

COUNTY GOVERNMENT OF KISUMU

KISUMU COUNTY FISCAL STRATEGY PAPER (KCFSP)

FY 2021/2022

THEME: ***Towards a peaceful and prosperous county.***

KCFSP 2021/2022 FY

FOREWORD

The 2021 Kisumu County Fiscal Strategy Paper is prepared against a background of a contracting global economy occasioned by the outbreak and the rapid spread of the Covid-19 Pandemic. The Pandemic and the ensuing control measures have distressed global economies disrupting businesses and livelihoods. As a result, global economy contracted in 2020.However, global growth is expected to pick up in 2021 with expectations of a vaccine-powered strengthening of activity and additional policy support in a few large economies.

On the domestic scene, Kenya has not been spared of the damaging impact of the Pandemic. The Pandemic and the subsequent containment measures have adversely affected businesses and economic activities. Nonetheless, there has been an improvement in economic activity in the third and fourth quarters of 2020, although at a slow pace, following reopening of the economy. Kenya's economy remains resilient supported by the stable macroeconomic environment, turn around in trade as the economy recovers from Covid-19 Pandemic and expected promising weather that supports agricultural output.

Towards this end, detailed budgets of all County Government departments have been scrutinized to limit growth of recurrent budgets, especially for budget items under the category referred to as use of goods and services; to ensure completion of ongoing projects with particular prominence placed on projects nearing completion to ensure that citizens benefit from such public investments. Further, resource allocation is aligned to prioritized programmes in the MTP III. In particular, the budget framework has focused on the "Big Four" Agenda, Post Covid-19 Economic Recovery Programme and the strategic policy initiatives of the Government to accelerate growth, employment creation and poverty reduction.

Going forward, we expect revenue collection in the FY 2021/22 to spring back buoyed by the improving business environment, and revenue administration measures including implementation of the revised valuation roll and collection of accrued land rates arears. The enhanced revenue will enable implementation of the key thematic areas in the 2021/2022 ADP as well as the Post Covid-19 Economic Recovery Strategy. Together with expenditure rationalization measures that we have instituted, we expect the funding pressures to ease and create fiscal space for priority programmes in the FY2021/22 and the Medium-Term Budget.

KCFSP 2021/2022 FY

The policy intentions outlined in this CFSP have benefited from wide consultations. I would like to thank H.E. The Governor and H.E. The Deputy Governor for their guidance while developing this document. Much appreciation to my Cabinet colleagues, staff of the Finance and Economic Planning department, Stakeholders and the general public for their valuable contributions.

GEORGE OKONGO
CECM, FINANCE AND ECONOMIC PLANNING

KCFSP 2021/2022 FY

ACKNOWLEDGEMENT

The preparation of the 2021/2022 County Fiscal Strategy Paper was achieved through consultation and co-operation between all county departments. Public participation was done at ward levels. More strategic information was also obtained from the county sector working groups and other government agencies.

We express our gratitude to the leadership of H.E the Governor, H.E the Deputy Governor and the entire County Executive Committee members for their support and inputs. Special appreciation goes to the entire County Budget and Economic Forum (CBEF) for their inputs and comments.

We would like to acknowledge the unlimited support and guidance by the Executive Committee Member – Finance and Economic Planning and the dedicated team from the Budget and Economic Planning who spent valuable time to put together this strategy paper. We also acknowledge the commitment of the Technical Committee members who facilitated the ward public participation whose output has contributed immensely to sector wide priorities.

I would like to take this opportunity to thank the entire staff of Kisumu County Government for their dedication and commitment to public service.

WILSON ABIERO.

AG.CHIEF OFFICER – ECONOMIC PLANNING

KCFSP 2021/2022 FY

Table of Contents

FOREWORD ii
ACKNOWLEDGEMENT iv
ABBREVIATIONS 10
1.0 CHAPTER ONE 11
FISCAL RESPONSIBILITY PRINCIPLES AND LEGAL BASIS FOR CFSP 11
1.1 INTRODUCTION 12
1.2 LEGAL BASIS FOR THE PUBLICATION OF THE FISCAL STRATEGY PAPER 12
1.3 FISCAL RESPONSIBILITY PRINCIPLES FOR THE NATIONAL AND COUNTY GOVERNMENTS 13
1.4 OVERVIEW OF THE COUNTY FISCAL STRATEGY PAPER 14
2.0 CHAPTER TWO 15
SECTOR REVIEW AND PRIORITIES FOR 2021-2022 15
2.1 SECTOR REVIEW AND PRIORITIES FOR 2021-2022 16
2.2 AGRICULTURE, IRRIGATION, LIVESTOCK AND FISHERIES 16
2.3 FINANCE AND ECONOMIC PLANNING 18
2.4 BUSINESS, CO-OPERATIVES AND MARKETING 19
2.5 PHYSICAL PLANNING, LANDS, HOUSING AND URBAN DEVELOPMENT 21
2.6 WATER, ENVIRONMENT, NATURAL RESOURCES AND CLIMATE CHANGE. 24
2.7 HEALTH AND SANITATION 25
2.8 COUNTY PUBLIC SERVICE BOARD 27
2.9 CITY OF KISUMU 28
2.10 COUNTY ASSEMBLY 29
2.11 TOURISM, CULTURE, ARTS AND SPORTS 29
2.12 ROADS, TRANSPORT AND PUBLIC WORKS 31
2.13 ENERGY AND INDUSTRIALIZATION 32
2.14 EDUCATION ICT AND HUMAN CAPACITY DEVELOPMENT 35
3.0 CHAPTER THREE 40
RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK 40
3.1 OVERVIEW 41
3.2 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK 42
3.2.1 GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS 42

KCFSP 2021/2022FY

3.2.2 NATIONAL ECONOMIC INDICATOR OUTLOOK 43
3.2.2.1 ECONOMIC GROWTH 43
Quarterly GDP growth of 2020 44
3.2.2.2 INFLATION RATE 47
3.2.2.3 KENYA SHILLING EXCHANGE RATE 49
3.2.2.3 INTEREST RATES 50
3.2.2.4 MONEY AND CREDIT 51
3.2.2.5 BALANCE OF PAYMENTS 53
3.2.2.6 FOREIGN EXCHANGE RESERVES 55
3.2.2.7 NAIROBI SECURITIES EXCHANGE 55
3.2.3 COUNTY FISCAL PERFORMANCE 56
3.2.3.1 OWN SOURCE REVENUE PERFORMANCE 56
3.2.3.2 EXPENDITURE PERFORMANCE 57
3.2.3.3 ECONOMIC IMPACT OF THE COVID-19 PANDEMIC 58
3.2.4 DOMESTIC ECONOMIC INDICATORS 58
3.2.4.1 INFLATION 58
3.2.4.2 ECONOMIC GROWTH 59
3.2.4.3 GCP CONTRIBUTION PER SECTOR 61
3.2.4.4 PER CAPITA GROSS COUNTY PRODUCT 61
3.2.4.5 GCP ACROSS COUNTIES 62
4.0 CHAPTER FOUR 64
RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION 64
FISCAL POLICY AND BUDGET FRAMEWORK 65
4.0 INTRODUCTION 65
4.1 FISCAL STRUCTURAL REFORMS 66
4.2 DEBT MANAGEMENT STRATEGY 66
4.2.1 STOCK OF DEBT 66
4.2.2. Pending Bills for the Last Three Financial Years 67
4.2.3 PRINCIPAL RISK ASSOCIATED WITH DEBT 68
4.2.4 STRATEGIES OF DEALING WITH DEBT IN THE MEDIUM TERM 69
4.3 RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION 71
4.4.1 DETERMINATION OF RESOURCE ENVELOPE 71
4.4.2. RESOURCE ENVELOPE FOR FY 2021/2022 71

KCFSP 2021/2022 FY

4.4.3 CRITERIA FOR RESOURCE SHARING 73
4.4 REVENUE PERFORMANCE FOR FIRST AND SECOND QUARTER OF THE FY 2020/2021. 73
4.5 PROPOSED SECTOR CEILINGS 75
ANNEX1: FISCAL PERFORMANCE BY COUNTY DEPARTMENTS 78

KCFSP 2021/2022 FY

List of Tables

Table 1: Global Economic Growth 42
Table 2: Sectoral Real GDP Growth Rates, Percent 45
Table 4: Comparison of Own Source Revenue for 2019/2020 and 2020/2021 (Ksh Million) 57
Table 5: Own Source Revenue Performance by Quarter 2016/2017–2020/2021 (Ksh Million) 57
Table 6: Budget and Actual Expenditure for FY 2019/20 (Ksh Million) 57
Table 7: Kisumu County GCP deflator/Inflation 58
Table 8 : Kisumu County Economic Growth 59
Table 9 :Kisumu County Per Capita Gross County Product 61
Table 10: Pending Bills for the Last Three Financial Years 67
Table 11:Principal Risk Associated With Debt 68
Table 12: proposed sector ceilings 75
Table 13: Kisumu County Resource Envelope 71
Table 14: Locally collected Revenue First and Second Quarter 2020/2021 73
Table 16: Kisumu County, Budget Performance by Department for FY 2019/2020 78

KCFSP 2021/2022 FY

List of Figures

Figure 1: Trends in Kenya's Economic Growth Rates, Percent 43
Figure 2: Trends in Per Capita Income and Job Created (2003 - 2019) 44
Figure 3:Economic Performance (Contribution to GDP) 45
Figure 4: Economic Performance (Percent Growth Rates) 46
Figure 6: Economic Performance (Contribution to GDP) 46
Figure 7: Inflation Rate, Percent 48
Figure 8: Contribution to Overall Inflation, Percentage Points 48
Figure 9: Inflation Rates in selected African Countries (December 2020) 49
Figure 10: Kenya Shilling Exchange Rate 50
Figure 11: Performance of selected currencies against the US Dollar 50
Figure 12: Short-Term Interest Rates, Percent 51
Figure 13: Money Supply and Credit, Ksh billion 52
Figure 14: Performance of Balance of Payments and its Components 54
Figure 15: Official Foreign Exchange Reserves (US$ million) 55
Figure 16: Performance of the Nairobi Securities Exchange 56
Figure 17: Kisumu County GCP deflator 59
Figure 18: Kisumu County GCP Trend 60
Figure 19: Kisumu County Economic Growth Trend 60
Figure 20: Sectorial Contribution to GCP 61
Figure 21: GCP Comparison to other counties 62

KCFSP 2021/2022 FY

ABBREVIATIONS

CADP	County Annual Development Plan
CAPR	County Annual Progress Report
CFSP	County Fiscal Strategy Paper
CHV	Community Health Volunteer
CIDP	County Annual Development Plan
CIMES	County Integrated Monitoring and Evaluation System
CO	Chief Officer
CPI	Consumer Price Index
CRA	Commission on Revenue Allocation
DVPT	Development
EAC	East African Community
FY	Financial Year
GDP	Gross Domestic Product
GCP	Gross County Product
H.E	His Excellency
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
KEU	Kenya Economic Update
KISIP	Kisumu Informal Settlement Improvement Scheme
KM	Kilometer
KUP	Kisumu Urban Programme
MTP	Medium Term Plan
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NHIF	National Hospital Insurance Fund
NSE	Nairobi Stock Exchange
O&M	Operation and Maintenance
OSR	Own Source Revenue
PE	Personnel Emoluments
PFM	Public Finance Management Act
POS	Point of Sale
PPP	Public Private Partnership
RRI	Rapid Result Initiative
SEZ	Special Economic Zone
SGR	Standard Guage Railway
SME	Small and Medium Size Enterprises
VTC	Vocational Training College

KCFSP 2021/2022 FY

1.0 CHAPTER ONE
FISCAL RESPONSIBILITY PRINCIPLES AND LEGAL BASIS FOR CFSP

KCFSP 2021/2022 FY

1.1 INTRODUCTION

The county government is responsible for spearheading development and service delivery in the county through a process that links planning and budgeting as stipulated in the County Government Act 2012. Section 117 of the PFM Act outlines responsibilities of county governments with respect to the County Budget Process.

This Fiscal Strategy Paper identifies the broad strategic priorities and policy goals that will guide the county in preparing its budget for Financial Year 2021/2022. The paper discusses the performance of the Financial Year 2019/2020 budget which forms the basis for projecting the financial outlook with respect to the County Government revenues and expenditures for financial year 2021/2022.

The Public Finance Management Act, 2012 stipulates that county governments prepare and submit a County Fiscal Strategy Paper (CFSP) to the County Assembly by the 28th February of each year.

The County Fiscal Strategy Paper covers the following:

- The legal basis for the fiscal strategy paper; and fiscal responsibility principles for the government;
- A review of sector performance for the previous financial year 2019/2020 and budget implementation for the first half of the current financial year (2020/2021).
- The recent economic developments and policy outlook thus providing the economic context for the 2021/22 budget.
- The budget framework that will support growth over the medium term, while continuing to pursue seamless resource flow and management.
- The resource envelope and spending priorities for the proposed 2021/2022 budget. (i.e. expenditure ceilings)

1.2 LEGAL BASIS FOR THE PUBLICATION OF THE FISCAL STRATEGY PAPER

This Fiscal Strategy Paper is prepared pursuant to Public Finance Management Act, 2012 Section 117 which stipulates thus:

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

(2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

(3) In preparing the County Fiscal Strategy Paper. the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its

KCFSP 2021/2022 FY

budget for the coming financial year and over the medium term.

(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

(5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of —

- the Commission on Revenue Allocation;
- the public;
- any interested persons or groups; and
- 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.

1.3 FISCAL RESPONSIBILITY PRINCIPLES FOR THE NATIONAL AND COUNTY GOVERNMENTS

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent Management of public resources. The PFM law (Section 107) states that:

(1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.

(2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-

(a) The county government's recurrent expenditure shall not exceed the county government's total revenue;

(b) Over the medium term a minimum of thirty percent 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;

KCFSP 2021/2022 FY

(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, taking into account any tax reforms that may be made in the future.

(3) For the purposes of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue

(4) Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.

(5) The regulations may add to the list of fiscal responsibility principles set out in subsection.

1.4 OVERVIEW OF THE COUNTY FISCAL STRATEGY PAPER

The County fiscal strategy paper provides information on the county government spending and revenue collection for 2020/2021 that will inform the 2021/2022 budget proposals. It makes projections of overall revenue and expenditure for the 2021/2022 financial year and comes up with sector ceilings.

In order to achieve this, the paper outlines county key sector priorities for funding through the 2021/2022 budget and sets sector expenditure ceilings guided by information on revenue projections.

KCFSP 2021/2022 FY

2.0 CHAPTER TWO
SECTOR REVIEW AND PRIORITIES FOR 2021-2022

KCFSP 2021/2022 FY

2.1 SECTOR REVIEW AND PRIORITIES FOR 2021-2022

This chapter provides the county development performance and achievements in FY 2020/2021 and priority areas for the sectors in the next financial year FY 2021/2022 according to the thematic areas in the second-generation County Integrated Development Plan II (2018-2022). The thematic/sectors areas are: Agriculture, Lands and physical planning, Energy, Infrastructure, Urban development and ICT, General Economics and Commercial Affairs (GECA), Health, Education, Governance, Public Administration and Inter-governmental Relations, Social Protection, Culture and Recreation and Environmental Protection, Water and Natural Resources.

2.2 AGRICULTURE, IRRIGATION, LIVESTOCK AND FISHERIES

The department is charged with the mandate of Promoting and developing agricultural value chains for food security, increased incomes and job creation in Kisumu county. The mandate is executed through the directorates of: a) Crop Production b) Irrigation c) Livestock Production d) Veterinary and Fisheries. In its quest to sustainably secure food and nutrition security, the department implements programs that support smallholder farmers, youth, women and fisher folk. The projects fall under the broad categories of; Planning and coordination. Enhanced extension advisory services, increasing irrigable land area, Urban and peri-urban farming technologies, Development of agricultural value chains, Input and credit access, Improved market access and product development.

With the development resource basket of KES 104,404,067 in 2018/19, KES 278,675,723 in 2019/20, KES 504,204,239 in 2020/21 (including conditional grants), the department has made significant gains in increasing production of crop, livestock and fisheries sub sectors. For instance, some 800 acres of irrigable land has been opened and put under crop production,1300 acres of land put under cotton, 3% genetic improvement in dairy breeds achieved through artificial improved access to quality farm inputs by 15%. 10% reduction in post-harvest losses of landed fish due to improvement in fish landing facilities and establishment of cold chain facilities, reduced disease and pest incidence load through vaccination of 52,500 animals and 20,636 dogs against foot and mouth disease, lumpy skin disease and rabies.

At the policy level, a number of strategies and plans are at various stages of development notably: The Dairy Development Strategy; domestication of Youths in Agribusiness Strategy; Strategic Integrated Value Chain Action Plans for fish, Chicken and Cotton which are complete.

KCFSP 2021/2022 FY

The department had a development allocation of **Kshs.167. 36M.**Out of this allocation, the total development expenditure during the year under review was **Kshs.116.03M** representing absorption rate of **69.3%**

The key priorities for the sector will be:

i. Planning and Coordination Services- Drafting of bills for legislation.
ii. Development of Human Resources- Recruitment of Staffs.
iii. Promotion of Soil and Water conservation and Management- Laying of soil and water conservation structures; Promotion of farm forestry by distributing fruit tree seedlings;
iv. Development of urban, peri- urban and special agriculture projects- Dissemination of urban and peri- urban agricultural technologies through setting up demonstrations in Urban Centers, Purchase and distribution of solar water pumps for farmers within Nyalenda B,Kisumu West and Masogo Nyang'oma; Construction of dykes along River Nyamasaria and River Oroba in Nyalenda B and Miwani Wards; Construction of Water pan at Tido, Kanyagwara, Wadhawa and Kanyaguda in Kolwa East and North Seme Wards; Rehabilitation of Irrigation Infrastructure at Asunda rice scheme in Ombeyi Ward.
v. Management of Agriculture Advisory services- Dissemination of agricultural extension messages and technologies through Demonstrations, Field days, Exhibitions, Farm visits, ASK shows.
vi. Enhancement of extension services-Dissemination of agricultural extension messages and technologies thro Demonstrations, Field days, Exhibitions, Farm visits, ASK shows
vii. Development of crop value chains- Clean planting materials to be procured and distributed (Rice, Vegetables, Cotton, Sorghum, cassava, Maize and Beans, Fodder seeds) in Kobura,North Nyakach,Kolwa East,East Kano Wawidhi,Ombeyi,Nyalenda B,West Nyakach,Central Nyakach,Awasi Onjiko,Kajulu,West Kisumu,North West Kisumu,West Seme,East Seme,Masogo Nyangoma;
viii. Development of Livestock value chains- Procurement and distribution of Livestock for farmers in Miwani, Masogo Nyang'oma, North Seme, Awasi Onjiko, Manyatta B, Kajulu, Migosi, Kaloleni Shaurimoyo, Market milimani and Kondele Wards.
ix. Development of fisheries value chains- Procurement and distribution of fish feeds, cages, Fingerlings Countywide.
x. Development of Agriculture Mechanization- Procurement of tractors and implements for farmers within the County
xi. Pests and Diseases-Procurement of vaccines, acaricides and insecticides
xii. Agriculture Credit Access-Establishment of a fund to offer affordable credit for agricultural development.
xiii. Agriculture input Access- Procurement of bull semen, liquid nitrogen and synchronizing Hormone; Fertilizer subsidy.

KCESP 2021/2022FY

xiv. Promotion of Agribusiness- Construction of Agricultural resource center in Chemelil, Renovation of Maseno ATC; Construction of livestock Cattle dips; Purchase of incubation units(incubators) and poultry management equipment

xv. Promotion value addition- Construction of Dairy processing and training plant in South East Onyekachi Ward.

In order to realize these, the County Government needs to allocate **Kshs698.6M** to this sector in 2021/2022 FY.

2.3 FINANCE AND ECONOMIC PLANNING

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

The major accomplishments for this department during the last financial year included the development of three planning documents namely CADP 2020/2021 FY, CFSP 2020 FY, CAPR 2019 FY, development of CBROP (2020/2021), Budget Estimate (2020/2021), and Finance Bill (2020/2021).

Finance department had a development allocation of **Kshs.1,731.35M.** Out of this allocation, the total development expenditure during the year under review was **Kshs.1560.67M** representing an absorption rate of **90.2%.**

The department intends to focus on utilizing County financial resources and manage its assets more efficiently and effectively, enhance community participation in project management by developing Kisumu County Public Participation Policy for focal guidelines and in coordination with the County Assembly to produce a corresponding County legislation, capacity building on public participation, completion of Sub-County planning and documentation centers as well as conducting a prerequisite survey of relevant stakeholders and a constantly updated database of citizens and all probable Public Participation participants and conduct a baseline survey to provide data (statistics) to be used in formulation of evidence-based policies.

In order to realize these, the County Government needs to allocate **Kshs2.02B** to this sector in 2021/2022 FY.

KCFSP 2021/2022 FY

2.4 BUSINESS, CO-OPERATIVES AND MARKETING

The department is charged with promotion of business and trade in the county. It is also mandated to oversee establishment and growth of cooperative societies.

This department is the engine that drives the County´s economic growth through the creation of conducive business environment and development of policies to help catalyze expansion of Micro and Small Enterprises (MSEs)

The major achievements of this department during the last FY included: Completion of Kombewa Modern Retail Market, commissioning of Awasi Modern Retail market, constructions of market sheds, stalls, toilets, murraming and fencing markets, offering support traders' hatcheries and leather machines.

This department had a development allocation of **Kshs.156.75M.** Out of this allocation, the total development expenditure during the year under review was **Kshs.45.70M** representing an absorption rate of **29.2%.**

In the 2021/22 work plan and budget, the department has put forth a number of proposals that are not only geared towards securing the gains already made but more importantly further catalyse the 2 development of the prioritized value chains by creating a favourable agri business ecosystem. The key priorities for the sector in 2021/22 are summarized in the table below.

The department is charged with promotion of business and trade in the county. It is also mandated to oversee establishment and growth of cooperative societies.

This department is the engine that drives the County´s economic growth through the creation of conducive business environment and development of policies to help catalyze expansion of Micro and Small Enterprises (MSEs)

The major achievements of this department during the last FY included: Completion of Kombewa Modern Retail Market, commissioning of Awasi Modern Retail market, constructions of market sheds, stalls, toilets, murraming and fencing markets, offering support traders' hatcheries and leather machines.

This department had a development allocation of **Kshs.156.75M.** Out of this allocation, the total development expenditure during the year under review was **Kshs.45.70M** representing an absorption rate of **29.2%.**

KCFSP 2021/2022 FY

Going forward, the department has prioritized the following development projects in the FY 2021/2022:

i. Market Development-Emphasis will be on Construction of modern markets, stalls market sheds and market offices; Murraming, fencing, gating and renovations; Construction of modern toilets and ablution blocks in markets;

ii. Business Development-the department intends to focus on construction of additional boda boda sheds to develop this business sector and enhance revenue collection.

iii. Trade Fund-Emphasis will be put on giving traders and entrepreneurs' loans which will be made easily accessible to support their businesses.

iv. Capacity building-Training of traders and entrepreneurs to enhance their knowledge on business.

v. Trade fairs and exhibitions-Organizing and attending trade fairs and exhibitions for traders and entrepreneurs across the County.

vi. MSEs Data Bank-Developing a comprehensive data bank for all MSEs in the County.

vii. Verifications of weighing and measuring equipment-Verifications of weighing and measuring equipment used for trade in all the sub counties.

viii. Inspections and enforcement-Inspections and enforcement in relation to Weights & Measures Act and Trade Descriptions Act.

ix. Public education-Training and educating the general public from Kisumu county on business standards required.

x. Mobile Verification Unit-Procurement of a mobile verification unit.

xi. Business Clinic Centre-A One Stop Centre offering business support services and linkages to the ecosystem in the whole County.

xii. Construction and operationalization of a secure centre for collection and storage of bananas at Chulaimbo.

xiii. Purchase and distribution of the hatcheries to women and youth groups in business in Muhoroni/Koru, Kajulu, Railways and Migosi Ward.

xiv. Construction & operationalization of cassava and arrowroot processing plants in Masogo/Nyang'oma and Ahero Ward

xv. Fruit processing plants-Setting up and operationalization of fruit processing plants in Chemelil and Kajulu Wards.

xvi. Construction and fencing of coffee drying beds-Constructing coffee drying beds and fencing of Soko Kahawa milling in S.E. Nyakach Ward.

xvii. Provision of value addition machineries-Provision of grain driers and cold storage rooms to MSEs in agribusiness (Awasi Onjiko, Kobura & Ahero Ward)

xviii. Construction of fish processing plant-Construction of fish processing plant along the lake at Obange Beach in Kabonyo/Kanyagwal Ward.

KCFSP 2021/2022 FY

xix. Construction of a ginnery-Setting up and operationalizing of a ginnery plant in Kobura Ward.

xx. Carwash machines-Provision of carwash machines to youth and women groups in Railways Ward.

xxi. Solar Panel and Lamps-Provision of Solar Panel and Lamps for Small Scale Traders in Kaloleni Shauri Moyo Ward.

xxii. Establishment of a business innovation & Incubation Centre-Establishment & Operationalization of business innovation & incubation centre in Dunga, Nyalenda B Ward.

xxiii. Establishment of a soap processing plant-Establishment and operationalization of a soap processing plant in Nyalenda B ward.

xxiv. Fish market expansion and equipping-Provision of cold room and expansion of fish market within Market Milimani Ward.

The County Government therefore needs to allocate **Kshs.161.4M** to this sector in the FY 2021/2022 to enable the department realize its goals.

2.5 PHYSICAL PLANNING, LANDS, HOUSING AND URBAN DEVELOPMENT

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

The department initiated a rigorous reform in the manners and methods of processing development applications through a policy *Kisumu County Standard Operating Manual*. This was closely related to thorough update of the revenue streams in the finance bill, a total shift in revenue strategy for department. The two approaches have have significantly contributed to improvement in integrity of the process and eventual rise in revenue in the related revenue streams, respectively.

The department also has had its bill *Regularization of Land Development Bill 2021* proceed to the County Assembly, a bill critical in harnessing the built environment potentials in significantly contributing to various property taxes associated with landed properties and related processes.

Rearrangement of Kisumu City's space in various economically and environmentally functional zones is at the core of this department's agenda. Assigning various zonal regulations on the basis of Kisumu City Physical and Land Use Development Plan is underway. This would lead to *Kisumu City Zonal Regulations*, a document endeavoring to create customized neighborhood character and uniqueness of the city. All these will be in bid to making space habitable and economically viable.

The department's *Omnibus Bill 2021* is soon presented for cabinet's scrutiny. The bill is a collection of all policy directions touching on important legislative areas that were left out in the mainstream laws out of omission or commission, yet are critical areas of service to our people.

CFSP 2021/2022 FY

The bill intends to address these grey areas whose ignorance is recipe breeding grounds for corruption. Matters on Change of Names on properties sold, Fees and Charges on survey of General Boundary lands, Partial Certificate of Occupation among others are critical areas of public service delivery for the department that this bill contemplates to leverage on.

The department has decentralized its physical planning operations to subcounties. This is in the spirit of taking services closer to the people. The approach is killing many birds with one stone, untapped areas of revenue, reducing the revenue leakages, detailing Kisumu County Government physical planning policies at the furthest ends of the county among other areas. The challenges notwithstanding, this is one sure way of improving efficiency with this respect.

Valuation Roll remains one of the department's main projects. Despite the small court hitch, its implementation is expected to go into the next financial year. The department is quite keen in ensuring it succeeds in achieving the intended objectives amongst which is improving on revenue collection.

The department formed a special task force on Irregular allocation of Public Land & Houses in 2008 which completed its report that is now at the Cabinet level awaiting formal adoption and implementation. It has also managed to acquire land for waste management services which will take and manage all the wastes from the City and all Urban Centers within the County thereby ensuring healthy clean environment within the urban set ups.

Furthermore, the department also managed to gazette and establish 5 new towns of Ahero, Maseno, Kombewa, Katito and Muhoroni, so far Maseno and Ahero have been unveiled.

The department had a development allocation of **Kshs.90. 23M.**Out of this allocation, the total development expenditure during the year under review was **Kshs.47.38M** representing an absorption rate of **52.5%.**

Moving forward, the department intends to focus on the following during 2021/2022 FY:

i. Automation of physical and land use development applications is one key area identified by the department to improve efficiency and revenue collection. This platform is to create a coordinated system and processes for the management of the building's life-cycle from pre-vetting to occupation license.

ii. The department also intends to initiate the revision and approval of existing part development plans (PDPs), planning of market centres so as jumpstart the process of issuance of letters of allotments and title deeds. This is in the spirit of ensuring collateral capacity of our people is enhanced for credit market.

iii. GIS-based County Spatial Plan is a condition for budgeting as set out in the constitution. The department intends to prepare this to avert the continued breach of the same every fiscal year.

KCFSP 2021/2022 FY

iv. Preparation of Action Area Plans for the new 5 towns is a precursor for successful implementation of the Integrated Urban Development Plans. This is a strategic move the department intends to adopt the coming financial year.

v. Land bank – Purchase of parcels of land for implementation of development projects within the County.

vi. Resolution of land issues affecting our people including land injustices

vii. Advisory Plans, Surveying & Mapping for Markets-Survey of Public lands/markets

viii. Repossession and Recovery of grabbed public land-Repossession and Recovery of grabbed public land County wide.

ix. Local Physical & Land Use Plans-Preparation of Physical Development Plans (Planning of Holo, Awasi, Bodi, Magwar, Bar-Korwa, Pap Onditi, Dago, Kisian) and Spatial Planning of the entire County.

x. Establishment of Land Information Management System (LIMS) framework to help in the management of all matters land at a click of a button.

xi. Urban Infrastructure – Acquisition and mapping of service reserves for water and sewer lines in Nyalenda A and Railways Wards, Construction of Sewer and waterlines in Kondele Ward.

xii. Establishment of Towns-Set up town management boards in Maseno, Ahero, Muhoroni, Kombewa and Katito.

xiii. Housing-Construction of affordable houses and Renovation of Institutional Houses within the County.

xiv. For reasons that Kisumu County Government under the stewardship of Governor Anyang' Nyong'o anchored in Housing Development as agenda number three in his 10 Point Transformative Agenda, the department of lands would like to engage in the construction of affordable housing.

xv. Mobilization of Kisumu Integrated County Housing Management Information System (KICHMIS) remains at the core of this department's strategy of addressing the issue of housing amicably. This will enable the department to analyze data at both the system and project levels and to evaluate their efforts by subpopulation, across project types, and in other ways. KICHMIS should empower the department to be using data to gain a more holistic picture of the communities' progress toward ending the challenges of proper housing within the county.

KCFSP 2021/2022 FY

xvi. Housing infrastructure is a gazetted source of revenue for the County of Kisumu and therefore proper renovations shall lead to increased revenue.

The County Government needs to allocate **Kshs. 122.3M** to this sector in FY 2021/2022.

2.6 WATER, ENVIRONMENT, NATURAL RESOURCES AND CLIMATE CHANGE.

The department´s main mandate is to ensure the people of Kisumu County have access to durable and safe water. It is also meant to develop new water infrastructure, rehabilitation and augmentation of existing water supplies, capacity building for members of water management committee for sustainable management of the projects. Its other mandate is to develop policies for efficient and effective water service provision in the County. It has five directorates namely; Conservation and stewardship, Environmental Research, Policy and strategy, Climate Change, Water infrastructure, Water and Sewerage services.

Key Achievements of the Department included; increased access to water services from 58% to 62%, increased storage per capita/day from 8 liters to 12 liters, reduced non-revenue water from 45% to 40%, Rehabilitation and expansion of Maseno Kombewa water Supply treatment works.

The department had a development allocation of **228. 44M.Out** of this allocation, the total development expenditure during the year under review was **117.22M** representing an absorption rate of **51.3%.**

Moving forward, the department intends to emphasize on the following during 2021/2022 FY:

i. Landscaping and construction of a Go down for Waste to Energy
ii. Production of assorted tree seedlings
iii. Afforestation/ Beautification of landscapes
iv. Protection of River banks
v. Rehabilitation of Gullies
vi. Sustainable Land Use Management
vii. Early Warning System (Construction and installation of AWS)
viii. Vulnerability and Disaster Risk Assessment and Mapping (Using remote sensing and satellite imaging).
ix. CUSSH Public Engagement project in waste management
x. Sustainable Energy and Climate Change Action Plan (SEACAP)
xi. Environmental impact assessment and environment audit justification
xii. Digital GIS mapping of the county water supply systems.
xiii. Expansion of esuvaru water project
xiv. Two kilometer sewer line construction (migosi-obunga

KCFSP 2021/2022 FY

xv. Supply and installation of 20 litres tanks for rain water harvesting in 70 institutions

xvi. Installation of bulk and domestic water meters

xvii. Replacement of asbestos pipes within Kisumu County (milimani and kajulu)

xviii. Rehabilitation of Nyakach water supply

xix. Equipping of capped boreholes (10 no.)

xx. Nyalenda ponds demarcation and fencing

xxi. Flagship water projects in muhoroni sub-county; rehabilitation of Muhoroni water supply

In order to realize these, the County Government needs to allocate **Kshs.222.3M** to this sector in 2021/2022 FY.

2.7 HEALTH AND SANITATION

The department of health and Sanitation is responsible for the devolved functions specified in the fourth schedule of the constitution of Kenya 2010 which include inter-alia County Health services namely: County Health facilities and pharmacies, ambulatory services ,promotion of primary health care, licensing and control of undertaking that sell food to the public, Veterinary services(excluding regulation of the profession),cemeteries, funeral parlors and crematoria; Refuse removal, refuse dumps and solid waste disposal. Kisumu Health sector is aligned with the Kisumu Health sector Strategic and Investment plan (2018-2023), Kenya Health Policy (2014-2030), the Governor`s Manifesto (2017), The Big Four Agenda and other written framework and legacy projects.

Key Achievements in the financial year include the operationalization of theatres services at Kombewa, Muhoroni and Ahero County Hospitals, publishing of Kisumu solidarity health insurance regulations and launch of services using the Kisumu Health Insurance scheme christened Marwa, Successful payments of stipends to Community Health Volunteers, digitalization of 600 community health volunteers, successful implementation of court orders in industrial disputes with the Kisumu county health work force through promotions and redesignations and controlling the COVID-19 epidemic within the county

The department had a development allocation of **234. 55M**.Out of this allocation, the total development expenditure during the year under review was **125.32M** representing an absorption rate of **53.4%.**

CFSP2021/2022 FY

The Priority for the incoming financial year 2021/2022 shall include:

i. Increase insurance coverage in the county by implementing the Social Health Insurance Scheme through a multi-faceted approach in Marwa and NHIF to all Kisumu County residence so as to reduce Out-of-Pocket expenditure
ii. Improve human resource performance by:
    a. Reinstituting performance contracting and evaluation
    b. Having a motivated workforce by institutionalizing dispute resolution mechanisms on matters of promotion and re-designation to avert future industrial disputes that put the lives of our people in jeopardy. This will be achieved through timely performance appraisals, promotions and re- designations.
    c. Proposing and innovating ways of acquiring specialty and superspeciality services including training, contracting services and partnerships
    d. Strengthen already established training programmes and institute new training in major facilities for nursing(ICU, perioperative, renal) and medical (anesthesia and gynecology) and paramedical (theatre technician course)
iii. Implement PPP models in health facilities to improve quality care and hasten development
iv. Improve community health strategy by making payment of Community Health Volunteers stipends timely and digitalizing community health services
v. Improve quality of care in health facilities by enrolling facilities into the Kenya Quality Model for Health and Safe care models
vi. Increase average availability of essential products and commodities in public health facilities
vii. Continue with digitalization of health management information
viii. Oversee the autonomization of Jaramogi Oginga Odinga teaching and referral hospital into a Semi-Autonomous Government Agency
ix. Complete the modernization projects in Jaramogi Oginga Odinga Teaching and Referral Hospital that comprises the Kisumu Comprehensive Cancer Centre, neurosurgical ward, doctors suites, surgical ward and new medical wing
x. Optimize the functionalities of Kombewa, Nyakach, Ahero, Chulaimbo and Muhoroni County Hospital theatres by completing and installing necessary equipment and technologies.
xi. Complete ongoing projects in all subcounties
xii. To do repairs and maintenance in various facilities to improve or restore functionality
xiii. To continue with County Health Care Reforms that will entrench safety efficiency, effectiveness, functionality and enhance resource mobilization.
xiv. Prepare and implement mitigation plans for disasters such as floods
xv. To continue investment in community led total sanitation in villages
xvi. To work with industrialization department in identifying industry to use wastes from microwave shredder in JOOTRH
xvii. Continue to enhance disease surveillance and community engagement for behavior change
xviii. Ensure good food, water, environmental sanitation and hygiene practices in the county

KCSP 2021/2022 FY

Flagship projects for the year will include

a) Completion of cancer center in Jaramogi teaching and referral hospital under development vote
b) Completion and operationalization of theatres in Nyakach, Gita, Kombewa and Chulaimbo under development vote
c) Digitalization of community health services under recurrent vote
d) Implementation of Kisumu Social Health Insurance Scheme under recurrent vote

In order to realize its priorities, the County Government needs to allocate **Kshs3.71B** to the department in 2021/2022 FY.

2.8 COUNTY PUBLIC SERVICE BOARD

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

The Kisumu county public service board focuses on:

a) Strengthening the Institutional Capacity of the Board
b) Strengthening the County Public Service for Improved Service Delivery
c) Enhancing Productivity of the County Public Service
d) Promoting an Enabling Policy Environment
e) Enhancing Public Participation and Information Sharing
f) Promoting Public Service Values and Best Management Practices in the County.
g) Promoting Effective Working Relationships with County and Relevant National Government Organs.

In ensuring the county government of Kisumu has adequate, skilled and competent personnel and improved service provision and access to training by County staff and other Government agencies across the Country, CPSB will focus on purchase of land for construction of the of Public School of Government.

Owing to this, the department will require an allocation of **Kshs58.1M** in FY 2021/2022.

CFSP 2021/2022 FY

2.9 CITY OF KISUMU

City of Kisumu in its mission to provide quality services matched by superior solutions, that result in creating enabling environment for investment, with the aim of improving the quality of life of the residents of Kisumu, the City of Kisumu installed storm water drainage facilities within the city totalling to 20Km, developed cycle foot path and souks, partial relocation and improvement of Kachok dump-site, Modernization of 5 recreational parks that is Taifa, Oile, Victoria, Uhuru and Central Parks (ongoing).

This sector had a development allocation of **Kshs.635.73M**. Out of this allocation, the total development expenditure during the year under review was **Kshs.58.53M** representing an absorption rate of **9.2%**

In FY 2021/2022 the City of Kisumu seeks to undertake the following programmes in achieving its strategic priorities:

i. Modernization of Kibuye and Jubilee Markets.

ii. Opening up Dunga Waterfront (lake front development).

iii. Construction of buspark near Uhuru business park along the envisaged railway station.

iv. Rlocation/Evacuation of the waste to Kasese Dumpsite.

v. Buying of enough land for relocations of the affected institutions within the City.

vi. Installation of proper water drainage systems within the City by implementing the City drainage master plan.

vii. Opening of roads and Public Infrastructure in the Informal settlements.

viii. Development and implementation of solid waste within the City wards.

ix. Modernize Kosawo hall and maintenance of Mama Grace Onyango Social Centres.

x. Renovation of the Slaughter house,improvement of Mamboleo Cemetery and establishment of three other cemetery in Riat,Kibos and Kisian.

xi. Improvement of water, sanitation and hygiene services.

xii. Proper maintenance of the street-lights within the City growth zone.

xiii. Installation of the traffic lights within the City growth zone.

xiv. Installation of the surveillance cameras within the City growth zone.

In order to realize its priorities, the County Government needs to allocate **Kshs428.3M.** to this department in FY 2021/2022.

KCFSP 2021/2022 FY

2.10 COUNTY ASSEMBLY

In promoting good governance through strong representation, proactive legislation and impartial oversight under devolved system of governance, the county assembly had the following key achievements; ongoing construction of Speaker's residence.
Bills and regulation enacted by the assembly from 2019 to date

Year 2019

i. Kisumu county roads bill, 2019
ii. Kisumu county health bill, 2019
iii. Kisumu county law enforcement service bill, 2019
iv. Kisumu crop agriculture bill, 2019
v. Kisumu county transport bill, 2019
vi. Kisumu county fisheries and agriculture bill, 2019
vii. Kisumu county appropriation bill, 2019

Year 2020

1. Kisumu county climate change bill, 2020(pending)

The County Assembly had a development allocation of **Kshs.20M.** Out of this allocation, the total development expenditure during the year under review was **Kshs.12.20M** representing an absorption rate of **61.0%.**

In FY 2021/2022, the county assembly seeks to construct an ultra-modern County Assembly building. Owing to this, the department will require an allocation of **Kshs801.9M** in FY 2021/2022.

2.11 TOURISM, CULTURE, ARTS AND SPORTS

As Kisumu county strives to be a leading tourism, culture, arts and sports destination in the country and its mission of offering high quality tourism, culture, arts and sports facilities, products and service capable of competing on the global stage, this department had the following key achievements;

i. Held the hospitality stakeholders conference
ii. Kusi 2 Festivals
iii. Film makers training (100 film makers)
iv. County visual art Exhibition/Utamaduni Day celebrations
v. Profiling of tourism Signature products within the county
vi. Mapping of Heritage sites
vii. Inventory of hotels and Homestays in preparation for 9th Edition Africities Conference
viii. Identification and mapping of MICE facilities
ix. Development of Culture Policy
x. Development of Sports policy
xi. Procurement and distribution of sports gear

CFSP 2021/2022 FY

xii. Formation of tourist association (lake Victoria Tourism association)
xiii. Promotion of sports (Kisumu All Stars)

The department had a development allocation of **Kshs.35. 50M.Out** of this allocation, the total development expenditure during the year under review was **Kshs.4.11M** representing absorption rate of **11.6%.**

The department intends to focus on the following projects in the next financial year;

Sector Flagship Projects

i. Construction of Ultra-Modern State of the Art Cultural Complex
ii. Construction of an International Sports Complex
iii. Development of a Convention Center
iv.

Projects for FY 2021/2022

i. Construction of Sports Stadium-Nyakach
ii. Construction of Sports Stadium-Seme
iii. Construction of Sports Stadium-Nyando
iv. Construction Basketball Court-Ahero
v. KYSA GAMES
vi. Kenya inter County Sports and cultural association games(KICOSCA)
vii. Development of sports Academy Phase II
viii. Purchase of Sports gears/equipment
ix. Inter wards Sports Competitions
x. County Culture Act
xi. Cultural Talent Development Programme(IAMKISUMU)
xii. Utamaduni Day
xiii. Upgrading of Luala-Kodawa Football pitch
xiv. Renovation Basketball Court
xv. Sports Talent Development Fund
xvi. Renovation of Kenya Re-Football Pitch
xvii. Development of County Heritage Sites
xviii. Sports Act
xix. Kisumu All Stars Support Fund
xx. Wellness Equipment for PWDS
xxi. Sports for PWDS

KCFSP 2021/2022 FY

xxii. Construction of Moi Stadium

Owing to these, the department will receive an allocation of **Kshs146.9M** in 2021/2022 FY.

2.12 ROADS, TRANSPORT AND PUBLIC WORKS

The mission of department is to construct and improve the county road network (2000km) and structures in a cost-effective manner by providing reliable, sustainable and using environmentally friendly approaches. As the department discharges its mandate in developing, operating and sustaining transport infrastructure and public works activities that meet the demands and expectations of the citizens, the key achievements for the department were;

a) Rehabilitation and maintenance of rural access road totaling to 106.7km (one road per ward) under KRB
b) Rehabilitation (painting) of the RT&PW offices
c) Construction of 2 Box culverts
d) Construction, rehabilitation and maintenance of rural access road through the machine-based program totaling to **324km** in the seven sub counties

The County Government continues to scale-up the construction of a robust network of high-quality roads, to enable the citizens enjoy the benefits of expanded infrastructure assets and improve our competitiveness.

The sector's priority during the plan period is opening of access roads, routine roads maintenance, and supervision of construction works and provision of mechanical services. Emphasis will be put more on the Machine based road construction and maintenance and reduce the number of contracted works. This will be achieved through acquisition of more machinery/equipment, and the establishment and strengthening of the Kisumu Roads Maintenance Teams in each village under the supervision of the Village Councils. The department has proposed to construct Mechanical Workshop fully equipped with required tools for repair of the whole County Government of Kisumu plant and equipment/vehicles. Workshop will assist managing the complete activities of inventory control, spare part management, job card creation,

The department had a development allocation of **Kshs.455. 91M.**Out of this allocation, the total development expenditure during the year under review was **Kshs.193.87M** representing an absorption rate of **42.5%.**

KCFSP 2021/2022 FY

The key priorities of the department in the FY 2021/22 will be:

i Periodic/routine maintenance of existing earth/gravel roads.

ii Improvement of selected county roads to Bitumen standards.

iii Construction of foot bridges.

iv Purchase of roads construction machinery to be used for opening of new roads.

v Improvement of selected roads using the Claycrete technology

vi Initiating implementation of the Kisumu County Roads Maintenance Teams, with the support of the Village Councils.

vii Preparation of the county transport policy to streamline operations of all county vehicles and public transport

viii Construction of Mechanical workshop

Owing to these, the department will receive an allocation of **Kshs.504.1M** in FY 2021/2022.

2.13 ENERGY AND INDUSTRIALIZATION

Energy and Industrialization department consists of four (4) directorates namely: **Petroleum & Electricity, Renewable Energy**, **Industrialization & Investment and Special Economic Zone & Vision 2030.**

The overall objective of this sub sector is the promotion of access to sustainable, reliable and affordable energy to enhancement of a 24-hour economy and security; promotion of industrialization to spur economic growth and development. The department achieves the above objective through various programs. The County targets to increase electrification by 90% by the end of 2022 through a partnership programs with development partners and state agencies. The county has energy potential that if properly explored and developed is sufficient support the industrial and general economic growth of our county and export surplus to national energy supply mix. Kisumu County, on the other hand, is well positioned as a regional industrial hub serving Western Kenya and East African Countries.

KCFSP 2021/2022 FY

1. Renewable Energy

Through this directorate, the department promotes development and use of renewable energy sources, Technologies and advocates for facilitation of scaling up of clean cooking solutions and fuels in Kisumu County through promotion and expedition of enabling policies, creating public awareness and capacity building of sector players. Through this sector, the department has achieved the following; distribution of 1,512 solar lanterns and establishment of Regional Renewable Energy Centre, which is at phase II of construction. Currently, a project dubbed "Towards 100% Renewable Energy in Cities and regions for Climate Change mitigation" ~~Project~~ aimed at developing a road map to achieving the Renewable Energy targets is under implementation. This encourages development of solar mini-grids in various facilities to reduce cost of energy and increase share of renewables. The department also collaborates with Practical Action, Eastern Africa in implementation of a project dubbed WEEK (Women in Energy Enterprises in Kenya) phase II, a 3-year project that strengthen women entrepreneurs' capacity to effectively participate in and benefit from the energy markets as actors and beneficiaries. A total of 86 women entrepreneurs across the value chains of solar, fuel briquettes, improved cook stoves and productive use of energy have been recruited in to the programme to address barriers they face in establishing and growing their businesses.

2. Petroleum & Electricity

The mandate of this directorate is to facilitate production and promote access to affordable, reliable, and sustainable energy for both domestic and industrial use. The directorate also carries out regulation of downstream activities in the petroleum industry as mandated by the Energy Act, 2019 where the department does inspection, licensing and compliance enforcement for Retail petrol stations and Liquefied Petroleum Gas (LPG) businesses in collaboration with regulator Energy and Petroleum Regulatory Authority (EPRA). In the past years, the department concentrated on implementation and maintenance of High Mast Floodlights and streetlights across the county in collaboration with the national state corporations; which saw implementation of over 4000 street lighting points within Kisumu City and the satellite towns and 257 High Mast Floodlights in various markets and public utility areas.

The directorate however would like to take a paradigm shift from the norm of installation of floodlights and begin implementation of Rural Electrification through extension of grid electricity

KCFSP 2021/2022 FY

to the unconnected villages, markets, health centers, beaches and public utility areas in collaboration with Rural Electrification and Renewable Energy Corporation (REREC).

3. Industrialization & Investment and Special Economic Zone & Vision 2030

The key mandate of the two directorates' here is to promote 24-hour economy, establishment of SEZ, cottage industries and general industrialization to spur economic growth and development. On the other hand, to contribute to the transformation of economic base in order to realize a higher and sustained growth, employment creation and poverty reduction by attracting local and foreign investment and promotion of value addition. Vision 2030 and Industrialization are anchors in the county development agenda hence the need to domesticate vision 2030 and link county programs, projects and initiatives to the national agenda, revive old and encourage establishment of new industries. In collaboration with the national government, the county has identified 1000 Acres for establishment Special Economic Zone (SEZ) in Muhoroni Sub County. A prefeasibility study has been conclude, GIS land demarcation and Environmental Impact Assessment are in progress. When completed, SEZ will attract both local and foreign investments; lead to expansion and diversification of produce of goods and services for domestic and export markets; Enhance technology development by industrial parks, innovation and promotion of rural and regional industrialization and creation of employment.

The department had a development allocation of **Kshs.71. 30M.**Out of this allocation, the total development expenditure during the year under review was **Kshs.9.89M** representing an absorption rate of **13.9%.**

In the financial year 2021/2022 the department intends to prioritize:

The department intends to focus on the following in FY 2021/2022

i. Rural electrification through extension of grid electricity to the unconnected villages, markets, health centers, beaches and public utility areas in collaboration with REREC in a matching fund arrangement.
ii. Enhancement of 24 hours economy and security through Implementation of Lighting Infrastructure in various market centers, beaches and other public utility areas

KCFSP 2021/2022 FY

iii. Periodic/routine and Corrective maintenance of existing Solar, Floodlights and Streetlights.
iv. Completion of regional bio-energy centre at Masogo/Nyang'oma in collaboration with REREC.
v. Implementation of Energy saving measures by conducting Energy Audits in County Institutions and installations.
vi. Downstream Activities regulation in Collaboration with EPRA to carry out LPG and Retail Petrol stations licensing and compliance tracking.
vii. Establishment of a Special Economic Zone (SEZ); mapping and feasibility studies; Construction of SEZ Administration Block, equipping and fencing
viii. Construction and equipping of County Integrated Development Centres (CIDCs) in 6 sub-counties.
ix. Establishment of Digital Information Hubs
x. Completion of Kochieng tomato processing plant

Owing to these, the department will receive an allocation of **Kshs119.4M.** in FY 2021/2022.

2.14 EDUCATION ICT AND HUMAN CAPACITY DEVELOPMENT

This thematic area comprises of ECDE, Vocational Education and Training, ICT, Human Resource Development, Gender, and Youth and social services.
The department in its quest to becoming a leading services provider in education, training, ICT and social services, had the following key achievements;

Directorate of Information Communication Technology

i. Data Centre created at the City Hall
ii. Automation of County Services that is, Document Management System, Asset Management System (COMS) in Finance, M & E system, E-Petroleum and GIS and mapping at City Hall
iii. 200 youths trained on digital skills
iv. Three model ICT Centers established at Ahero, Kisumu central and Seme sub county
v. ICT Policy & strategic plan developed
vi. Establishment of call centre at Agriculture, Livestock & Fisheries Dept

DIRECTORATE OF WOMEN, YOUTH & PWDS AFFAIRS

i. Sexual Gender Based Policy formulated
ii. Gender and Women empowerment-Mentorship & life skills for the girl child;

KCFSP 2021/2022 FY

iii. Formation, review & dissemination of policies on gender mainstreaming policy.
iv. Establishment of Gender mainstreaming committee.
v. Youth sector working group established.
vi. Establishment of Disability secretariat
vii. Winning a ward for disability inclusion.
viii. Rollout of second phase county women, youth & PWDs revolving fund
ix. Distribution of white canes to PWDs
x. Four International Women, Youth and PWDs Days held

DIRECTORATE OF SOCIAL SERVICES.

i. Sexual Gender Based Violence Policy formulated
ii. Completed and equipped Kiboswa Resource centre,
iii. Completed Kasawino Community hall,
iv. Completed Nyahera resource centre
v. Furnished at Marera resource Centre
vi. Dunga resource center.
vii. Chieng'a Kandundo completed and equipped
viii. Formation, review & dissemination of policies on social protection.
ix. Initiated Ondiek social hall
x. Child protection policy developed

VOCATIONAL EDUCATION AND TRAINING

i. One vocational training centre completed
ii. 2000 trainees awarded tuition subsidies
iii. Established 5 new VTCs i.e. Kianja , Obuolo , Kochogo , Kandaria & Withur.

ECDE infrastructure Development

i. 45 ECDE classrooms constructed across the county
ii. 15 ECDE playgrounds established
iii. 29,337 chairs and tables distributed to ECDE classrooms countywide
iv. 15,000 learners registered under school feeding program
v. 58,000 ECDE learners given writing materials
vi. Seven ECDE sub county coordinators deployed
vii. 49,794 learners registered under CBC countywide
viii. 78 teachers trained on pedagogical skills upgrading
ix. 620 OVCs identified and registered
x. 32,460 students awarded Scholarships and Bursaries.
xi. 430 PWDs identified and referred for appropriate intervention
xii. 68 ECDE centers registered by NEMA as a precaution to contain COVID- 19
xiii. 48 Latrines and toilets built in ECDE in urban centers

KCFSP 2021/2022 FY

xiv. 10 water tanks, taps and hand washing facilities installed in ECDE centers

The department had a development allocation of **Kshs.225. 64M.Out** of this allocation, the total development expenditure during the year under review was **Kshs.88.84M** representing an absorption rate of **39.4%.**

The department plans to prioritize the following projects and programmes in the FY 2021/2022

Directorate of Information Communication Technology

i. Improvement of hardware and software/ system-County Wide Departmental Boardrooms and Sub County Office.
ii. Surveillance and Access Control/Biometric Control room at the County Headquarters and City.
iii. Connectivity to county offices, County and Sub-County Health facilities.
iv. Developed ICT policy
v. Developed Digitization and Automation strategic plan

DIRECTORATE OF WOMEN, YOUTH PWDs AFFAIRS

i. Kisumu County Women, Youth and PWDs Revolving Fund
ii. Gender and Women Empowerment programme.
iii. WOMEN, Youth &PWD Mainstreaming Programme.
iv. Youth Socio-Economic Development and Empowerment Programme
v. Establishment of Youth one stop center.
vi. PWDs Empowerment programme.
vii. Support of UN International Days/ Events; Women, Youth and PWDs days,
viii. Vehicle and Motorbikes for the Directorate of Gender, Youth & PWDs
ix. Personnel-Employment of Ward Women, Youth and PWDs Officers;
x. Establishment of one Safe house and seven sub-county recovery centers in Sub-County health facilities.

DIRECTORATE OF SOCIAL SERVICES

i. Establishment of social engagement and empowerment centers by Completion, Equipping and Operationalization of 7 sub counties Social infrastructures.
ii. Social Protection & Welfare ; Psychosocial Care and Support programmes to the PWDs, Elderly and OVCs
iii. Civil Works nonresidential ; Rehabilitation, Repairs , renovation , refurbishment and branding across the county
iv. Child care and Development; Child protection and Care.
v. Socio & Economic Empowerment Programme post Covid-19 programme; (informal sector; 'Aswekra' Women in Business & Youth in 'boda-boda' sector).
vi. Completion of Masogo Nyangoma Rehabilitation Center ; rehabilitation and integration programmes for substance & drugs addiction & Street families.

KCFSP 2021/2022 FY

vii. A hero PWDs Empowerment Rehabilitation and innovation Centre .
viii. Civic Education and community awareness
ix. Comprehensive youth data management, profiling and Generation of a database of all social groups firms in the county
x. Support of UN International Days/ Events;
xi. Vehicle and Motorbikes for the Directorate of Social Services
xii. Social Development Personnel-Employment of Ward Social Development Officers;

Vocational Education and Training

i. VTCs Infrastructure Development-Rehabilitation/Renovation of the Existing Vocational Training Centers; Completion of New VTCs; Construction of Administrative blocks in VTCs;
ii. Construction of Modern Workshops;
iii. Establishment of 7 Model VTCs (partnership with GOK);
iv. VTC personnel- Recruitment of VTCs Instructors; Provision of Tuition Subsidies
v. VTCs Trainees; Equipping VCT with modern tools and equipment;

ECDE

i. Preprimary infrastructure development-Construction and completion of ECDE classrooms in wards of the seven sub counties of Kisumu county;
ii. Hygiene and sanitation (ECDE toilets and water); Construction of ECDE friendly
iii. Toilets in two schools per ward;
iv. ECDE play equipment-Provision of preprimary equipment to 2 schools per ward
v. Governor's scholarship fund and Bursaries.
vi. Preprimary capitation-Provision of learning materials preprimary schools in Kisumu county;
vii. Feeding programmes-Preprimary feeding programmes in Kisumu county;
viii. Staffing of ECDE personnel-Recruitment of 731 ECDE teachers, 30 ward coordinators and sub-county coordinators; purchase of 8 motor cycles for sub-county coordinators; Purchase of 1 vehicle for county director
ix. Staff promotion-Upgrading of ECDE coordinators to the next job group;
x. Upgrading of staff-Upgrading of ECDE teachers from job group G to H
xi. Preprimary Creative Activities-Conducting Preprimary creative activities from zone sub county and county levels in Kisumu county
xii. Capacity building-training sensitization of teachers and stakeholders in ECDE
xiii. Monitoring and Evaluation-School and Teacher assessment
xiv. Separation fund for ECDE teachers-Payment of gratuity for contracted ECDE teachers from 2015 to 2022.
xv. Registration of ECDE centers-Registering unregistered ECDE centers
xvi. Award of scholarships and bursaries to needy students.

KCFSP 2021/2022 FY

In order to realize these, the County Government intends to allocate **Kshs819.4M.** to this sector in 2021/2022 FY.

KCFSP 2021/2022 FY

3.0 CHAPTER THREE
RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

KCFSP 2021/2022 FY

3.1 OVERVIEW

The 2021 Kisumu County Fiscal Strategy Paper (CFSP) is prepared against a background of a contracting Kenyan economy occasioned by the outbreak of the COVID-19 (coronavirus 2019) pandemic, the locust attack which started in early 2020 in many parts of the country especially the North East and severe flooding in parts of Nyando and Nyakach sub-counties. The latest World Bank economic analysis for Kenya projects the economy to contracted by between 1.0 percent and 1.5 percent in 2020, as ongoing COVID-19 containment measures and behavioral responses restrict activity in Kenya and its trading partners[1].

The Pandemic and the resultant containment measures adversely affected businesses and economic activities. The negative impact of COVID-19 on the private sector also trickled down to household welfare via reduced job opportunities and lower earnings. Unemployment almost doubled compared to its pre-COVID level[2]. Almost 1 in 3 household-run businesses are not operating currently, with revenues decreasing across all sectors. Youth are also negatively affected by the pandemic, with revenues and profits strongly reduced for micro-enterprises run by young entrepreneurs, with only few of them making use of government and non-governmental organizations (NGO) support programs[3].

However, forecasts point out to a strong rebound for 2021, with the GDP growth at 6.9 percent, under the same baseline assumptions, which consider the availability of vaccines and additional therapeutic treatments[4]. However, if takes longer than expected to bring the COVID-19 pandemic under control, GDP could contract by 1.0% in 2020, and see a delay in the projected recovery to 5.2% growth in 2021. The downside risks include a protracted global recession undermining Kenya's export, tourism and remittance inflows, further tightening of COVID-19 health response measures that disrupt the domestic economic activity, fiscal slippages and weather-related shocks[5].

The foreign exchange market has largely remained stable though partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 pandemic. Despite this, the current account deficit is estimated to improve to 5.1 percent in 2020 from 5.8 percent in 2019 mainly supported by an improvement in the trade balance. Going forward, we expect revenue collection in the FY 2021/22 to spring back buoyed by the improving economic environment, tax policy and revenue administration measures that we have put in place.

---

[1]https://www.worldbank.org/en/news/press-release/2020/11/25/kenyas-gdp-contracts-under-weight-of-covid-19-impacting-lives-and-livelihoods

[2]https://www.worldbank.org/en/country/kenya/publication/kenya-economic-update-covid-19-erodes-progress-in-poverty-reduction-in-kenya-increases-number-of-poor-citizens#:~:text=
"Kenya%20has%20made%20considerable%20progress, Practice%20of%20the%20World%20Bank.

[3] ibid

[4] https://www.statista.com/statistics/1136576/forecasted-impact-of-coronavirus-on-real-gdp-growth-in-kenya/

[5]https://www.worldbank.org/en/country/kenya/overview#:~:text=In%202019%2C%20Kenya%27s%20economic%20growth,economies%20in%20Sub-Saharan%20Africa.&text=Real%20gross%20domestic%20product%20(GDP,)%20to%201.5%25%20in%202020.

3.2 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.2.1 GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS

The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures have devastated global economies. As a result, the global economy is projected to contract by 4.9 percent in 2020 from a growth of 2.9 percent in 2019 **(Table 1)**. This economic outlook is worse than the growth reported during the 2008 - 2009 global financial crisis. On a positive note, world economic growth is projected to rebound to 5.4 percent in 2021 mainly supported by a gradual strengthening in consumption and investment is also expected to firm up[6].

Table 1: Global Economic Growth

Economy	2019	2020*	2021**
World	2.8	(4.4)	5.2
Advanced Economies	1.7	(5.8)	3.9
Of which: USA	2.2	(4.3)	3.1
Emerging and Developing Economies	3.7	(3.3)	6.0
Of which: China	6.1	1.9	8.2
India	4.2	(10.3)	8.8
Sub-Saharan Africa	3.2	(3.0)	3.1
Of which: South Africa	0.2	(8.0)	3.0
Nigeria	2.2	(4.3)	1.7
EAC-5	6.2	1.0	4.5
Of which: Kenya***	5.4	0.6	6.4
** Estimate ** Projected*			
EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda			

Source of Data: October 2020 WEO; ***Projections by the National Treasury

Growth in the East African Community (EAC) region is estimated to have slowed down to 1.0 percent in 2020 compared to a growth of 6.2 percent in 2019. This growth will be supported by positive growths in Kenya, Tanzania and Rwanda. Economic activities in Burundi and Uganda are expected to contract in 2020.

6

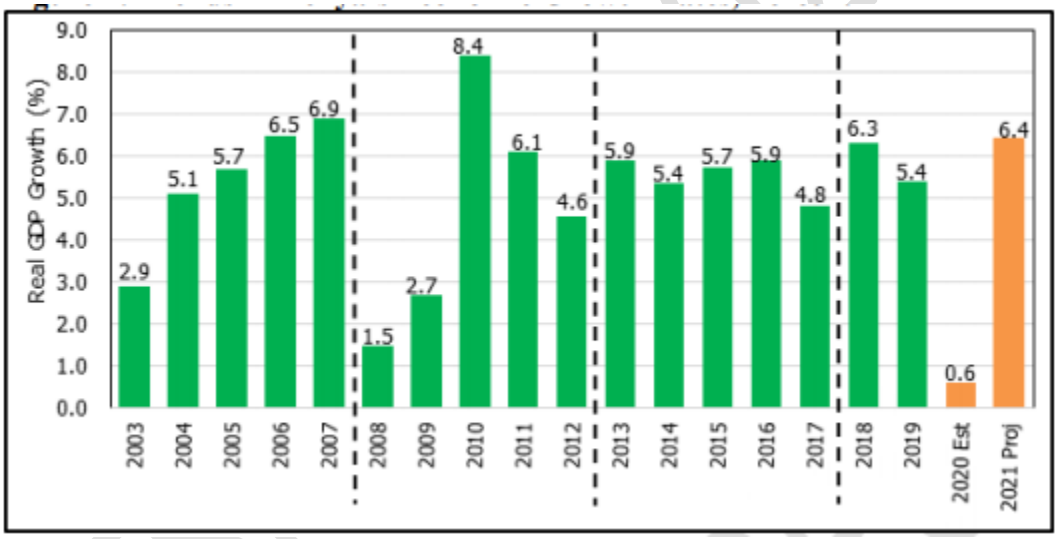
3.2.2 NATIONAL ECONOMIC INDICATOR OUTLOOK

3.2.2.1 ECONOMIC GROWTH

Prior to the outbreak of Covid-19 pandemic, Kenya's economy was strong and resilient despite the challenging global environment. The broad-based economic growth for 2018 and 2019 averaged 5.9 percent outperforming the 5.5 percent for the previous 5 years (2013 to 2017) and the average growth rate of 4.7 percent in the period 2008 to 2012 (Figure 1)

In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities. As a result, the Kenyan economy is estimated to slow down to around 0.6 percent in 2020 from a growth of 5.4 percent in 2019. Looking ahead, the economy is projected to recover and grow by about 6.4 percent in 2021 and above 6.2 percent over the medium term.

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

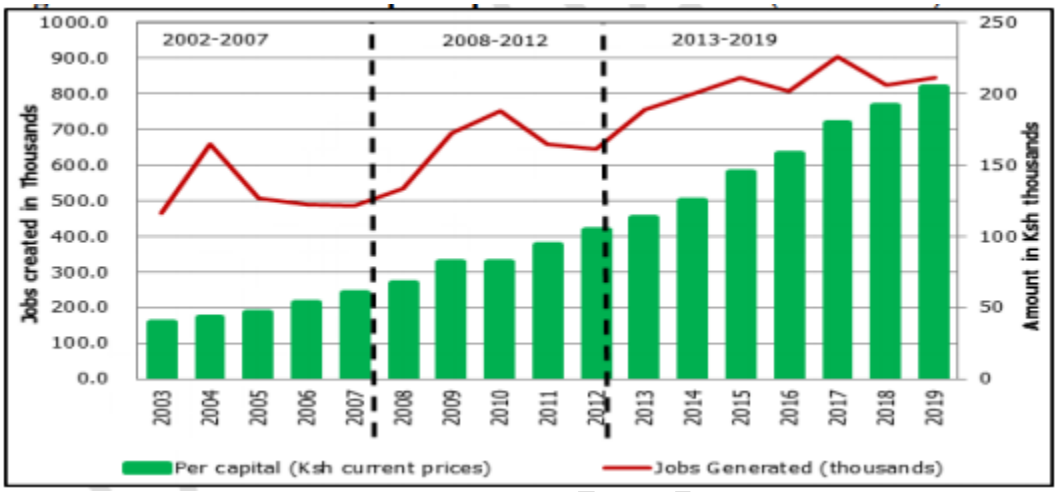


Source of Data: Kenya National Bureau of Statistics

Per capita income rose from Ksh 113,539 in 2013 to Ksh 204,783 in 2019, a compounded annual growth rate of 11.5 percent. This enabled generation of around 827,000 new jobs per year in the period 2013 - 2019 up from 656,500 new jobs per year in the period 2008 -2012 (Figure 2).

KFS 2021

Figure 2: Trends in Per Capita Income and Job Created (2003 - 2019)



Source of Data: Kenya National Bureau of Statistics

Quarterly GDP growth of 2020

The economy grew by 4.9 percent in the first quarter of 2020 compared to a growth of 5.5 percent in the first quarter of 2019. The slowdown was as a result of the decline in economic activities in most of the country's major trading partners due to the uncertainty associated with the Covid-19 pandemic (Table 2). The economy further contracted by 5.7 percent in quarter two of 2020 from a growth of 5.3 percent in the same quarter in 2019. Kenya's economy shrank 1.1% year-on-year in the third quarter of 2020, following a downwardly revised 5.5% plunge in the previous period. It marks the first country's recession in nearly two decades, as the adverse effects of containment measures to curb COVID-19 infections continued to be felt. As a result, the performance of most sectors of the economy contracted in the second quarter of 2020. Accommodation and food service activity which includes the all-important tourism sector remained severely affected (-57.9% vs -83.2% in Q2), followed by education (-41.9% vs -56.2%) and professional, administrative activities (-12.3% vs -15.3%).

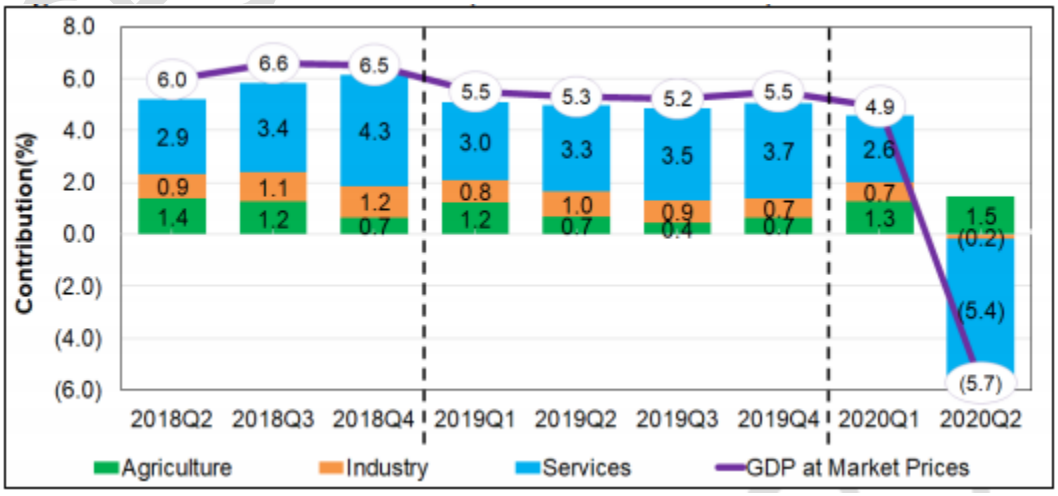
Table 2: Sectoral Real GDP Growth Rates, Percent

Sectors	Sector Growth (%)									
	2018				2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Primary Industry	6.6	5.8	6.6	3.7	4.6	3.0	2.5	3.8	5.1	6.5
Agriculture, Forestry and Fishing	6.7	5.9	6.8	3.9	4.7	2.9	2.4	4.0	4.9	6.4
Mining and Quarrying	3.1	3.5	3.2	1.2	1.4	5.0	3.4	0.3	9.5	10.0
Secondary Sector (Industry)	4.6	5.1	6.2	6.7	4.9	5.4	4.7	4.0	4.1	(1.0)
Manufacturing	3.2	3.9	5.1	5.2	3.5	4.0	3.2	2.3	2.9	(3.9)
Electricity and Water supply	6.1	8.3	8.1	9.5	7.8	7.3	6.4	6.4	6.3	(0.6)
Construction	6.7	5.6	7.3	7.7	6.1	7.2	6.6	5.7	5.3	3.9
Tertiary sector (Services)	6.2	6.0	6.6	8.0	6.4	6.8	6.7	6.8	5.4	(11.0)
Wholesale and Retail trade	5.6	6.5	7.3	7.9	6.3	7.8	6.1	6.4	6.4	(6.9)
Accomodation and Restaurant	13.3	15.1	15.5	21.5	11.0	12.1	9.9	9.0	(9.3)	(83.3)
Transport and Storage	6.5	6.6	8.5	11.8	6.4	7.6	7.6	9.2	6.1	(11.6)
Information and Communication	13.2	11.7	9.8	10.6	10.2	7.8	8.1	9.4	9.7	4.3
Financial and Insurance	4.0	3.5	5.1	8.5	6.3	5.2	8.1	6.6	6.2	4.2
Public Administration	5.5	6.1	7.1	8.1	8.9	8.7	8.4	6.2	6.7	5.7
Others	5.1	5.0	4.9	4.8	4.8	5.8	5.6	5.2	4.6	(19.2)
of which Real Estate	5.2	4.5	3.8	3.1	4.8	6.0	5.5	5.1	4.3	2.2
Education	5.3	5.2	5.5	7.0	4.3	6.0	6.0	5.5	5.3	(56.2)
Health	4.1	3.4	5.3	4.5	5.4	6.2	5.5	6.2	5.8	10.3
Taxes less subsidies	6.1	6.0	6.2	4.3	4.7	4.0	4.2	4.5	3.4	(14.2)
Real GDP	6.2	6.0	6.6	6.5	5.5	5.3	5.2	5.5	4.9	(5.7)
of which Non-Agriculture	6.0	6.0	6.6	7.5	5.9	6.4	6.2	6.0	5.2	(8.5)

Source of Data: Kenya National Bureau of Statistics

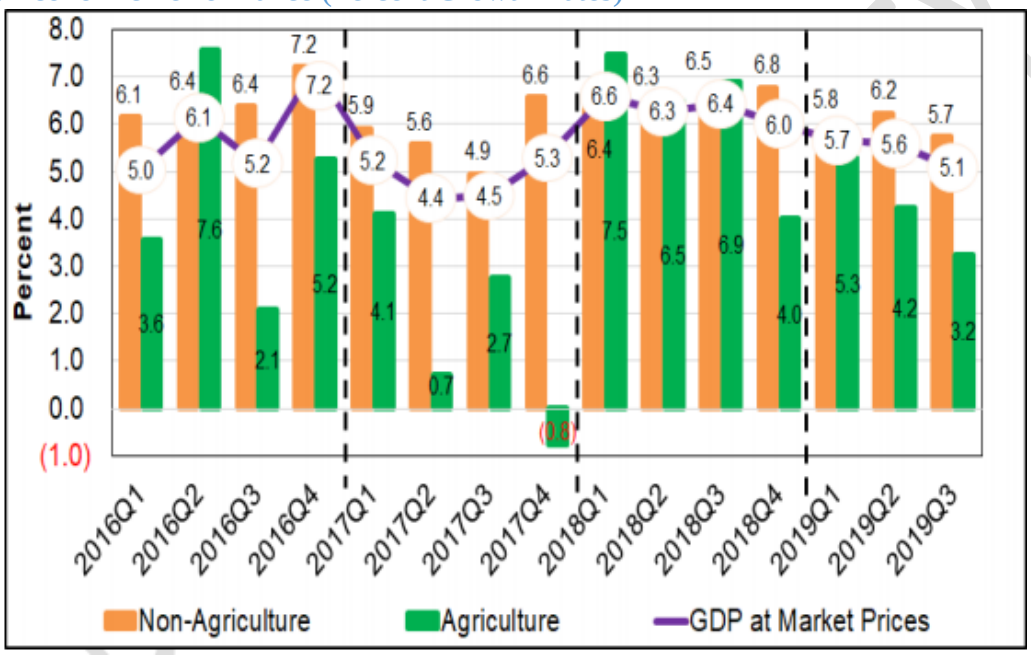
The agriculture sector recorded an improved growth of 6.4 percent in the second quarter of 2020 compared to a growth of 2.9 percent in the corresponding quarter of 2019. The sector's performance was supported by a notable increase in tea production, cane deliveries, milk intake and fruit exports. The sector's contribution to GDP growth was at 1.5 percentage points in the second quarter of 2020 compared to 0.7 percentage points over the same period in 2019 (Figure 3).

Figure 3:Economic Performance (Contribution to GDP)



The non-agriculture (service and industry) sectors was adversely affected by the Covid-19 pandemic during the second quarter of 2020. As a result, the sector contracted by 8.5 percent in the second quarter of 2020 down from a growth of 6.4 percent in a similar quarter in 2019. The sector's contribution to real GDP was - 5.6 percentage points in the second quarter of 2020 compared to a contribution of 4.3 percentage points in the same quarter of 2019. The decline was largely characterized by substantial contractions in Accommodation and Food Services (83.3 percent), Education (56.2 percent), and Transportation and Storage (11.6 percent).

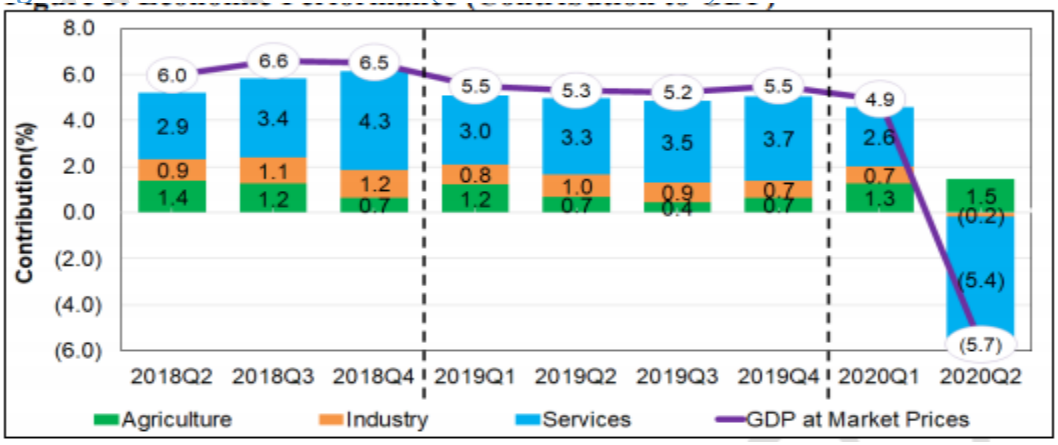
Figure 4: Economic Performance (Percent Growth Rates)



Source of Data: Kenya National Bureau of Statistics

The Services sub-sector contributed -5.4 percentage point to real GDP growth in the second quarter of 2020 compared to the 3.3 percentage point contribution in the same quarter of 2019.

Figure 5: Economic Performance (Contribution to GDP)



Source of data: Kenya National Bureau of Statistics

The industry sector contracted by 1.0 percent in the second quarter of 2020 compared to a growth of 5.4 percent in the same quarter of 2019. This was mainly due to a decline in activities in the electricity and water supply and manufacturing sub-sectors. The industry sector was however supported by the Construction sector which grew by 3.9 percent in the second quarter of 2020. The industry sector accounted for -0.2 percentage points of growth in the second quarter of 2020 compared to 0.7 percentage point contribution to GDP in 2019.

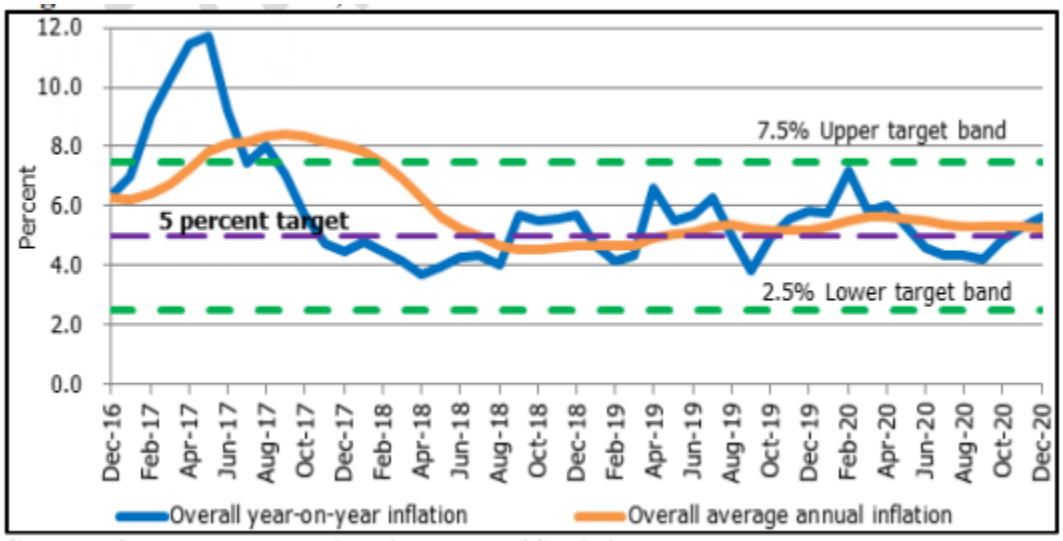
The growth in the County has also been spurred by improved road and transport networks such as Kisumu-Kakamega highway, Nairobi-Kisumu highway and renovation and construction of new roads within the County which has opened up the County for economic activities. There has been development of water resources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

3.2.2.2 INFLATION RATE

Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent since end 2017 demonstrating prudent monetary policies. The inflation rate was at 5.6 percent in December 2020 from 5.8 percent in December 2019. This lower inflation was supported by a reduction in food prices (Figure 4).

KCFSP 2021/2022 FY

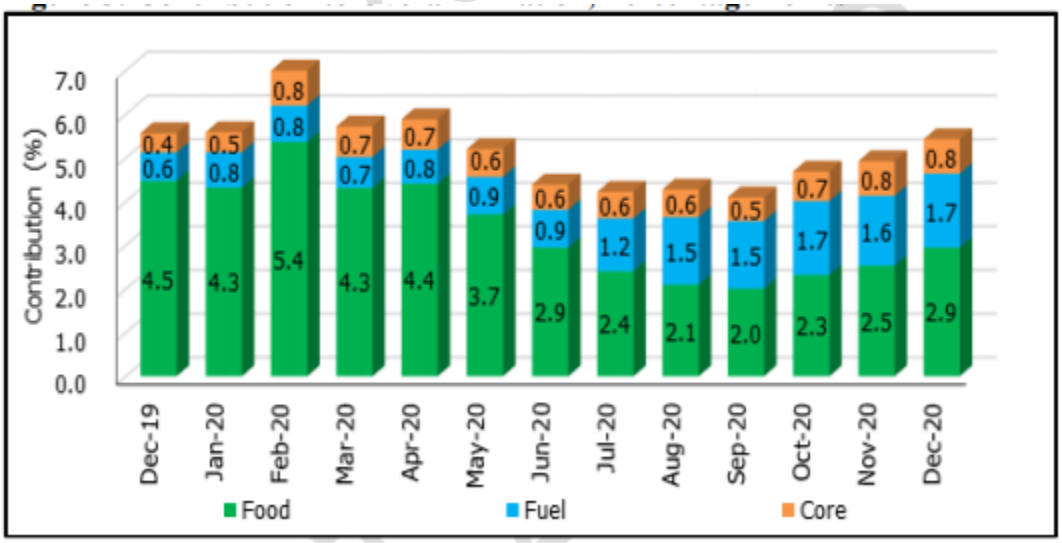
Figure 6: Inflation Rate, Percent



Source of Data: Kenya National Bureau of Statistics

Core inflation (Non-Food-Non-Fuel) contribution to inflation remain low at 0.8 percent in December 2020 compared to 0.4 percent in December 2019 reflecting muted demand pressures in the economy on account of prudent monetary policies. However, the contribution of fuel inflation to overall year-on-year inflation rose to 1.7 percent in December 2020 from 0.6 percent in December 2019 on account of increasing international fuel prices (Figure 5).

Figure 7: Contribution to Overall Inflation, Percentage Points

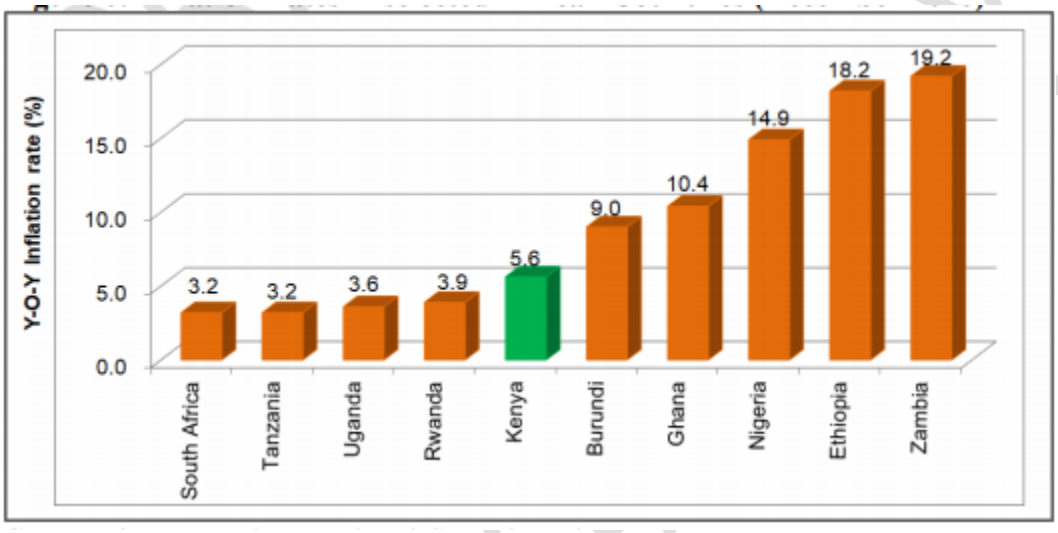


Source of Data: Kenya National Bureau of Statistics

The major driver of the overall inflation has been food inflation, but its contribution to overall inflation has declined from 4.5 percent in December 2019 to 2.9 percent in December 2020 on account of a reduction in food prices.

Kenya's rate of inflation compares favourably with the rest of Sub-Saharan Africa countries. In December 2020, Kenya recorded a lower inflation rate than Burundi, Ghana, Nigeria, Zambia and Ethiopia (Figure 6).

Figure 8: Inflation Rates in selected African Countries (December 2020)



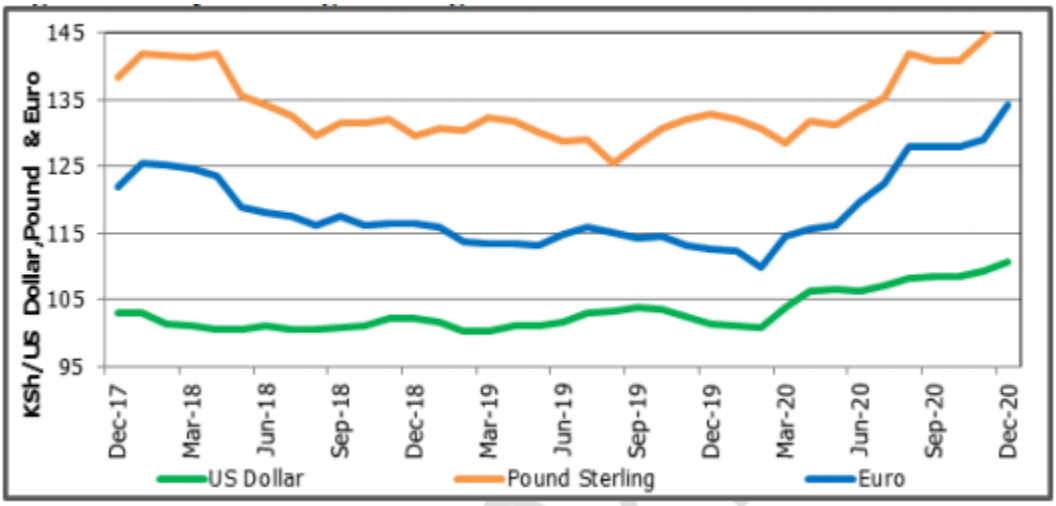
Source of Data: Various National Central Banks

3.2.2.3 KENYA SHILLING EXCHANGE RATE

The foreign exchange market largely remained stable but was partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 pandemic. In this regard, the Kenya Shilling to the dollar exchanged at Ksh 110.6 in December 2020 compared to Ksh 101.5 in December 2019 (Figure 7).

KCFSD 2021

Figure 9: Kenya Shilling Exchange Rate

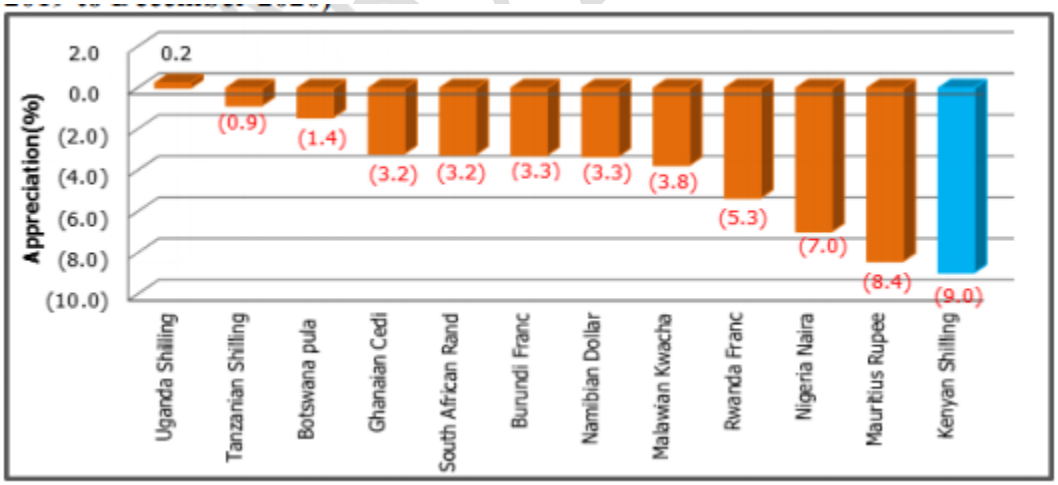


Source of Data: Central Bank of Kenya

Like most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by only 9.0 percent against the US Dollar (Figure 8). This stability in the Kenya Shilling was supported by increased remittances and adequate foreign exchange reserves.

Figure 10: Performance of selected currencies against the US Dollar

(December 2019 to December 2020)



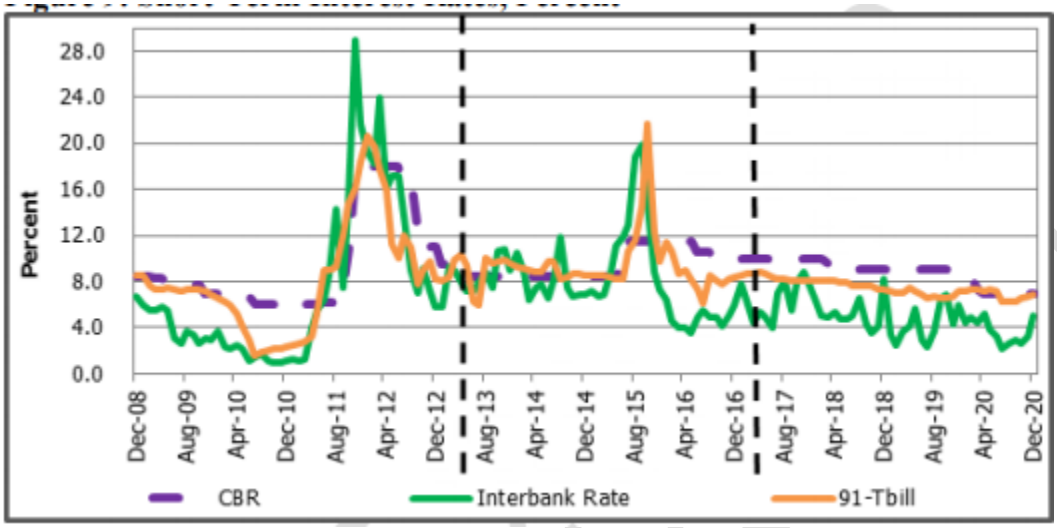
Source of Data: Various National Central Banks

3.2.2.3 INTEREST RATES

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.00 percent on November 26, 2020 same as in April 2020 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises, distressed by COVID-19 pandemic. The interbank rate declined to 5.1 percent in December 2020 from 6.0

percent in December 2019 in line with the easing of the monetary policy and adequate liquidity in the money market (Figure 9).

Figure 11: Short-Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

The 91-day Treasury Bills rate was at 6.9 percent in December 2020 from 7.2 percent in December 2019. Over the same period, the 182-day Treasury Bills rate declined to 7.4 percent from 8.2 percent while the 364-day decreased to 8.3 percent from 9.8 percent.

3.2.2.4 MONEY AND CREDIT

Growth in broad money supply, M3, improved to 14.2 percent in the year to November 2020 compared to a growth of 5.9 percent in the year to November 2019 (Table 3). The improved growth in M3 was attributed to an increase in the Net Domestic Assets particularly improvement in net credit flows to the government and the private sector.

The primary source of growth in M3 in the year to November 2020 was the Net Domestic Assets (NDA) of the banking system, which improved to register a growth of 20.8 percent from a growth of 3.5 percent over a similar period in 2019. This is largely due to an improvement in net credit flows to both the Government and the private sector. Net credit flows to the other public sector decreased during the review period.

KDSP 2021/2

Figure 12: Money Supply and Credit, Ksh billion

	2018 November	2019 November	2020 November	2018-2019 November	2019-2020 November	2018-2019 November	2019-2020 November
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,409.6	1,460.2	1,759.9	50.6	299.7	3.6	20.5
1.1 currency outside banks (M0)	224.0	191.6	224.9	32.4	33.3	(14.5)	17.4
1.2 Demand deposits	1,117.3	1,186.0	1,377.9	68.7	191.9	6.2	16.2
1.3 Other deposits at CBK	68.3	82.6	157.1	14.3	74.5	20.9	90.2
2. Money supply, M2 (1+2.1)	2,699.4	2,849.4	3,238.2	150.0	388.8	5.6	13.6
2.1 Time and savings deposits	1,289.8	1,389.2	1,478.3	99.4	89.1	7.7	6.4
Money supply, M3 (2+3.1)	**3,269.0**	**3,462.0**	**3,952.3**	**192.9**	**490.3**	**5.9**	**14.2**
3.1 Foreign currency deposits	569.6	612.5	714.1	42.9	101.6	7.5	16.6
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	691.8	795.6	730.6	103.8	65.0	15.0	(8.2)
1.1 Central Bank	731.5	839.4	753.6	107.9	85.8	14.7	(10.2)
1.2 Banking Institutions	(39.8)	(43.8)	(23.0)	4.1	20.8	(10.2)	47.5
2. Net domestic assets (2.1+2.2)	2,577.3	2,666.4	3,221.7	89.1	555.3	3.5	20.8
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,358.9	3,605.5	4,235.9	246.6	630.4	7.3	17.5
2.1.1 Government (net)	828.6	903.9	1,332.3	75.3	428.4	9.1	47.4
2.1.2 Other public sector	107.0	100.7	90.8	6.3	10.0	(5.9)	(9.9)
2.1.3 Private sector	2,423.3	2,600.8	2,812.8	177.6	212.0	7.3	8.1
2.2 Other assets net	(781.6)	(939.1)	(1,014.2)	157.5	75.1	(20.1)	(8.0)

Source of Data: Central Bank of Kenya

Private sector credit grew by 8.1 percent in the 12 months to November 2020 compared to a growth of 7.3 percent in the year to November 2019. This was supported by recovery in demand with the improved economic activity following the easing of COVID-19 containment measures, and accommodative monetary policy. Strong growth in lending was observed in the following sectors: agriculture (19.3 percent), consumer durables (18.8 percent), transport and communication (17.5 percent), manufacturing (10.0 percent), and real estate (9.1 percent). The operationalisation of the Credit Guarantee Scheme for the vulnerable Micro Small and Medium sized Enterprises (MSMEs), will de-risk lending by commercial banks, and is critical to increasing credit to this sector.

Net Foreign Assets (NFA) of the banking system in the year to November 2020 contracted by 8.2 percent, compared to a growth of 15.0 percent in the year to November 2019. The contraction in growth of the NFA was mainly reflected in the decline of the foreign currency reserves by the Central Bank. The NFA of commercial banks improved during the review period as a result of an increase in the commercial banks' deposits with the non-resident banks.

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

3.2.2.5 BALANCE OF PAYMENTS

The overall balance of payments position improved to a surplus of US$ 1,217.2 million (1.2 percent of GDP) in the year to September 2020 from a deficit of US$ 1,058 million (1.1 percent of GDP) in the year to September 2019 (Table 4 and Figure 10). This was mainly due to an improvement in the current account balance.

Table 4: Balance of Payments (million)

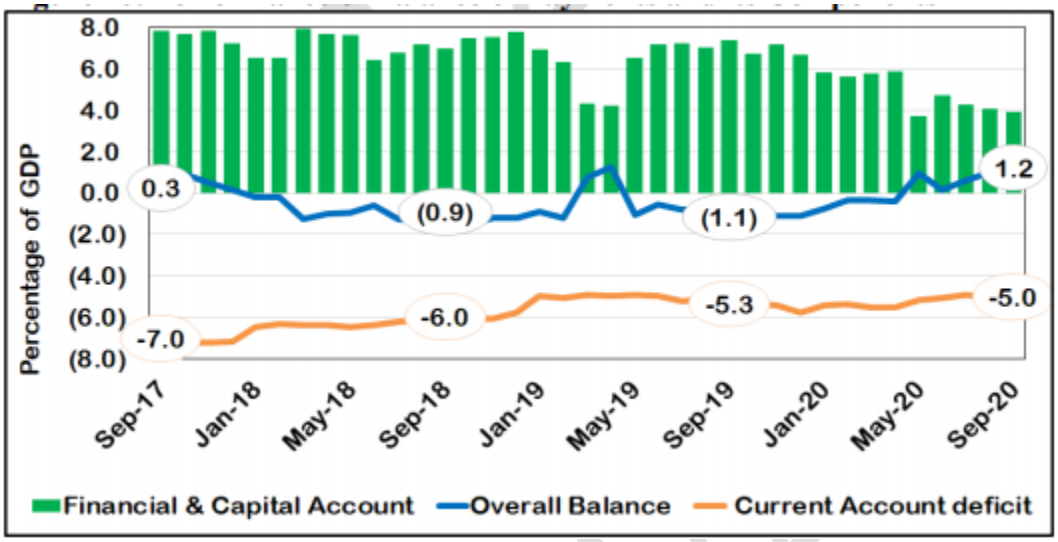
						Year to September 2020		Percent of GDP	
	Sep-18	Sep-19	Mar-20	Jun-20	Sep-20	absolute change	Percent Change	Sep-19	Sep-20
Overall Balance	**(777.5)**	**(1,058.0)**	**(340.5)**	**179.9**	**1,217.2**	**2,275.2**	**(215.1)**	**(1.1)**	**1.2**
A) Current Account	(5,273.9)	(5,009.1)	(5,635.7)	(5,066.9)	(4,921.0)	88.1	(1.8)	(5.3)	(5.0)
Merchandise Account (a-b)	(10,204.4)	(10,287.6)	(10,442.8)	(9,460.0)	(8,947.5)	1,340.1	(13.0)	(11.0)	(9.1)
a) Goods: exports	6,139.3	5,849.6	6,070.1	5,923.6	6,014.3	164.8	2.8	6.2	6.1
b) Goods: imports	16,343.7	16,137.2	16,512.8	15,383.6	14,961.8	1,175.4	(7.3)	17.2	15.2
Net Services (c-d)	1,493.0	1,869.6	1,352.7	1,028.1	509.3	1,360.2	(72.8)	2.0	0.5
c) Services: credit	5,160.5	5,674.9	5,333.0	4,783.4	4,190.2	1,484.6	(26.2)	6.1	4.3
d) Services: debit	3,667.5	3,805.3	3,980.3	3,755.3	3,680.9	124.4	(3.3)	4.1	3.7
Net Primary Income (e-f)	(1,496.5)	(1,837.9)	(1,778.2)	(1,647.6)	(1,488.5)	349.5	(19.0)	(2.0)	(1.5)
e) Primary income: credit	181.3	226.9	226.6	198.2	185.4	41.5	(18.3)	0.2	0.2
f) Primary income: debit	1,677.9	2,064.8	2,004.8	1,845.8	1,673.9	391.0	(18.9)	2.2	1.7
Net Secondary Income	4,934.0	5,246.8	5,232.6	5,012.6	5,005.6	241.2	(4.6)	5.6	5.1
g) Secondary income: credit	4,986.0	5,299.4	5,286.8	5,064.1	5,060.3	239.1	(4.5)	5.7	5.1
h) Secondary income: debit	52.0	52.6	54.2	51.5	54.7	2.2	4.1	0.1	0.1
B) Capital Account	246.0	206.8	189.6	146.1	157.8	48.9	(23.7)	0.2	0.2
C) Financial Account	(5,902.6)	(6,714.3)	(5,720.5)	(4,597.6)	(3,702.3)	3,012.0	(44.9)	(7.2)	(3.8)

Source of Data: Central Bank of Kenya

The current account deficit stood at $ 4,921.0 million (5.0 percent of GDP) in September 2020 from US$ 5,009.1 million (5.3 percent of GDP) in September 2019. The improvement in the current account balance was mainly due to the improvement in the merchandise account balance and the Net primary income balance.

The balance in the merchandise account improved by US$ 1,340.1 million to a deficit of US$ (8,947.5) million in the year to September 2020 on account of a decline in imports and a marginal increase in exports. In the year to September 2020, exports grew by 2.8 percent primarily driven by tea exports, on account of increased production and an increased demand for tea from the UK. On the other hand, imports declined by 7.3 percent in the year to September 2020, as a result of reduction in the volume of oil importation and decline in the value of imported manufactured goods, particularly iron, steel, machinery and transport equipment such as vehicles, and SGR related imports.

Figure 13: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

Net services declined by 72.8 percent in the year to September 2020 mainly due to a significant decline in transport services and travel receipts as a result of the uncertainty associated with the Covid-19 pandemic and the resultant containment measures. Cargo through put performed well during the review period and provided a buffer in terms of transport receipts.

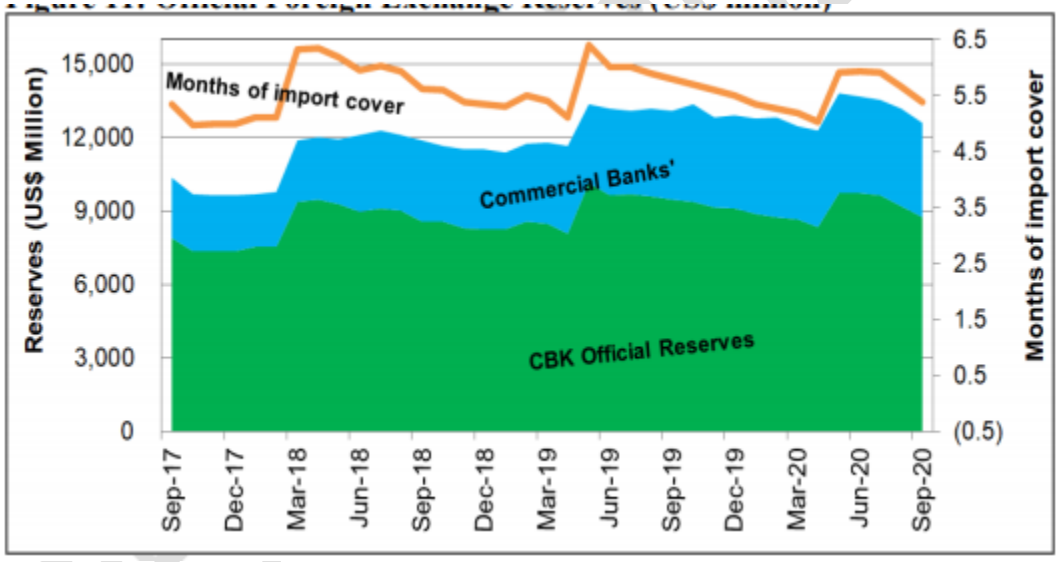
The capital account balance registered a surplus of US$ 157.8 million in the year to September 2020. However, this was a US$ 48.9 million decline compared to the balance witnessed in September 2019. Net Financial Inflows declined to US$ 3,012.0 million from US$ 6,714.3 million in the year to September 2019 (Table 4). The financial inflows were mainly in the form of direct investments and other investments which stood at US$ 482.4 million and US$ 4420.4 million, respectively in September 2020. The Net Portfolio investments outflows stood at US$ 1,189.5 million

3.2.2.6 FOREIGN EXCHANGE RESERVES

The banking system's foreign exchange holdings remained strong at US$ 12,585.0 million in September 2020 up from US$ 13,083.3 million in September 2019. The official foreign exchange reserves held by the Central Bank was at US$ 8,765.1 million (5.4 months of import cover) in September 2020 compared with US$ 9,441.6 million (5.8 months of import cover) in September 2019 (Figure 11).

This fulfils the requirement to maintain reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to US$ 3,819.9 in September 2020 from US$ 3,641.7 million in September 2019.

Figure 14: Official Foreign Exchange Reserves (US$ million)

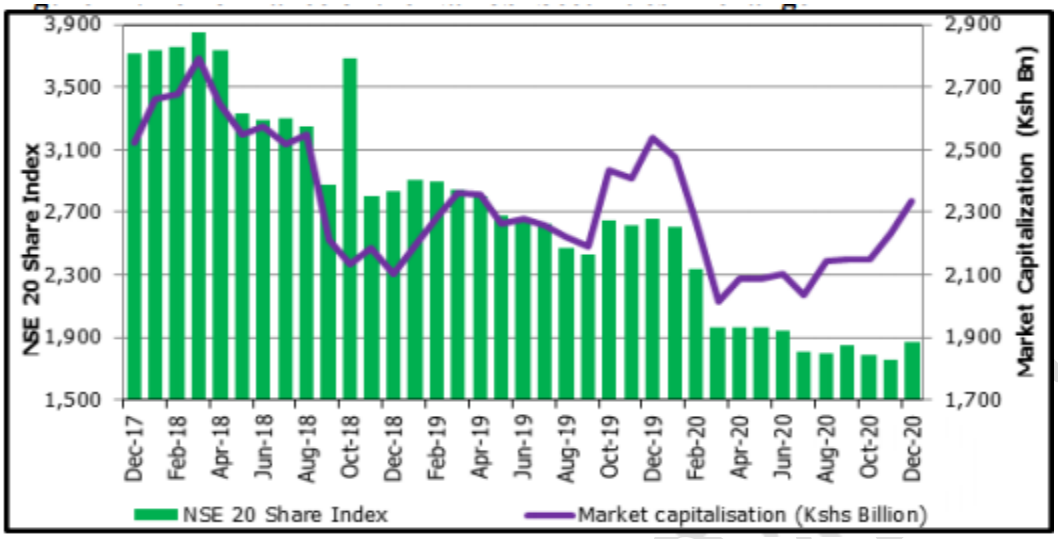


Source of Data: Central Bank of Kenya

3.2.2.7 NAIROBI SECURITIES EXCHANGE

Activity in the capital markets declined in December 2020 compared to December 2019, with equity share prices declining as shown by the NSE 20 Share Index. The decline reflects the volatility in the financial markets as a result of the uncertainty surrounding the covid-19 pandemic. The NSE 20 Share Index was at 1,868 points by end of December 2020 compared to 2,654 points by end December 2019. Consequently, market capitalization declined from Ksh 2,540 billion to Ksh 2,337 billion over the same period (Figure 12).

Figure 15: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

3.2.3 COUNTY FISCAL PERFORMANCE

3.2.3.1 OWN SOURCE REVENUE PERFORMANCE

During the first and second quarter of the FY 2019/2020, the County Government generated a total of Ksh. 361,664,889 million as Own Source Revenue (OSR) against an annual target of Ksh. 1,438,478,604 million. This represents 25 percent of the annual OSR target in FY 2019/20, which is a decrease from 26 percent of the annual OSR target for a similar period in the FY 2018/19.

The fiscal performance of the FY 2019/20 budget was below target on account of the COVID 19 Pandemic and the resultant containment measures which adversely affected businesses and economic activities. In particular, own source revenue shortfalls in the fourth quarter of the FY 2019/20 was largely due to the Covid-19 Pandemic. Thus, total own source revenue amounted to Ksh 804,387,972 against a target of Ksh 1,438,478,604 representing 55.9% of the target. In fact, if it takes longer than expected to bring the COVID-19 pandemic under control, own source revenue collection for the FY 2020/21 is expected to slightly decline while expenditures for the fiscal year have been rationalized to ease funding pressures and create fiscal space.

Comparing quarterly own source revenue collections in FY 2020/2021 and FY 2019/2020, the impact of COVID 19 on revenue is clear. In the 1st quarter of 2019/2020, the own source revenue realized was Ksh 162,025,980 compared to Ksh 138,562,499 collected in the same period in 2020/2021 representing a drop of Ksh 23,463,481 or 14.5%. Similarly, the second quarter of 2020/2021 realized Ksh 127,477,743 which dropped by Ksh 72,161,166 from Ksh199,638,909 collected in the same period in 2019/2020 representing a 36.1% drop. Should this trend continue into the third and fourth quarters of FY 2020/2021 then it is expected that own source revenues will fall below collections for the same periods in 2019/2020.

Table 3: Comparison of Own Source Revenue for 2019/2020 and 2020/2021 (Ksh Million)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2020/2021	138,562,499	127,477,743		
2019/2020	162,025,980	199,638,909	300,021,642	142,701,141
Deviation	23,463,481	72,161,166		
% Deviation	14.5	36.1		

Table 4 below presents the own source revenue trends by quarter from FY 2016/2017 all the way to FY 2020/2021. There has been general reduction of own source revenue over this period as can be seen.

Table 4: Own Source Revenue Performance by Quarter 2016/2017–2020/2021 (Ksh Million)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2020/2021	138,562,499	127,477,743		
2019/2020	162,025,980	199,638,909	300,021,642	142,701,141
2018/2019	198,041,719	166,030,377	398,383,908	250,260,634
2017/2018	123,459,153	120,240,443	338,727,430	292,462,025
2016/2017	211,209,760	241,557,388	322,504,795	206,311,009

3.2.3.2 EXPENDITURE PERFORMANCE

Total expenditure in the FY 2019/20 was Ksh 9,053,376,663 billion against a revised target of Ksh 12,215,958,368 billion, representing an under spending of Ksh.3,162,581,705 billion or a percentage deviation of 26 percent going by the revised budget. This shortfall was attributed to lower absorption in both recurrent and development expenditures by the County Government.

Table 5: Budget and Actual Expenditure for FY 2019/20 (Ksh Million)

Expenditure	2019/2020		Deviation	% Deviation
	Actual	Target		
Recurrent	6,827,139,101	8,129,207,638	1,302,068,537	16.02
Development	2,226,237,562	4,086,750,730	1,860,513,168	45.53
Total Expenditure	9,053,376,663	12,215,958,368	3,162,581,705	25.89

KCFSP2021-2022

County Governments Budget Absorption Rate

According to the County Budget Implementation Report for 2019/2020, a total of Kshs.9.12 billion was spent on development and recurrent activities and represented 99.3 per cent of the total funds released from the CRF account. The expenditure comprised of Kshs.2.38 billion and Kshs.6.74 billion on development and recurrent activities respectively. Expenditure on development programmes represented an absorption rate of 58.2 per cent while on recurrent expenditure an absorption rate of 82.9 per cent was realized.

3.2.3.3 ECONOMIC IMPACT OF THE COVID-19 PANDEMIC

While the COVID-19 pandemic is primarily a health crisis and human tragedy, it also has far reaching economic ramifications. The responses instituted to control its spread have disrupted millions of livelihoods with disproportionate impact on poor households and small and informal business. Counties are called upon to develop frameworks for action aimed at saving lives, protecting households, businesses, and the economy from the fall out of the pandemic, especially given the fact that health is a devolved function.

3.2.4 DOMESTIC ECONOMIC INDICATORS

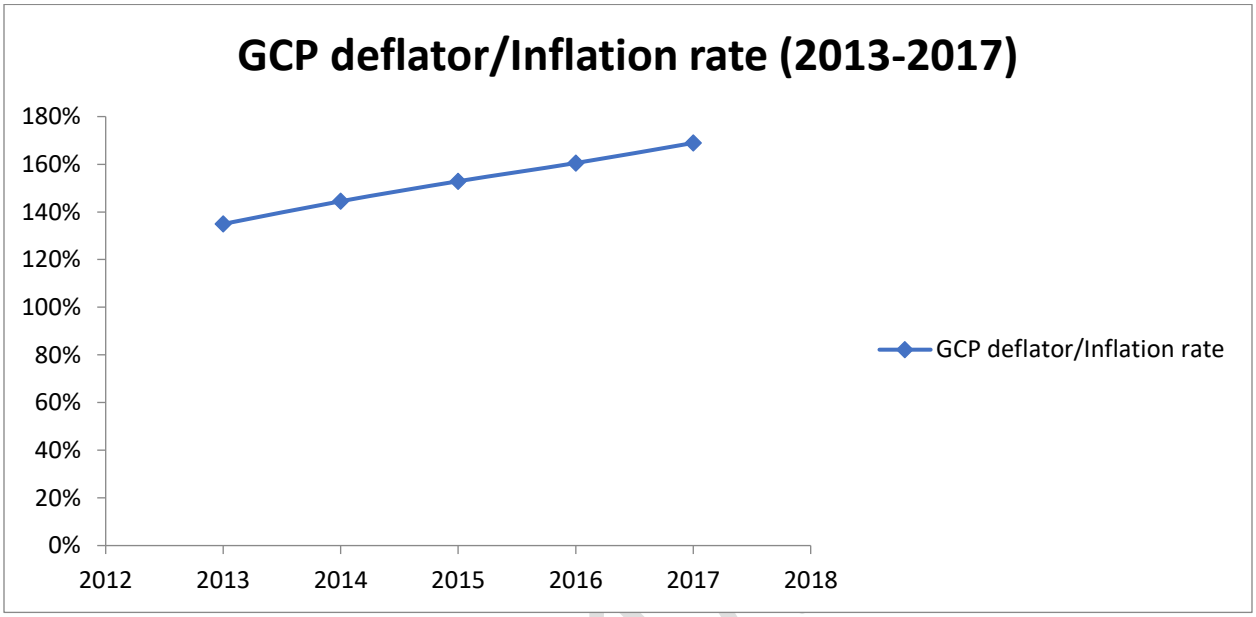
3.2.4.1 INFLATION

Table 6: Kisumu County GCP deflator/Inflation

Year	Kisumu County Nominal GCP (2017 Prices)	Kisumu County Real GCP (2009 Prices)	GCP deflator	Inflation rate
2013	135,418	100347	135%	
2014	152,655	105662	144%	11%
2015	165,503	108266	153%	9%
2016	181,161	112865	161%	8%
2017	194,489	115128	169%	8%
2018				

KCFSP 2021/2022FY

Figure 16: Kisumu County GCP deflator



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

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

3.2.4.2 ECONOMIC GROWTH

Table 7 : Kisumu County Economic Growth

Year	Kisumu County GCP	Economic growth
2013	135,418	
2014	152,655	12.73%
2015	165,503	8.42%
2016	181,161	9.46%
2017	194,489	7.36%

Figure 17: Kisumu County GCP Trend

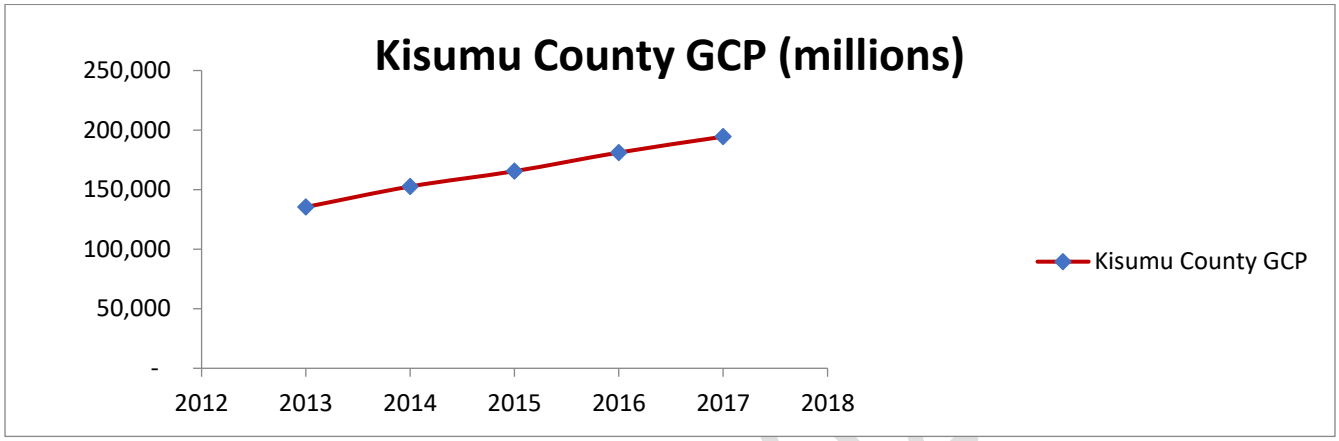
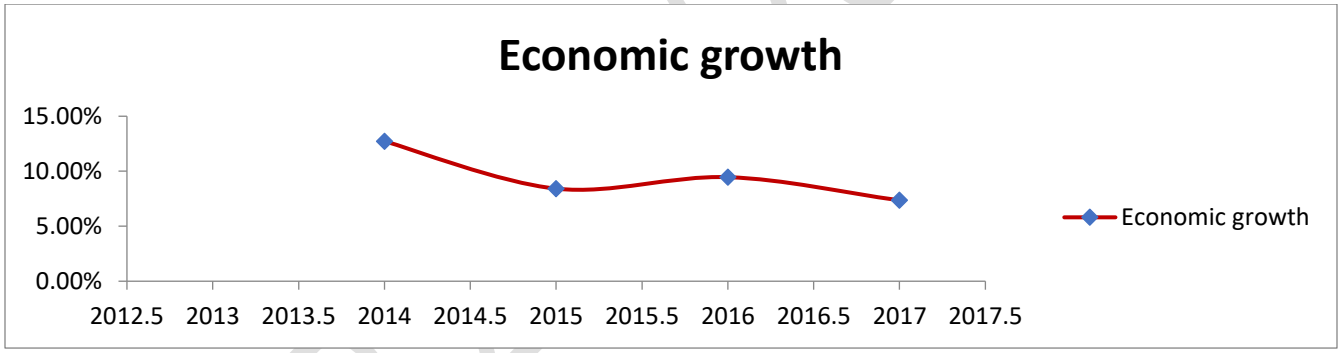


Figure 18: Kisumu County Economic Growth Trend



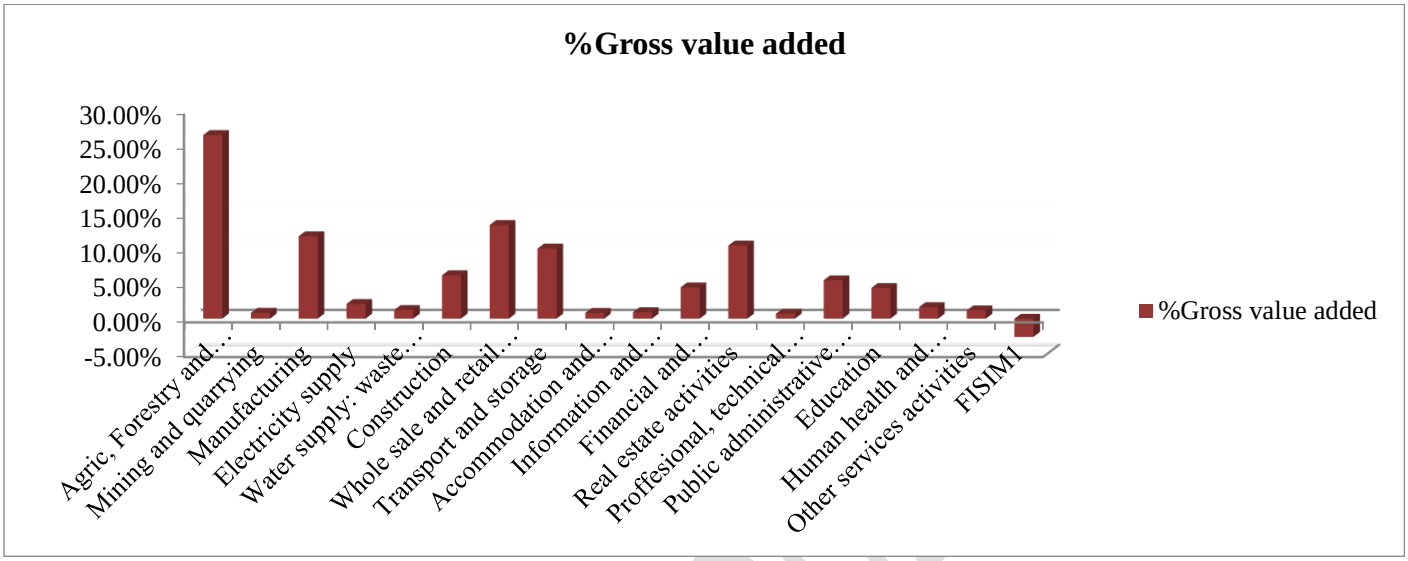
Economic growth is the increase in the inflation adjusted market value of the goods and services produced by the economy over time. The County economic growth was 7.36% in 2017. This growth has been declining due to slower growth in GCP over the time period 2013-2017.

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

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

3.2.4.3 GCP CONTRIBUTION PER SECTOR

Figure 19: Sectorial Contribution to GCP



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

3.2.4.4 PER CAPITA GROSS COUNTY PRODUCT

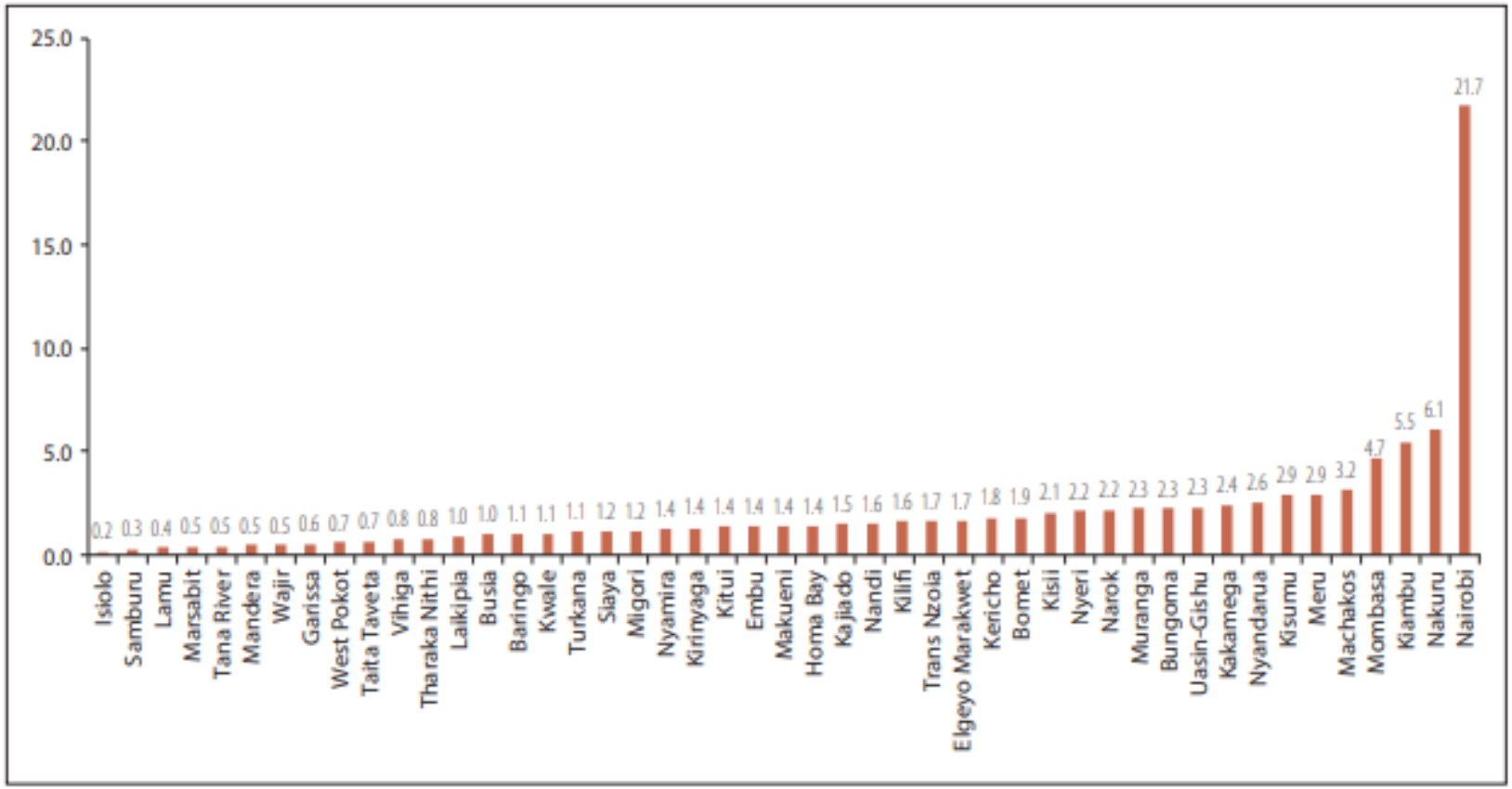
Table 8 :Kisumu County Per Capita Gross County Product

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

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

3.2.4.5 GCP ACROSS COUNTIES

Figure 20: GCP Comparison to other counties



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

KCFSP 2021/2022 FY

4.0 CHAPTER FOUR
RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

KCFSP 2021/2022 FY

FISCAL POLICY AND BUDGET FRAMEWORK

4.0 INTRODUCTION

The 2021/2022 CFSP is alive to the Big 4 pillars of the MTP III as it focuses on agricultural productivity and commercialization enhancement which impacts positively on food security and nutrition; urban planning and development which has urban housing as a component; and value addition of agricultural produce which is linked to manufacturing. In addition, this document is alive to Kisumu County COVID-19 Social Economic Re-Engineering Recovery Strategy 2020/21-2022/23 focusing on Boosting private sector activity; Policy, legislation and institutional reforms; Strengthening County government's preparedness and response to pandemic and disasters; Enhancing ICT capacity for business continuity; and Human capital development. Furthermore, this policy document adopts the Blue Economy Framework for development planning.

The 2021/2022 CFSP will form the basis for preparation of the 2021/2022 Budget. Each department will be mandated to align their programmes towards realizing the envisaged outcomes of the respective thematic areas.

The 2021/2022 Kisumu CFSP will be implemented as we focus on strengthening the government service delivery and performance management system. The County government will continue targeting creation of conducive business environment for investment, job creation and infrastructure development to deliver on the development agenda. The key thematic areas will therefore be:

i. Improving food and nutrition security
ii. Achieving Universal Health Coverage;
iii. Accelerating job creation through manufacturing;
iv. Skills development, business incubation and innovation support services;
v. Infrastructure development;
vi. Enhanced resilience, adaptive capacity and access to clean and safe household water.

The County Government has projected to raise Kshs.10.15B in the FY 2021/2022 to finance its programmes in order to achieve the above objectives. The funds will be allocated as categorized below:

KCFSP 2021/2022 FY

i. Personnel Emoluments will be 42%

ii. Development Expenditure will be at 30%

iii. Operation and Maintenance Expenditure will be 28%

In addition, the County Government will;

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

4.1 FISCAL STRUCTURAL REFORMS

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

i. Enhancing revenue mobilization; by finalizing revenue automation project through system integration, networking and acquisition of relevant equipment e.g., POS machines and computers. Finally enhancing enforcement mechanisms, identification of new revenue streams and improvement of service delivery
ii. The County Government intends to collect previous land rates arears and implementation of the new valuation roll once the court process is cleared.
iii. Expenditure rationalization by finalizing and subsequent implementation of staff rationalization report.
iv. Expenditure efficiency and effective implementation of budget programs; Continuous implementation of e-procurement, embrace internet banking and preparation of budget through IFMIS.
v. Training, roll out and use of financial operations process manual.
vi. Implementation of expenditure containment and rationalization to ensure efficiency in resource allocation and expenditure.
vii. Realizing Value-for-Money in County development programmes by Strengthening Monitoring and Evaluation (M&E) and Performance Management.
viii. Improving the quality of government strategy and policy by enlisting high-level advisory services.

4.2 DEBT MANAGEMENT STRATEGY

4.2.1 STOCK OF DEBT

Debts in the context of County Governments refer to monies borrowed by the government from commercial entities and pending bills owed to suppliers. Accumulation of pending bills still

KCFSP 2021/2022 FY

remains a challenge that needs to be addressed. The total stock of debt as at 30th June, 2020 stood at **Kshs. 2,621,421,192.93.** The accumulated debt of Kshs.**2,621,421,192.93** has been occasioned by revenue shortfalls over the years since 2013/14.

4.2.2. Pending Bills for the Last Three Financial Years

Table 9: Pending Bills for the Last Three Financial Years

DEBT CATEGORY	2017/2018	2018/2019	2019/2020	GRAND TOTAL
Development	0	406,844,202.00	549,403,173.00	956,287,376.00
Recurrent	187,191,641.00	0	264,262,437.00	451,454,079.00
Unremitted Retention	46,604,527.87.00	0	23,821,990.38	70,426,518.25
Outstanding Gratuity			365,000,000.00	365,000,000.00
Outstanding Medallion			5,400,000.00	5,400,000.00
Unremitted LAPFUND			206,794,398.81	206,794,398.81
Unremitted KRA			31,239,288.97	31,239,288.97
Unremitted NSSF			288,000,000.00	288,000,000.00
Legal Fees & Court Decrees		246,859,533.90	0	246,859,533.90
Total	**233,796,168.87**	**653,703,735.90**	**1,733,921,288.16**	**2,621,421,192.93**

***Source**: Finance, Debt Section*

KCFSP 2021-2025

4.2.3 PRINCIPAL RISK ASSOCIATED WITH DEBT

Table 10:Principal Risk Associated With Debt

Debt category	Nature of risk	Level of risk	Step taken to mitigate against the risk identified
Court Awards 246,859,533.90	Penalties and interests. Instituting legal proceedings against the County governments	High	An amount equivalent to Ksh.300 million has been factored into the budget FY 2021/2022
Medallion Ksh.5,400,000	Instituting legal proceedings to claim the debt.	High	Measures have been put in place to ensure these bills are settled by the end of FY 2020/2021
Gratuity Ksh.365,000,000	Instituting legal proceedings to claim the debt.	High	Measures have been instituted to remit monthly gratuity to County Pension Fund. In addition, gratuities in arrears have been considered in the 2019/2020 supplementary budget at a tune of Ksh.50, 000,000. The residual balance shall be amortized in the subsequent budgets
Contractors and Suppliers of goods and services Kshs 1,407,701,455	Instituting legal proceedings to claim the debt.	High	An amount equivalent to Ksh.1 billion will be factored into to the budget of FY 2021/2022 The outstanding arrears of Ksh.400 million shall be spread through the financial year 2022/2023-
Statutory deductions Kshs 494,794,398	Penalties	HIGH	Measures have been put in place to ensure that once these outstanding debts have been verified then strategy will be put in place on how to gradually settle them
KRA (31,239,288.97)	Penalties	HIGH	Ensure compliance with the laws
Unremitted Retention (70,426,518.5)	Instituting legal proceedings to claim debt	HIGH	Ensure compliance with the laws

4.2.4 STRATEGIES OF DEALING WITH DEBT IN THE MEDIUM TERM

Strategies to deal with the existing debt

Debt management strategy asserts the county governments debt management objectives of ensuring the county government's financing needs and payment obligations are met at the lowest possible cost with a prudent degree of risk.

The current debt portfolio shows that all the debts are already overdue as most are owed to suppliers, contractors and statutory institutions. (Strategies to deal with the existing debt portfolio include): This section outlines debt management strategies envisaged should the County Government of Kisumu contract a debt in future and also to facilitate the current existing debts.

i. The terms and conditions associated with any debt proposals must be examined carefully. Loans will be subject to a cost risk analysis by the County Debt Management Committee.
ii. Any new borrowing shall follow fiscal responsibility guidelines for a fit purpose; from an allowable source and with acceptable terms and conditions.

Any borrowing sought by the County will be for;
i. Investing in the productive sectors of Kisumu County;
ii. Funding priority core infrastructure and development initiatives as identified in CIDP 2018-2022.
iii. Specific purpose projects identified as a high priority in the county CIDP; Preference shall be given to projects that have the chance to stimulate growth and development of all other sectors.

Strategy A. Enhancing Revenue Collection

One of the reasons why pending bills are increasing is due to the County's failure to (meet) achieve its annual local revenue targets. The County has already embarked on enhancing local revenue collection (in order) so as to liquidate debts and improve liquidity by scaling up automation of local revenue collection.

Strategy B. Debt rescheduling or renegotiation

County may seek to reschedule bank loans with a view of getting better or favorable terms.i.e. an enhanced or longer repayment period. This will go a long way in easing pressure on cash flows and thereby free the cash resources to service delivery.

Strategy C. Debt/assets trade offs

This strategy may be applied in (instances) occasions where the County owes various statutory institutions such as NHIF, NSSF and utility firms such as Kenya Power and Lighting Company, while at the same time, these institutions also owe the County in terms of outstanding rates, rent

KCFSP 2021/2022 FY

etc.. The County may(enter) come in into negotiations with such institutions or creditors with a view to trade off debts with the County.

Strategy D. Debt write offs

The County may enter into negotiations with the National Government with a view to writing off long outstanding debts that it guaranteed in order to clean the balance sheet and improve credit worthiness.

Other strategies

Developing a (procedure manual) manual procedure and other regulatory framework that will define payment terms, reporting requirements, controls at budget authorization, commitment and payment stages and sanctions associated with any breach of those provisions

Improving cash flow management

Good cash flow management will ensure that liquidity is available to meet payments obligations as they fall due.

Realistic budgetary estimates and targets

One of the most effective ways (of addressing) to address persistent pending bills problem is (to ensure) by ensuring implementation of realistic budgets based on realistic and realizable forecasts. Internally generated revenue forecasts and targets should be realistic and(achievable) attainable.

Strengthening internal control systems

Strengthening systems of controls (will ensure) ensures that the County does not initiate expenditure or procurement without (ensuring) confirming availability of funds and cash to support the expenditure. IFMIS will continue to be used as an expenditure control tool.

Debt Management Strategy paper will be reviewed annually. Current strategy shall be reviewed to accommodate changing debt status to accommodate the current economic trends in internal, external and remote environment in which the county continues to operate.

KCFSP 2021/2022 FY

4.3 RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

4.4.1 DETERMINATION OF RESOURCE ENVELOPE

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

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

The County's share of the National revenue which includes equitable share and conditional loans and grants from the National government is projected at **Kshs.8.7 B** in **FY 2021/2022** while the total revenue is projected at **Kshs.10.4B** in **FY 2021/2022**. The total revenue includes the County's share of national revenue as well as locally collected revenue.

4.4.2. RESOURCE ENVELOPE FOR FY 2021/2022

Table 11: Kisumu County Resource Envelope

Revenue Items	Projected Estimates 2021/2022
Opening Balance	
Equitable Share	7,386,713,978
DANIDA	19,440,000
KDSP (WORLD BANK)	45,000,000
Universal health Care	
Level 5 conditional Grant (reducing)	369,017,341
Conditional Allocation - Development of Youth Polytechnics	45,349,894
EU Water Tower Protection and Climate Change Mitigation and Adoption Programs	-
World Bank Grant for transforming health system	57,625,645
Sweden - Agricultural Sector Development Support Programs (ASDSP) II + Balance c/f in FY 2017/2018	20,686,151
IDA World Bank Kenya Urban support Programs (KUSP)	-
IDA (World Bank)-Kenya Climate Smart Agriculture Project (KCSAP)	278,639,836
Kenya Urban Support Programs (KUSP)-Urban Institutional Grant	-
Conditional Allocation For compensation for user fee forgone	21,299,489
Conditional Allocation for Road Maintenance Fuel Levy Fund	203,758,538
Covid-19 Fund	

CIDP 2018-2022 FY

EU Grant for Instrument for Devolution Advice & Support (IDEAS)	-
GRANTS	348,241,101
Total Share of National Revenue	8,795,771,973
Locally collected Revenue	0
Main Revenue Streams	0
Market Fees	98,172,790
Parking Fees	103,550,761
Bus Park	134,663,500
Boda-boda self-regulation	9,149,000
Rents	42,613,319
Land Rates	573,603,994
Single Business Permits	218,226,649
Building Plans	30,000,000
Liquor Licenses	-
Sign Board promotion etc.	92,672,500
Public Health	-
Cesses - Others	11,898,100
Sundry	32,900
Subtotal for main revenue streams	1,314,583,513
Health	264,533,100
Agriculture, mechanization and training	16,050,000
Commerce, Trade and Tourism	1,872,500
Industrialization / Cooperatives	74,900
Educ. Sports, Social services etc.	8,560,000
Physical planning /Public works	3,210,000
Water	10,700,000
Roads, Public Works Equipment Hire & Supervision	1,000,000
Energy and Mining	2,461,000
Green Energy and Mining	4,815,000
Environment (Pollution Administrative & Restoration charges)	2,140,000
Total Revenue from other sources	315,416,500
Gross Locally Collected Revenue	1,630,000,013
Grand Total	**10,425,771,986**

i. The increase in resource envelope has been attributed to the projected economic growth of 6% in the year 2020 (AfDB Report- Kenyan Wallstreet) and the anticipated increase of 1% in efforts of raising local revenues.

ii. Factoring of opening balances has been deferred to the time of actual budgeting.

iii. It is assumed that the grants and loans will not grow at the same rate as equitable share from the National Government.

iv. Other items of loans and grants which are usually budgeted for but never disbursed to the Counties have not been factored in the projections.

4.4.3 CRITERIA FOR RESOURCE SHARING

i. **Non – discretionary expenditure:** In the recurrent expenditure category, non-discretionary expenditures take the first charge and include statutory obligations such as salaries, gratuity and pension that are financed by the Kisumu County government. These expenditures are projected at **47** per cent of the total revenue.

ii. **Development expenditures** are shared out on the basis of CIDP priorities as well as strategic interventions to boost revenue base and stimulate the economic growth as outlined in the Governor's Manifesto. The Development expenditures are estimated at **30** percent

iii. **On-going projects:** emphasis is given to completion of on-going projects with high impact on poverty reduction, social injustices, employment and wealth creation.

iv. **Infrastructure projects:** with the County government's commitment to improve infrastructure, construction of roads, development of water and sanitation network, energy and construction of offices will be given priority.

v. **Operations and maintenance:** It will account for **23** per cent of the total estimated revenue.

4.4 REVENUE PERFORMANCE FOR FIRST AND SECOND QUARTER OF THE FY 2020/2021.

Table 12: Locally collected Revenue First and Second Quarter 2020/2021

Revenue Streams	First Quarter	Second Quarter
Main Revenue Streams		
Land Rates	15,640,735	6,799,392
Rents	4,379,104	3,886,188
Trade license fees	21,337,728	7,032,949
Bus Park Fees	19,434,600	27,470,650
Parking Fees	19,857,620	23,087,680
Cess fees	4,406,967	5,145,312
Clamping Fees	76,500	96,000
Market Fees	12,233,930	17,852,640

CFSP 2021/2022 FY

Building Plans	9,014,833	6,538,400
Sign Board promotion etc	13,664,823	8,052,477
Sundry revenue	2,546,809	784,385
Boda Boda	0	0
Public Health and Others	411,050	551,300
Sub-Total	**123,004,699**	**107,297,373**
Revenue from Departments		
Health	8,887,259	5,270,655
Agriculture, Livestock and Fisheries	1,224,711	453,261
Commerce, Tourism, Trade and Heritage	12,900	530,440
Water	0	0
Lands, Housing and Physical Planning	1,854,600	3,076,850
Education, Youth, Culture and Sports	1,106,030	2,714,210
Industrialization and Enterprise Dev.	0	0
Liquor License	1,599,300	1,066,000
Green Energy	0	0
Energy & Mining	0	0
Environment	121,500	168,200
Roads, Transport and Public Works	433,950	238,750
Governance and Administration	317,550	520,900
Pay bill	0	0
Direct payment to KCRA	0	0
Sub-Total	**15,557,800**	**14,039,266**
Grand Total	**138,562,499**	**121,336,639**

Source: Revenue Collection Report 2020/2021

The County Government targets to collect **Kshs. 1,630,000,013** in the FY 2021/2022 as its Own Source Revenue. However, revenue performance shows that only 15.23 per cent of the current financial year target has been realized. This percentage is expected to improve when much revenue is collected from structured streams in the third quarter. Because of the expected shortfall in revenue due to COVID-19 19 related issues and slowdown in business activities, County Government of Kisumu will continue to enhance revenue collection by implementing the following initiatives: finalization of revenue management system by undertaking systems integration, acquisition of ICT infrastructure such as POS machines, recruitment and training of revenue personnel and implementation of valuation roll in the FY 2021/2022.

KCFSP 2021/2022 FY

4.5 PROPOSED SECTOR CEILINGS

Table 13: Proposed Sector Ceilings

Department	Personnel	Grant/Flagship O&M	Development	Totals	Percentage Allocation
Agriculture, Irrigation, Livestock and Fisheries	183,029,016	21,360,872	494,294,772	698,684,660	6.7
The County Assembly	330,781,680	371,139,814	100,000,000	801,921,494	7.7
City of Kisumu	247,426,844	75,609,616	105,275,000	428,311,461	4.1
County Public Service Board	29,919,530	28,270,583	0	58,190,113	0.6
Education, Human Resource Development and ICT	359,291,976	235,000,000	225,349,894	819,641,870	7.9
Office of the Governor and County Administration	285,181,736	267,102,952	50,000,000	602,284,688	5.8
Health Services	2,847,285,396	717,382,475	150,400,000	3,715,067,871	35.6
Energy and Industrialization	19,237,834	19,595,027	80,650,000	119,482,861	1.1
Tourism, Culture, Arts and Sports	27,750,263	32,158,502	87,000,000	146,908,765	1.4
Roads, Transport and Public Works	54,862,017	145,489,048	303,758,538	504,109,603	4.8
Lands, Housing, Physical Planning and Urban Development	33,172,176	18,575,623	70,650,000	122,397,799	1.2
Business, Cooperatives and Markets	52,165,657	18,575,623	90,743,317	161,484,597	1.5
Finance and Economic Planning	307,665,215	469,003,579	1,248,241,101	2,024,909,895	19.4
Water, Environment and Natural Resources	77,478,377	23,528,959	121,368,974	222,376,310	2.1
Totals	**4,855,247,718**	**2,442,792,672**	**3,127,731,596**	**10,425,771,986**	**100**

The ceilings are based on sector priorities and the proposed budget for ADP FY 2021/2022. The departmental allocations are inclusive of conditional grants.

Analysis of Sector Ceilings shows that the department of Health and Sanitation has the highest percentage allocation of 35.6% followed by Finance and Economic Planning at 19.4%.

The departments of Lands, Housing, Physical Planning and Urban development; Energy and Industrialization; and Kisumu Public Service Board has the lowest percentage allocations of 1.2%, 1.1% and 0.6 % respectively.

KCFSP 2021/2022 FY

KCFSP 2021/2022 FY

ANNEX1: FISCAL PERFORMANCE BY COUNTY DEPARTMENTS

Table 14: Kisumu County, Budget Performance by Department for FY 2019/2020

Department	Budget Allocation (ksh. Million)		Exchequer issues (Ksh.Million)		Expenditure (Ksh.Million)		Expenditure to Exchequer issues (%)		Absorption Rate (%)	
	Rec	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**
Office of the Governor and county Administration	517.76	34	506.4	7.18	439.68	-	86.8	-	84.9	-
Finance and Economic planning	1570.45	1731.35	1007.8	783.86	1149.6	1560.67	114.1	200.8	73.2	90.2
Agriculture, Livestock, and Fisheries	237.73	167.36	227.37	152.85	220.14	116.03	96.8	78.9	94.6	69.3
Education, Human Resource Development & ICT	401.59	225.64	195.93	75.03	172.49	88.84	88	143.7	43	39.4
Tourism, Culture, Arts and sports	104.56	35.5	100.62	1.5	58.15	4.11	57.8	407.3	55.6	11.6
Physical planning, Lands, Housing & Urban level	25.45	90.23	18.93	47.38	21.82	47.38	115.3	100	85.7	52.5
Public works, Roads and Transport	176.53	455.91	168.72	261.04	114.23	193.87	67.7	78	64.7	42.5
Health Services	3,569.18	234.55	3,310.59	129.12	3,180.19	125.32	96.10	116.6	89.10	53.4
Water, Environment and Natural Resources	78.15	228.44	61.04	19.98	46.56	117.22	76.3	586.7	59.6	51.3
Business, Co-operatives and Markets	31.47	156.75	28.46	52.41	19.33	45.7	67.9	191.4	61.4	29.2
Energy and Industry	51.41	71.3	51.39	3.99	25.13	9.89	48.9	436.8	48.9	13.9
County Assembly	696.92	20	696.87	12.2	695.59	12.2	99.8	100	99.8	61
City of Kisumu	620.5	635.73	620.5	593.46	566.63	58.53	91.3	10.2	91.3	9.2
County Public Service Board	47.53	-	44.48	-	31.31	-	70.4	-	65.8	-
Total	8,129.21	4,086.75	7,039.11	2,140.00	6,740.83	2,379.77	95.80	117.80	82.90	58.20

Source: Kisumu County Treasury

Analysis of expenditure by department shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at **90.2** per cent while the Office of the Governor and County Administration did not report expenditure on development activities. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at **99.8** per cent while the Department of Education Human Resource Development and ICT had the lowest at **43** per cent.

KCFSP 2021/2022 FY