of the budget to development expenditure.

Overall Deficit and Financing

To avoid deficits that have no clear plan on how they will be funded, the County Government has allocated resources for spending that are commensurate to the revenues expected in the FY 2024/25. In that FY therefore, the County budget shall be financed through transfer from the National Government and local revenue collected from fees, charges, rates, among others as allowed by the governing Acts and by-laws.

The FY 2024/25 fiscal framework is therefore fully financed.

Risks to the 2024/25 Budget framework

This section provides an assessment of fiscal risks that the County is exposed to that may affect the achievement of the macroeconomic targets and objectives detailed in this fiscal strategy paper.

- I. The continuous growth in share of compensation to employees poses the greatest fiscal risk yet to the County budget outlook in the next MTEF period. The County has overtime exceeded the fiscal responsibility of 35% in its expenditure on wages and benefits for public officers. This is likely to be further aggravated by the growing needs among County Departments to recruit key technical staffs. The County has in the recent been undertaking major development intervention especially in the construction of new ECDEs and health facilities. To operationalize these projects, recruitment of ECDEs teachers and Health personnel is inevitable further posing a threat in increasing our wage bills.
- II. Numerous salary adjustments by SRC with the recent one being the 7-10 percent increase which is entering the second phase in July 2024
- III. The implementation of the 1.5 percent Employer contribution on Housing levy
- IV. The implementation of Employer contribution of the new NSSF rates
- V. Increasing cost of products like electricity and fuels
- VI. Lamu county is prone to disasters and droughts. This poses a risk of some funds earmarked for development being diverted to cater for drought mitigation and water tracking activities.

VII. Insecurity experienced in the county may lead to county not achieving its objectives in

terms of implementation of development projects and projected revenue collections.

V. At the national level, increasing level of national debt, shift to commercial debt and the consequent debt servicing costs will influence negatively on the funds allocated to Counties, due to reduction in shareable revenues.

Fiscal Structural Reforms

Revenue mobilization:

The County government will put in place measures to meet its revenue target as this will enable the County to implement its development programmes. The County has so far implemented various reforms aimed at sealing revenue leakage loopholes. This will be facilitated through automation of remaining revenue streams. By so doing, all payments in the County will be made electronically and in return, administrative costs are expected to significantly reduce. In addition, this will minimize leakages and expand access to payment points, which will improve on accountability.

The County Government will adopt other key strategies amongst them; mobilization of additional revenue by strengthening enforcement and completion of administrative reforms including the automation of systems and expansion of the revenue base. This will continue to remain the key focus in the next FY. The County will focus on land and property tax as the most appropriate and equitable source of revenue to finance development and provision of essential services. To this effect, the County will should develop valuation roll for other major towns to widen the tax base.

Expenditure Management

The County will continue to use Integrated Financial Management System (IFMIS) as the system for processing payments. Consultations with the County Budget and Economic Forum (CBEF) will be deepened on all matters of planning, budgeting and financial management. Audit Committees will also be formed. Such consultations also ensure that there is transparency, accountability, and adherence to the PFM Act on budget making process.

The County Government will use bottom-up approach on project identification. Projects will be identified at the ward level based on community needs in each ward. This will be approved by the County Assembly and implemented by the County Executive in compliance with the law. The County services are expected to be brought closer to residents, which will go a long way in deepening devolution.

The County Government will continue with civic education programmes to enhance awareness and facilitate proper flow of information. Increased cooperation between the County Government and the County Assembly will ensure there is efficient running of County government thereby improving service delivery.

To complement the staff rationalization exercise, the County will adopt an ambitious policy of expenditure rationalization with a view to funding core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies. The Government will also ensure continuous sector performance reviews as a strategy to encourage accountability by Departments.

85. In order to contain recurrent and non-essential spending, the County will focus on the following areas of intervention:

1. Foreign and domestic travel will be limited to essential travels
2. Limiting training to the need basis and essential/critical.

- o Strict enforcement of cost reduction Circulars to all County Departments.
- o Implement a strict commitment control system to reduce the stock of pending bills.

5.0 CONCLUSION

1. The CFSP, 2024 is prepared as a guiding tool for budget preparation of financial year 2024/5 It is meant to broadly define the expected revenues and expenditure over the medium term as well as propose strategies of financing any anticipated deficit. Lamu County Government is expected to prepare a balanced budget in financial year 2024/25.
2. The set of policies outlined in the CFSP reflects circumstances that are in line with the fiscal responsibilities as outlined in the PFM Act, 2012. They are also consistent with the County Government strategic objectives pursued as a basis for allocation of public resources. These strategic objectives are provided in the County Government priorities spelled out in the national policies and Lamu CIDP, 2022-2027.
3. The adoption of Program Based Budgeting (PBB) will ensure that all County resources are linked to specific projects outputs and outcomes.
4. The use of the Integrated Financial Management Information System (IFMIS) and the introduction of e-Procurement System will also make it possible for the County to track the resources to results achieved in a more efficient manner.
5. In the budget for the financial year 2024/25, key priority areas of Health services, Education, Agriculture sector, water and infrastructure network will receive considerate allocation while maintaining reasonable growth on other County sectors.
6. Allocation of funds to these County key priority areas will generally reflect the critical needs of the County residents. It is envisaged that the enhancement of these key areas will drive the County economy up by creating greater supply hence improving the per capita income of household

ANNEXURES

Annex 1: Projected Revenue Summary 2024-25-2026-27

REVENUE SUMMARY

REVENUE SUMMARY			
Revenue Basket	2024-25	2025-26	2026-27
		PROJECTIONS	
Equitable Share	3,285,952,778.00	3,450,250,416.00	3,622,762,937,.00
OSR	160,000,000.00	168,000,000.00	176,400,000.00
Facility Improvement Fund	130,000,000.00	136,500,000.00	143,325,000.00
Roads Maintenance Fuel Levy	134,869,251.00	141,612,713.00	148,693,349.23
DANIDA	3,997,500.00	4,197,375.00	4,407,243,.75
KISIP II	441,000,000.00	463,050,000.00	486,202,500
(FSRP)	173,076,923.00	181,730,769.00	190,817,307.61
KUSP-UIG	35,000,000.00	36,750,000.00	38,587,500.00
BALANCE B/F	140,000,000.00	0	—
COUNTY hqS	119,000,000.00	0	—
TOTAL	4,660,396,452	4,621,466.28	4,852,539,588

ANNEX 2: Proposed recurrent ceilings 2024-25-2026-27

VOTE	APPROVED 2023/2024	proposed CFSP CEILINGS	PROJECTIONS	
		2024/2025	2025/2026	2026/2027
County Assembly	450,000,000	470,000,000	493,500,000	518,175,000
Public Service Management and Administration	307,847,779	122,081,596	128,185,676	134,594,960
CLIMATE AND ICT		11,320,000	11,886,000	12,480,300
DEVOLUTION		47,058,100	49,411,005	51,881,555
Finance	104,350,900	1,803,095,623	1,893,250,404	1,987,912,924
Agriculture and irrigation	71,692,506	14,000,000	14,700,000	15,435,000
Lands, Physical Planning and Urban Development	28,173,869	14,000,000	14,700,000	15,435,000
Education, Vocational Training, Gender, sports ,youth ,culture and Social Services	302,926,726	100,000,000	105,000,000	110,250,000
Medical Services	995,312,690	223,950,000	235,147,500	246,904,875
Trade, Enterprise Development, Tourism and Culture	27,053,453	30,980,139	32,529,146	34,155,603
Livestock, fisheries and Blue Economy	63,795,798	7,070,450	7,423,973	7,795,171
Public Service Board	54,355,987	10,425,000	10,946,250	11,493,563
water and energy	46,121,238	58,000,000	60,900,000	63,945,000
Public Health, Environment and Sanitation	80,666,136	20,566,260	21,594,573	22,674,302
Budget, Strategy and Economic Planning	17,444,291	6,000,000	6,300,000	6,615,000
Roads, Transport, Infrastructure, Public Works and Energy	26,759,296	6,000,000	6,300,000	6,615,000
Lamu municipality	45,060,678	45,203,110	47,463,266	49,836,429
SUB TOTAL	2,621,561,347	2,989,750,278	3,139,237,792	3,296,199,681

ANNEX 1: Proposed development ceilings 2024-25-2026-27

VOTE	APPROVED	PROPOSED	PROJECTIONS	
	Ceilings 2023/2024	CFSP CEILINGS	2025/2026	2026/2027
County Assembly	39,000,000	100,000,000	0	0
Public Service				
Management and Administration			42,000,000	44,100,000
CLIMATE AND ICT	108,644,051	40,000,000.00		
CLIMATE AND ICT		18,000,000.00	18,900,000	19,845,000
DEVOLUTION		137,500,000.00	144,375,000	151,593,750
Finance				
Compensation to Employees (CE)	6,500,000	1,500,000.00	5,250,000	5,512,500
County Assembly				
Agriculture and Irrigation	91,120,000	248,076,923.00	260,480,769	273,504,808
Emergency				
Lands, Physical Planning and Urban Development				
Staff Medical Cover				
Drugs and non-pharmaceutical items	50,000,000	486,000,000.00	510,300,000	535,815,000
Education, Vocational and Apprenticeships				
Training, Gender, sports, youth, culture and Social				
Grant to LAWASCO	116,000,000	75,000,000.00	78,750,000	82,687,500
Services				
Council of Governor/FDCC				
Nairobi Liaison office				
Medical Services	190,000,000	130,000,000.00	136,500,000	143,325,000
Trade, Enterprise				
Trade, Enterprise				
Public WiFi				
Development, Tourism and Culture	43,000,000	30,000,000.00	31,500,000	33,075,000
WIBA				
Cultural Festival				
Livestock, Fisheries and Blue Economy	54,000,000	50,000,000.00	52,500,000	55,125,000
Water and energy	177,500,000	75,000,000.00	78,750,000	82,687,500
Judgements				
Public Health, Environment and Sanitation	28,500,000	36,200,000.00	38,010,000	39,910,500
County contribution to REREC				
Roads, Transport				
Transportance Fuel Levy				
Infrastructure, Public Works and Energy	85,400,000	189,869,251.00	199,362,714	209,330,849
Danida				
KISSP II (FSRP)				
Lamu Municipality	42,500,000	50,000,000.00	52,500,000	55,125,000
SUB TOTAL	1,032,164,051	1,670,646,174.00	1,649,178,483	1,731,637,407
County contribution to KISP		5,000,000.00		
FSRP Conditional grant		5,000,000.00		
CHV		12,300,000.00		
Danida		3,950,000.00		
County Contribution to CHQs		10,000,000.00		
BALANCE B/E		100,000,000.00		

ANNEX 2:
Summary of
first charge
Expenditure
Ceilings

TOTAL

3,866,411,630

ANNEX 5: Summary of CFSP 2024 Ceilings

2024-25 projections									
DEPARTMENT	Compensation to Employees	RINGFENCED recurrent	RECURRENT	AIA	CONDITIONAL GRANTS DEVELOPMENT	Counter Funding Grant	2024 DEVELOPMENT	TOTAL	PERCENTAGE ALLOCATION
COUNTY ASSEMBLY	240,000,000.00			230,000,000.00				100,000,000.00	570,000,000.00
PUBLIC SERVICE MANAGEMENT	0.00		101,917,965.00	20,163,631.00				40,000,000.00	162,081,596.00
CLIMATE AND ICT			6,500,000.00	4,820,000.00		0.00		18,000,000.00	29,320,000.00
DEVOLUTION		37,500,000.00	5,000,000.00	4,558,100.00		119,000,000.00	10,000,000.00	8,500,000.00	184,558,100.00
FINANCE	1,782,299,991.00		10,000,000.00	10,795,632.00		0.00		5,000,000.00	1,808,095,623.00
AGRICULTURE			0.00	14,000,000.00		173,076,923.00	5,000,000.00	70,000,000.00	262,076,923.00
LANDS			5,000,000.00	9,000,000.00		441,000,000.00		45,000,000.00	500,000,000.00
EDUCATION			80,000,000.00	20,000,000.00				75,000,000.00	175,000,000.00
MEDICAL SERVICES		3,950,000.00	100,000,000.00	20,000,000.00	100,000,000.00	-		130,000,000.00	353,950,000.00
TRADE			25,000,000.00	5,980,139.00				30,000,000.00	60,980,139.00
FISHERIES AND LIVESTOCK				7,070,450.00				50,000,000.00	57,070,450.00
PUBLIC SERVICE BOARD				10,425,000.00				-	10,425,000.00
WATER AND ENERGY			50,000,000.00	8,000,000.00			10,000,000.00	65,000,000.00	133,000,000.00
PUBLIC HEALTH			12,300,000.00	8,266,260.00				36,200,000.00	56,766,260.00
BUDGET AND ECONOMIC PLANNING				6,000,000.00	0.00			-	6,000,000.00
INFRASTRUCTURE				6,000,000.00		134,869,251.00		55,000,000.00	195,869,251.00
LAMU MUNICIPALITY		35,000,000.00		10,203,110.00		0.00		50,000,000.00	95,203,110.00
TOTAL EXPENDITURE	2,022,299,991.00	76,450,000.00	395,717,965.00	395,282,322.00	100,000,000.00	867,946,174.00	25,000,000.00	777,700,000.00	4,660,396,452.00
% TOTAL EXPENDITURE	43%	2%	8%	8%	2%	19%	1%	17%	

ANNEX 6: LAMU COUNTY PUBLIC PARTICIPATION REPORT FOR THE LAMU COUNTY FISCAL STRATEGY PAPER 2024/2025

The **County Fiscal Strategy Paper (CFSP)** underpins the county fiscal and budget framework by laying out strategic priorities and fiscal policy – that is what the county plans to do regarding revenue, expenditure and debt management over the medium-term. Importantly, this document sets the sector and program resource ceilings that guide the budget estimates.

The county government of Lamu undertook public participation for the 2024 county fiscal strategy paper to set out strategic priorities and policy goals to be implemented in FY 2024-2025 budget and medium term as provided in section 117 of the public finance management act 2012. The activity was held in five main wards in Lamu County from 12th February to 13th February 2024.

WARD	SECTOR	CHALLENGES	PROPOSED PROJECT
Kiunga	Agriculture, Livestock and fisheries	The community members of Kiunga are still lagged behind with the traditional method of fishing	Provision of modern farming tools
		Most farmland are not able to be farmed because the community still uses the jembe method while farming.	Provision of tractors

	<p>The existing ice plant is located in Kizingitini, the fishermen from Kiunga ward are usually force to travel all the way to Kizingitini to get some ice to their fish</p>	<p>Construction of an ice plant</p>
	<p>The government banned the use of the traditional fishing gears, absence of the legal fishing gears has forced most fishermen not to practice their daily activity of fishing because they cannot afford the legal gears</p>	<p>Provision of legal fishing gears</p>
	<p>The climate change has forced fish to disappear in the ocean, initially the Kiunga community used to fish ponds</p>	<p>Establishment of fishing ponds</p>
	<p>It's a big hustle for the community members in Kiunga ward to be rescued when they meet an ocean tragedy</p>	<p>Provision of Rescue Boats</p>
<p>Health environment and water</p>	<p>Most referrals for the critical ill in Kiunga ward are never successful due to the absence of the ambulance boat</p>	<p>Provision of a boat ambulance</p>

	Expectant mothers in Mkokoni village have no access to the standard maternal health care	Equipping the maternity wing in Mkokoni
	The Mkokoni dispensary is served with only one nurse whereby services are	Recruiting more nurses to dispensaries

	ceased when she gets sick, or attend to her personal issues	
	The existing desalination plant is not serving the community as expected because of lack of petrol fuel to the generator	Allocation of more funds to fuel the desalination plant
Education	The ECDEs teachers in Kiunga ward are not versed with the CBC knowledge as needed by the current curriculum	Recruiting CBC teachers
	Lack of good learning facilities demotivates young students to go for learning	Equipping the ECDEs with materials and the playground
	The status of the social hall is in a bad condition with no chairs,	Renovation of Mkokoni

	electricity and other amenities	Social Hall
	There is no health standard football pitch in Kiunga ward to keep the youths engaged in sports and away from drugs	Construction of standard football ground
Trade and Tourism	The long time al-Shabaab attack caused a big damage to the tourism industry in Kiunga ward	Allocate funds for tourism promotion in Kiunga Ward
	Women in Mkokoni and Kiwayu village creates art work from the unused slippers but end up not getting into the market due to their poverty level	Promote women talents on jewelry hand work from unused slippers by creating market for them
Infrastructure	Lack of a good standard road is big challenge for farmers who would wish to transport their farm produce especial the water melon to the boat	Construction of roads from the farms to the ocean
	For many years Mkokoni village has never had access to good network	Installation of network mast
	Since independence the Mkokoni village has never benefited from the	Provision of electricity

		electricity services	
		The seawall in Mkokoni was badly constructed causing it be swept away by water. This has brought a big challenge to the houses to be invaded with sea water during high tides	Renovation of Mkokoni see wall
Faza	Health	Some CHV volunteers did not benefit from the stipends from the national government	Allocation of stipends to the CHV

		Most beneficiaries of the NHIF were locked out from the universal health care cover	Allocation of more funds on NHIF
		Farmers are not able to settle in the farming land due to lack of medical attention in the area	Construction of dispensary in farming land
		Many lives have been lost due to delay of boat ambulance that had to come all the way from Lamu to ferry a critical patient	Provision of an ambulance boat
		In case of power outage, the patient is forced to receive some special	Provision of a standby generator at the Faza

	medical attention that may need supply of power	sub county hospital
Education	Students not benefiting from the scholarship program to have to be considered on adding up to their allocation.	More allocate to the bursary sector
	The ECDEs and TVETs are less equipped with necessary tools for the students	Equip the ECDEs and TVETs
	The existing football pitch is not health friendly for any physical activity	Construction of standard football pitch
	The existing monument at the sea front to be renovated	Construction of learning research centers
		Marine courses to be incorporated in TVETs
Fisheries	Fish industry has advanced and the community lacks the right gears to exercise the activity	Provision of modern fishing gears
	The community are not able to fish	Provision of modern

	on far open sea due their condition of their boats	fishing boats
	Most fishermen did not benefit from the revolving fund of engine boats	Provision of engine boats
	The cooperative is inactive to benefit the fishermen	Revive the cooperatives for fishermen
	Community lacks market for export	Development of fish Market
	The existing cold plant is not providing enough ice to serve the whole fishermen community.	Construction of a bigger cold plant
Environment	The sea front does not have a collection center forcing the community to dump their dirt to the seashores	Construction of a dumping site and more collection center
	The town has very few cleaners	Recruitment of more cleaners
	There is no proper dumping of medical waste	Construction of incinerator
Agriculture	The community is lagged behind in	Provision of modern

	using the traditional agricultural activities forcing less production in food	farming support
	The living standards of most farmers in Lamu east is very low due the financial constraints	Provision of cash transfers to farmers
	Kilimo boat was taken away from the farmers in Faza	Provision of a boat to ferry farmers
	The initial plan for the construction of the cashew nut processing plant was in Faza but now it is Hindi	Construction of cashew nut processing plant
Water	Water is still a mega challenge in Lamu east especially Faza ward	Allocation of funds in water
Infrastructure	Most roads accessing the farms are in bad condition causing challenge in transporting farm produce to the market	Construction of roads in farming land
	During low tides locals are forced to walk a long distance while traveling to get a boat causing inconvenience to the sick and elderly	Construction of a bridge from Maalim Siaka to Kikkoman
	The county tractor is not able to access some parts of the Faza village	Construction of ring road

BAHARI WARD

	SECTOR	CHALLENGES	REMARKS
	Agriculture	•	<ul style="list-style-type: none"> • Extension officers for veterinary services • Increase seedlings • Research for pest control • Driers for maize produce

		to collect garbage hence causing community to carelessly dispose the dirt everywhere	
		The seafront incomplete cabrio work brings a bad scenery of the town	Cabro work around Faza
	Trade	Community members have no place to display their market produce and other products selling to improve their livelihood	Construction of market stalls
		Faza ward has many monuments and tourism destination that are not featured anywhere in the media industry	Invest in tourism marketing

			<ul style="list-style-type: none"> • Increase number of tractors – every ward • Purchase of harrow • Subsidizing of plowing cost
	En/INFRASTRUCTURE/ ICT	•	<ul style="list-style-type: none"> • Mpeketoni – Bahari trading center road priority
	General economic affairs/trade	•	<ul style="list-style-type: none"> • Renovate old market for cereal traders • Construction of wholesale market • Livestock market
	Health	•	<ul style="list-style-type: none"> • Increase allocation for medicine • Expand and upgrade Tewe dispensary • Purchase of CT scan • Identification of waste management sites • Construction of Lake Amu dispensary
	Education	•	<ul style="list-style-type: none"> • Hiring of TVET additional instructors • Provision of TVET equipment for various courses • Increase in bursaries and scholarship allocation • Awarding of bright students for (As &

			<p>A-)</p> <ul style="list-style-type: none"> Guidance and counselling for the youths
	Social protection and culture	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Construction of rescue center Modern football playground/stadium Construction of rehabilitation center
	Environment and water	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Cleaning of Lake Kenyatta Boreholes at Umoja, Kilimani and Lake Amu Extension of piped water to Upendo ECDE Drainage System

WITU

	SECTOR	CHALLENGES	REMARKS
	Agriculture	<ul style="list-style-type: none"> Unfair distribution of palm trees and cashew nuts seedlings 	<ul style="list-style-type: none"> Increase seeds Increase no. of tractors to 7 Irrigation system and including piping

		<ul style="list-style-type: none"> • Delays in fueling tractors • Unfairness in getting tractor services • Fertilizers purchase to be in installments to accommodate the poor • Inequality and unfairness in distribution of special projects e.g. kemfsed • Vaccines not reaching the interior locals • Intrusion of grazing corridors • Inadequate power supply • Land disputes 	<ul style="list-style-type: none"> • Purchase of harrow • Fertilizers picking point – very far for the poor to reach • Vaccines for poultry to be free and administered twice per year • Extension services for veterinary officers • Increase allocation for animal vaccines • Provide land for the youth to plant grass and capture ready market at the port for the animal exportation • Research for local cows to produce more milk • Set up milk production industry • Safeguard the land allocated for that use • Provision of solar panels • Issuance of title deeds to the residents
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<p>Energy/Infrastructure/ ICT</p>	<ul style="list-style-type: none"> • Consider local residents for such works as street light maintenance 	<ul style="list-style-type: none"> • Street lights at Witu • Fill up trench at the main road • Drainage system • Kitumbini road blocks water getting to ziwa la Witu • Diwani Bagamoyo street lights • Grading Witu pandanguo road • Street lights Garage area • Mwembe baridi street lights • Kitumbini-moa-chalaluma street lights • Emergency response unit • Secure ziwa area to prevent soil erosion • Witu – madagoni road maintenance • Pumwani street lights • Routine maintenance witu-madagoni • Routine maintenance road kamukunji – Witu secondary • Kamukunji, diwani land survey and regularization • Title deeds
<p>General affairs/trade</p>	<p>economic</p>	<ul style="list-style-type: none"> • Construct Witu market

Health	<ul style="list-style-type: none"> • Insufficient power supply 	<ul style="list-style-type: none"> • Automation of hospital power generator • Insufficient medicines • – variety • Cctv at the hospital pharmacy • Upgrade Witu health center to level 4 • Mortuary • Add one ambulance driver to alternate • Add toilet at the hospital for outpatients • Public toilet at Witu town • Specialists – gyno and physician (special clinics) • Renovate male ward toilet • Assist with funding of rehab fees
Education	<ul style="list-style-type: none"> • Capacity building for Sacco • Sports board to have representatives from all wards • Gifts and cheques after tournaments 	<ul style="list-style-type: none"> • Construction of Witu polytechnic • Increase bursary allocation • Construct extra ECDE at Witu primary • Construct toilet and bujra ECDE • Alternate source of water apart from wiwa • Expand and renovate social hall, add toilet and connect water and electricity • Professional trainers of football

		<p>very little e.g. ksh.3,000</p> <ul style="list-style-type: none"> • Compensation of Witu playground to the rightful owner • Talents for youth getting wasted – tap other talents 	<p>coaching</p> <ul style="list-style-type: none"> • Leveling Witu primary play ground • Seven aside at Witu • Standard Stadia • Toilet and changing room at the football pitch • First aid kits for the youth
	Social protection and culture	•	•
	Environment and water	•	<ul style="list-style-type: none"> • Dide wearied water connection • Fire response unit

MKOMANI

	SECTOR	CHALLENGES	REMARKS
	Agriculture	<ul style="list-style-type: none"> • Land disputes • lack of farming equipment • lack of seeds • lack of farming skills 	<ul style="list-style-type: none"> • Irrigation system and including piping • Extension services for veterinary officers • Increase allocation for animal vaccines • Research for local cows to produce more milk • Provision of solar panels • Issuance of title deeds to in Gadeni

		<ul style="list-style-type: none"> • Inadequate water and salt water to some areas • feed shortages • diseases and pests • Lack of modern fishing gears • . Sea accidents. 	<ul style="list-style-type: none"> • Provision of Modern and legal fishing gears • Provision of farming equipment including tractors • Provision of seeds (coconut seeds) • Rescue Boats • Provision of veterinary services –pesticides • Construction of dams • Training programmes for farmers • Provision of cold storage facility • Provision of fish processing plant
Energy/Infrastructure/ ICT		<ul style="list-style-type: none"> • Lack of streetlights in most of the areas leads to insecurity 	<ul style="list-style-type: none"> • Street lights at in Mkomani villages • Construction of ring roads • . construction of roads at pambaro-wiyoni • . Street lights at garden • . Extension of cabro pavement • . construction of ICT Centre • . Provision of more Wi-Fi access sites (Mkomani • Construction of jetty at Wiyoni

	General economic affairs/trade	<ul style="list-style-type: none"> • Lack of enough market 	<ul style="list-style-type: none"> • . Grants to be issued to women groups • . provision of international market
	Health	<ul style="list-style-type: none"> • Lack of medical services • Lack of medical equipment • Delay of NHIF • Expensive private rehabilitation Centre • Shortage of drugs 	<ul style="list-style-type: none"> • Lack of medical equipment • Delay of NHIF • Expensive private rehabilitation Centre • Shortage of drugs
	Education	<ul style="list-style-type: none"> • Inadequate ECDEs and teachers • Delay of 	<ul style="list-style-type: none"> • recruiting more ECDE teachers • More allocation and extension of bursary

		bursary	
	Social protection and culture	<ul style="list-style-type: none"> • Unemployment • 	<ul style="list-style-type: none"> • Provision of job opportunities • Renovation of football pitch • construction of football academy • construction of youth Centre for training • fitness Centre for women
	Environment and water	<ul style="list-style-type: none"> • inadequate of fresh water 	<ul style="list-style-type: none"> • renovation of piping • Mangrove restoration and protection • develop policies on land harvesting • Construction of dumping site in Wiyoni