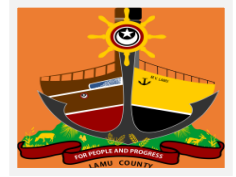




REPUBLIC OF KENYA



LAMU COUNTY FISCAL STRATEGY PAPER 2020

VISION

"A PROSPEROUS COUNTY OFFERING HIGH QUALITY OF LIFE FOR ITS PEOPLE"

FEBRUARY 2020

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Abbreviations

ADP	Annual Development Plan
BPS	Budget Policy Statement
CBEF	County Budget and Economic Forum
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy paper
CIDP	County Integrated Development Plan

ECDE	Early Childhood Development Education
ECDEC	Early Childhood Development Education Centre
FY	Financial Year
ICT	Information, Communication & Technology
IFMIS	Integrated Financial Management Information System
IGA	Income Generating Activities
LH&PP	Land, Housing and Physical Planning
MOU	Memorandum of Understanding
MSMEs	Medium and small micro Enterprises
MTEF	Medium Term Expenditure framework
MTP	Medium Term Plan
PDPs	Partial Development Plans
PFMA	Public Finance Management Act
SACCOs	Saving and Credit Cooperative Societies
WB	World Bank
VTCs	Vocational Training Centers

EXECUTIVE SUMMARY

The fiscal strategy of Lamu County Government for the year 2020/2021 is set out in this paper.

The CFSP is prepared in accordance to PFM Act section 117 which states that, the County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper (CFSP) for approval and then shall submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year.

The contents of the CFSP are largely informed by the PFM Act section 117(2) which provides for the aligning of the CFSP with the national objectives in the Budget Policy Statement. The CFSP

serves as the basis for the preparation of the annual estimates of revenue and expenditure for the County Budget FY 2020/2021. The county fiscal strategy paper has five chapters, as outlined below:

Chapter I- Introduction to county fiscal strategy paper. This chapter outlines legal basis for the preparation of the county fiscal strategy paper, fiscal responsibility principles and the strategic objective of the County Government.

Chapter 2 - Recent global, national and county economic developments. This chapter highlights recent economic developments on the global and national level and the impact that this has on the county economic development.

Chapter 3 - Macro-economic policy framework and medium term outlook. This chapter explores the global and national macro-economic development outlook and how they will impact on the county's economic outlook and fiscal performance in the medium term. Further, the chapter includes the County's medium term framework, outlining the strategic legislative and executive actions that Government will undertake to accelerate economic growth, raise additional own-source revenue and costs management. In addition, analysis of budget performance and significant internal risks to the outlook are highlighted.

Chapter 4 - Fiscal framework and structural measures for 2020/2021 and the medium term. This chapter highlights the projections for county revenue, recurrent and development expenditure. It sets out a framework for sustainable public finances management, while managing vulnerability to economic and fiscal risks.

Chapter 5 - Resource envelope and criteria for resource allocation. This chapter highlights the resource envelope, sector ceilings and spending priorities for FY 2020/2021, MTEF budget and the medium term. This is informed by the national objectives and goals as outlined in the 2020 Budget Policy Statement and the set out resource sharing guidelines.

FOREWORD

This is the eighth Lamu County Fiscal Strategy Paper (CFSP) under the devolved governance structure and the third under the current administration regime. The purpose of this paper is to build direct linkages between policies, plans and budgets, and present the County fiscal framework for the FY 2020/21 budget estimates and over the medium term. The paper, prepared under the theme *“making lamu a prosperous county”* provides expenditure ceilings for County Departments, units and agencies and detailed guidelines that are aimed at structuring County Government expenditure towards priority areas. These priorities are set on the basis of the county development agenda, sector proposals arising from feedback from the public and other stakeholders, the 2020/21 draft Annual Development Plan as well as the approved County Integrated Development Plan 2018-2022.

The FY 2020/21 County Fiscal Strategy Paper is aligned to the Budget Policy Statement (BPS) 2019 prepared by the National Treasury which sets out the national broad strategic priorities and policy goals guiding budget preparation for the next financial year. It is a requirement to subject the proposals to public scrutiny as a way of ensuring transparency and accountability. In this regard, public participation on the paper will be conducted and the views arising thereof shall eventually be considered for incorporation in the paper. Further, the draft CFSP will be circulated to the Commission on Revenue Allocation (CRA), The National Treasury and the County Budget and Economic Forum (CBEF) for comments. Their inputs and positive criticism will go a long way in shaping this paper.

The fiscal data included is indicative and subject to adjustments during the budget preparation if circumstances change. The County Government proposes to allocate more

resources to programmes, projects and activities targeted towards addressing water provision challenges, food security, access to affordable, accessible and quality health care, youth and women empowerment, employment and wealth creation.

It is with great humility that I take this opportunity to express my profound gratitude and deepest regards to members of the County Executive Committee and especially His Excellency the Governor for the visionary leadership that has enabled us chart a clear way forward. It is through her guidance, support and leadership that the County Treasury has been able to produce this budget policy document that lays down the county priorities. It is my strong believe that the document will steer the County to great success on development matters thereby ensuring improved welfare of county residents.

Finally, to all our stakeholders, we reiterate our commitment to serving you and promise never to let you down on matters of financial performance, transparency and accountability on county planning and budgetary matters.

AHMED M. HEMED

CECM FINANCE, STRATEGY AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

The preparation of County Fiscal Strategy Paper (CFSP) 2020/21 was collaborative, with stakeholders drawn from all sectors: departments and agencies of County Government of Lamu, views from citizens and written memoranda from organized groups with the whole process being guided by the department of Budget and Economic Planning. The process could not have been accomplished without the commitment, dedication, sacrifice and determination of all the members of staff of the County Government.

First and foremost, I acknowledge the valuable leadership and support of His Excellency the Governor Fahim Twaha. I wish to extend my gratitude to Ahmed Hemed, County Executive Committee Member for Finance, Strategy and Economic Planning for the technical support extended in the preparation of this paper. I appreciate the role played by all Chief Officers in leading their staff in providing information and real time data towards preparation of this document.

I would like to pay special thanks to the officers working under Budget and Economic Planning department who helped put this document together. The team put tireless quality time in production of this document.

I may not mention everybody, but do acknowledge all those individuals who directly or indirectly contributed to the success of development and production of this paper.

FATMA SAID

Chief Officer – Finance Budget and Economic planning

CHAPTER ONE: OVERVIEW

1.0 Introduction

This chapter presents the philosophy behind financial planning, the legal framework underpinning the preparation of the fiscal strategy paper for the fiscal period 2020/2021. It provides a summary of key achievements for the fiscal period 2018/2019 and up to mid 2019/2020 for various County departments in terms of revenues, expenditures and results for capital programmes.

Section 117 of the Public Finance Management Act 2012 requires all counties to table a County Fiscal Strategy Paper (CFSP) in their respective county assemblies by 28 February each year. The Paper should have at least four core elements namely Performance review, priority setting for the medium term, projections of revenue and expenditure and expenditure ceilings for respective sectors. Specifically, the paper shall provide the following information:

A description of budget implementation for the period Medium term 2016/17 to 2018/19 and first half of the year 2019/2020 (July to December), including revenue and expenditure performance.

A description of any changes to the budget during the year, such that may have necessitated revision of the approved financial plan.

An overview of the expected revenue and expenditure totals for the coming year, based on an assessment of the economy and any other determinants.

Ceilings (or limits) on the amount of money each sector (health, education, etc.) will get in the upcoming budget and the basis for such capping.

1.1 LEGAL FRAME WORK

The County Treasury pursuant to section 117(1) and (6) of the Public Finance Management Act (PFMA), 2012 is mandated to prepare and submit the County Fiscal Strategy Paper to the County Assembly, by the 28th February of each year, and subsequently publish and publicize it not later than seven days after it has been submitted to the County Assembly. The county Treasury shall also align its County Fiscal Strategy Paper with the National objectives in the Budget Policy Statement. In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the

County Government in preparing its budget for the coming financial year and over the Medium Term.

In preparing the Fiscal Strategy Paper, the County Treasury shall seek and take into account views of:

- The Commission on Revenue Allocation
- The Public
- Any interested persons or groups
- Any other forum that is established by legislation

In accordance to section 117(2) of PFM Act, the County Treasury has aligned the proposed revenue and expenditure plan to the national financial objectives contained in the National Budget Policy Statement (BPS) for 2020 with the aim of meeting the County Integrated Development Plan, (CIDP 2018-2022). In this regard, the fiscal policies are geared towards triggering a multiplier effect towards the achievement of the national theme of economic transformation for shared prosperity resulting in: i) Restored good governance, public safety and security, ii) enhanced food security, iii) Improved access to quality education and affordable healthcare, v) An enabling environment for job creation, business growth and wealth creation, vi) Serene environment, clean water, sanitation and garbage management, vii) Plight of youth, women, People Living With Disabilities and adequate social protection.

1.2 Rationale

6. The Fiscal strategy Paper outlines the County’s fiscal policies in the context of prevailing macro-economic policies and outlook while articulating the Lamu County’s strategic priorities and policies for the fiscal year 2020/2021. The Lamu County Fiscal Strategy Paper is the guide to the County Budget Process. It looks at how the past and the present setting of the budget process can inform the future. The Lamu County Fiscal Strategy Paper specifies the broad strategic priorities and policy goals that guide the County government in preparing its budget for the coming financial year and over the medium term (3-5 years).

1.3 COUNTY ACHIEVEMENTS FOR FY 2018/19 TO MID-YEAR 2019/2020.

1.3.1 WATER

Project Name/	Objective/	Output	Performance Indicators	Status (based on the indicators)
---------------	------------	--------	------------------------	----------------------------------

Location	Purpose			
Feasibility studies in Kizingitini, Kiunga , Ndaui Siyu, Kiwayuu and Faza	To improve water distribution in the county	Increased access and portable water	Feasibility studies carried out	5no. villages, Feasibility studies conducted
Installion of desalination plants in Kizingitini, Kiunga , Ndaui	To increase water production to meet water demand	Increased water production and access portable water	Desalination plants installed	3No of Desalination plants installed
Laying reticulation system and individual connections	To improve water distribution in the county	Increased access and portable water	Length of kms of pipeline laid and individual connection installed	56km, pipeline laid and individual connection installed

1.3.2 HEALTH SERVICES

Enrol 20,000 households on NHIF	Reduce out of pocket health expenditure	20,000 households enrolled on NHIF	No. of households enrolled	16,870
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1.3.3 PUBLIC HEALTH AND SANITATION PERFORMANCE IN FY 2018-19

Project Name/ Location	Objective/ Purpose	Output	Performance Indicators	Status (based on the indicators)
Construction of 38 Modern toilets	Improve access to appropriate sanitation services	Improved access to sanitation services	No. of toilets constructed	10%
Procurement of 4WD Double Cab vehicle for field work	Strengthen public health extension services	Means of transport provided	No. of vehicle procured	100% Complete

1.3.4 EDUCATION, YOUTH AFFAIRS, CULTURE AND SOCIAL SERVICE

Project Name/ Location	Objective/ Purpose	Output	Performance Indicators	Status (based on the indicators)
Capitation in Youth Polytechnics	To Increase enrollment	Students in polytechnics financially supported.	Number of students enrolled.	3,000 Youths benefitted
ECDE Teaching and Learning materials.	To increase the level of competency	Learning and teaching materials provided	Number of learning and teaching materials	10,000
Provision of Bursaries and scholarships	To promote enrollment, retention	Bursaries and scholarship	Number of bursaries and scholarships	3,000

Project Name/ Location	Objective/ Purpose	Output	Performance Indicators	Status (based on the indicators)
	and transition	awarded	awarded.	
Construction of ECDE centers	To improve the quality and accessibility of ECDE	1 ECDE Centre constructed	Number of ECDE centers constructed	1
Construction of ECDE Toilets	To construct Quality ECDE Toilets.	4 toilets constructed	Number of ECDE Toilets constructed.	4

1.3.5 TRADE AND TOURISM

Project Name/ Location	Objective/ Purpose	Output	Performance Indicators	Status
Construction of Kizingitini Local Boat Builders Shed-Faza	Conducive environment for traders	Site visit BQs Contract furnishing	No. of developed boat builders sheds	Ongoing
Construction of Boda Boda Shed at Mpeketoni Town-Bahari	Conducive environment for traders	Site visit BQs Contract furnishing	No. of developed boda boda sheds	Ongoing
Construction of Juakali Shed and purchase of welding equipment- Bahari	Conducive environment for traders	Site visit BQs Contract furnishing	No. of developed modern jua kali sheds	Ongoing

1.3.6 INFRASTRUCTURE AND ENERGY

Project Name/ Location*	Objectives	Description of Activities (Key Outputs)	Performance indicators	Status
Lamu Public streetlighting programme	Provision of lighting to public spaces within Lamu	Surveying of areas that need public street lighting, provision of public streetlights	No. of towns installed with public street lights	100% completed
Lamu Road 3	To enhance accessibility	Provide and lay cabro paving blocks	No. of kms layed	100% completed
Bora Imani ECD – Hindi Magogoni road	Enhance lifespan of the infrastructure	Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment. Excavate in soft material for culverts.	No.of roads kms maintained	100% completed
Ndeu - ECD road	To preserve the existing transport assets	Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment. Excavate in soft material for culverts.	No.of roads kms maintained	100% completed
Hindi – Hindi Magogoni road	To enhance accessibility	Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment. Excavate in soft material for culverts.	No.of roads kms maintained	100% completed
A7 Junction – Mokowe Road	Enhance lifespan of the infrastructure	Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment. Excavate in soft material for culverts.	No.of roads kms maintained	100% completed
Nyongoro Chalaluma road	To enhance the quality and usability of the roads.	Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment. Excavate in soft material for culverts.	No.of roads kms maintained	100% completed
Moa – Chalaluma road	Improve connectivity	Light bush clearing. culvert installation 600mm with surround. Provide gravel wearing course-excavation, free haul, spread and compact	No.of roads kms maintained	100% completed

		gravel equipment.		
Ras Kitau Access road	Enhance lifespan of the infrastructure	Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment. Excavate in soft material for culverts.	No.of roads kms maintained	100% completed
Bangure Junction – Kizuke road	To enhance the quality and usability of the roads.	Light bush clearing. culvert installation 600mm with surround. Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment.	No.of roads kms maintained	100% completed
Mkunguni ECD – Bora Imani road	Improve connectivity	Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment. Excavate in soft material for culverts.	No.of roads kms maintained	100% completed
Mpeketoni – Bahari road	Enhance lifespan of the infrastructure	Light bush clearing. culvert installation 600mm with surround. Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment.	No.of roads kms maintained	100% completed
Mpeketoni – Ndamwe road	To enhance the quality and usability of the roads.	Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment. Excavate in soft material for culverts.	No.of roads kms maintained	100% completed
A7 Junction – Sinambio road	Improve connectivity	Light bush clearing. culvert installation 600mm with surround. Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment.	No.of roads kms maintained	100% completed
Majembeni – Sinambio road 1	Enhance lifespan of the infrastructure	Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment. Excavate in soft material for culverts.	No.of roads kms maintained	100% completed
Majembeni – Sinambio road 2	To enhance the quality and usability of the roads.	Light bush clearing. culvert installation 600mm with surround. Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment.	No.of roads kms maintained	100% completed
Maisha Masha road	Improve connectivity	Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment. Excavate in soft material for culverts.	No.of roads kms maintained	100% completed
Kiangwi – Basuba road	To enhance the quality and usability of the roads.	Light bush clearing. culvert installation 600mm with surround. Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment.	No.of roads kms maintained	100% completed
Sikomani – Uziwa Road	Improve connectivity	Provide gravel wearing course-excavation, free haul, spread and compact gravel equipment. Excavate in soft material for culverts.	No.of roads kms maintained	100% completed

1.3.7 LANDS

Project Name/ Location	Objective/ Purpose	Output	Performance Indicators	Status (based on the indicators)
1.Planning, survey & regularization of Kiwayu villages & farms	-To prepare spatial framework for development & growth of settlements -To formalize claims on public land	- planned settlements -Surveyed towns, villages & market centres -Ownership documents issued	-No. of towns, market centres, villages & farms planned - No. of settlements surveyed -No. of title deeds prepared	-Procurement process completed
2. Planning, survey & regularization of Mararani village				-Contracts awarded
3. Planning, survey & regularization of Tewe trading Centre				
4. Survey & regularization of Hongwe Centre				
5. Survey & regularization of Katsaikaikairu Centre				
6. Survey & regularization of Kiunga New Town				
7. Survey & regularization of Muhamarani Market Centre				
8. Survey & regularization of Hindi Township				
9. Survey & regularization of Hongwe Market Centre				

1.3.8 AGRICULTURE

Project Name/ Location	Objective/ Purpose	Output	Performance Indicators	Status (based on the indicators)
Purchase of certified seeds	To improve farmers access to certified seeds	Certified seeds bought	Quantity of seed purchased Type of seeds purchased	127 tons of certified seeds Maize seeds, cowpeas, green grams, Nerica rice and sorghum
Procurement and distribution of coconut seedlings	To improve farmers access to quality coconut seedlings	Coconut seedlings Procured and distributed	Number of coconut seedlings purchased and distributed	20,000 coconuts seedling
Procurement and distribution of grafted cashew nut seedlings and seeds	To improve access to quality cashew nut seedlings and seeds	Grafted cashew nut seedlings procured and distributed	Number of grafted cashew nut seedlings purchased and distributed	8,000 grafted cashew nut seedlings and 400 kgs of cashew nut seeds
Procurement of farm tractors	To improve farmers access to farm tractor services	Farm tractors procured	Number of tractors purchased	8 farm tractors not procured
Kenya Climate Smart Agriculture	To improve productivity and resilience of farmers against climate change	Value chains identified Farmer groups mobilized Community Action Plans developed	Number of value chains identified Number of farmer groups mobilized Number of Community Action Plans developed	3 value chains were identified 180 farmers groups were mobilized 6 community integrated action plans developed
Procurement and distribution of coconut seedlings in the whole county	To improve farmers access to quality coconut seedlings	Coconut seedlings Procured and distributed	Number of coconut seedlings purchased and distributed	20,000 coconuts seedling
Procurement and distribution of grafted cashew nut seedlings and seeds in the whole county	To improve access to quality cashew nut seedlings and seeds	Grafted cashew nut seedlings procured and distributed	Number of grafted cashew nut seedlings purchased and distributed	8,000 grafted cashew nut seedlings and 400 kgs of cashew nut seeds

CHAPTER TWO: MACRO ECONOMIC POLICY FRAMEWORK

2.1 MACRO ECONOMIC POLICY FRAMEWORK

Global Economic Prospects

The global economy is estimated to have declined to 3.0 percent in 2019 compared to a revised growth of 3.7 percent in 2018. The sluggish global growth reflects the weak global trade and subdued investment and demand for capital goods. Growth in the Sub-Saharan African region is projected to rise to 3.6 percent in 2020 from 3.2 percent in 2019 largely on account of improved commodity prices and access to capital markets (Global Economic Prospects-World Bank, 2020).

Global economy is projected to grow marginally at 3.4 percent in 2020 from the estimated 3.0 percent in 2019. The projected pick up is on account of recoveries in stressed emerging markets and macroeconomic policy support in major economies (Global Economic ProspectsWorld Bank, 2020).

In advanced economies, growth is expected to slow down to 1.7 percent in 2020 from an estimated 2.3 percent in 2018 mainly due to trade tensions between the United States of America (U.S.A) and China, uncertainties surrounding the Brexit outcome, rising global oil prices due to tensions between U.S.A and Iran, and the pace of normalization of monetary policy in the advanced economies.

Among emerging markets and developing economies, growth is expected to pick up to 4.6 percent in 2020 from an estimated 3.9 percent in 2019 reflecting recoveries in stressed economies such as Turkey, Argentina and Iran as well pickup in growth for Brazil, Mexico, India, Russia and Saudi Arabia which recorded significant slowdowns in 2019 relative to 2018.

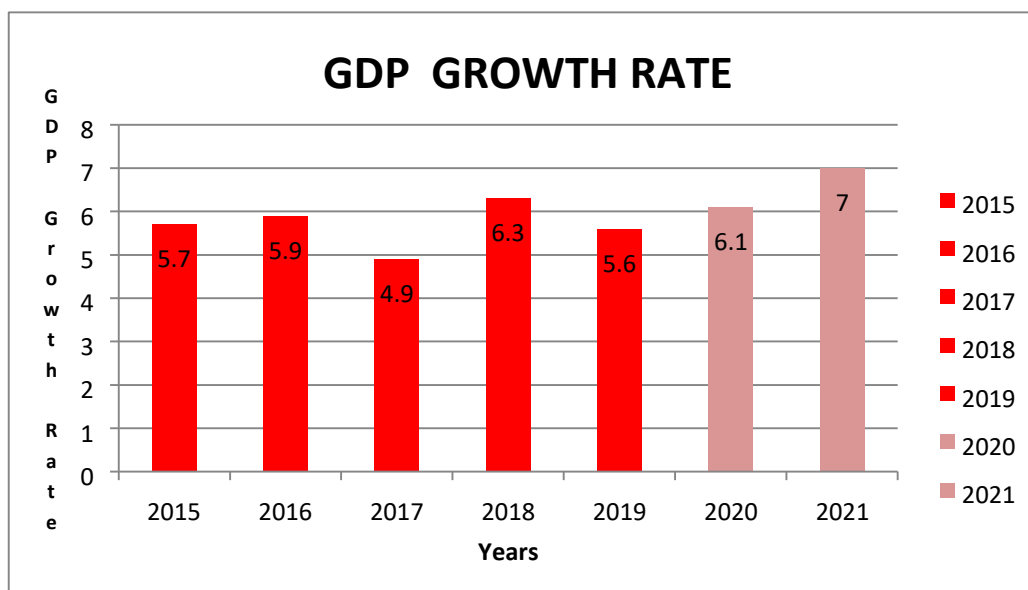
Growth in the East African Community (EAC) region is estimated to improve to 6.0 percent in 2020 from 5.6 percent in 2019 mostly supported by the stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and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

Domestic Economy

On the domestic scene, Kenya’s economic growth has remained strong and resilient. The economy grew by 6.3 percent in 2018 up from a growth of 4.9 percent in 2017. In the year 2019, the economy is estimated to have expanded by 5.6 percent in part reflecting the impact of delayed rainfall in the first half of 2019 that affected agricultural production (Economic Survey,2018).

It is project the economy to further expand by above 6.1 percent in 2020 and 7.0 percent over the medium term. This growth will be supported by the strong services sector, stable macroeconomic environment and ongoing investments strategic priorities of the Government under the “Big Four” Agenda.

Figure 2.1: Trends in GDP growth rate in percent



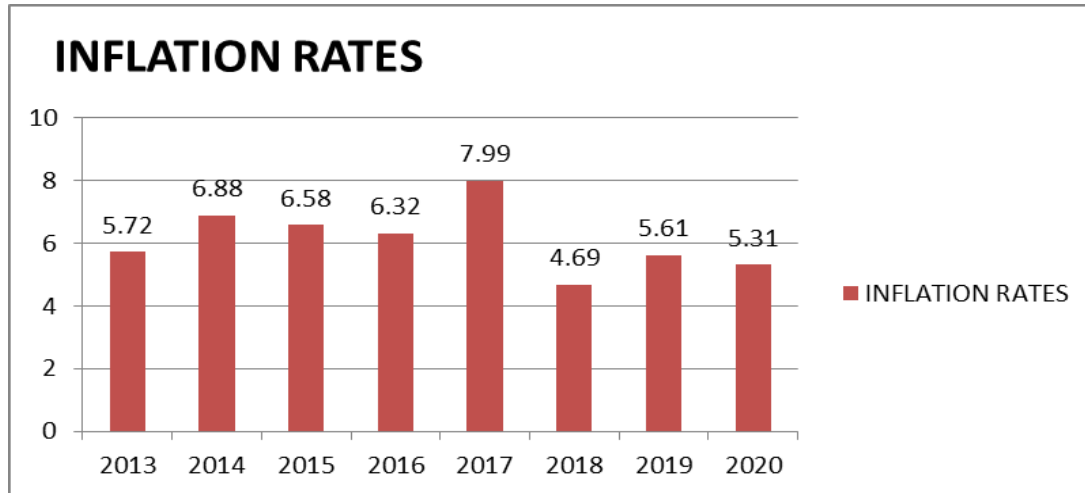
Source: Economic Survey, 2018

Inflation

35. The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate to support exports. At 5.8 percent in December 2019, year-on-year overall inflation remained stable and within the 5 (+/-2.5)

percent target largely due to lower food prices following favorable weather conditions. Inflation is expected to remain within target in 2020, largely due to lower energy prices and expected stability in food prices (Kenya national bureau of statistics).

Figure 2.2: Trend in inflation rate over the five years



Source: Kenya National Bureau of Statistics

Foreign exchange

36. The foreign exchange market remains stable supported by the narrowing of the current account deficit. The current account deficit is estimated at 4.3 percent of GDP in 2019 down from 5.0 percent in 2018. The narrowing deficit reflects strong growth in diaspora remittances and tourism receipts, higher tea and horticultural exports, slower growth in imports due to lower food imports and the decline in international oil prices.

Interest rates

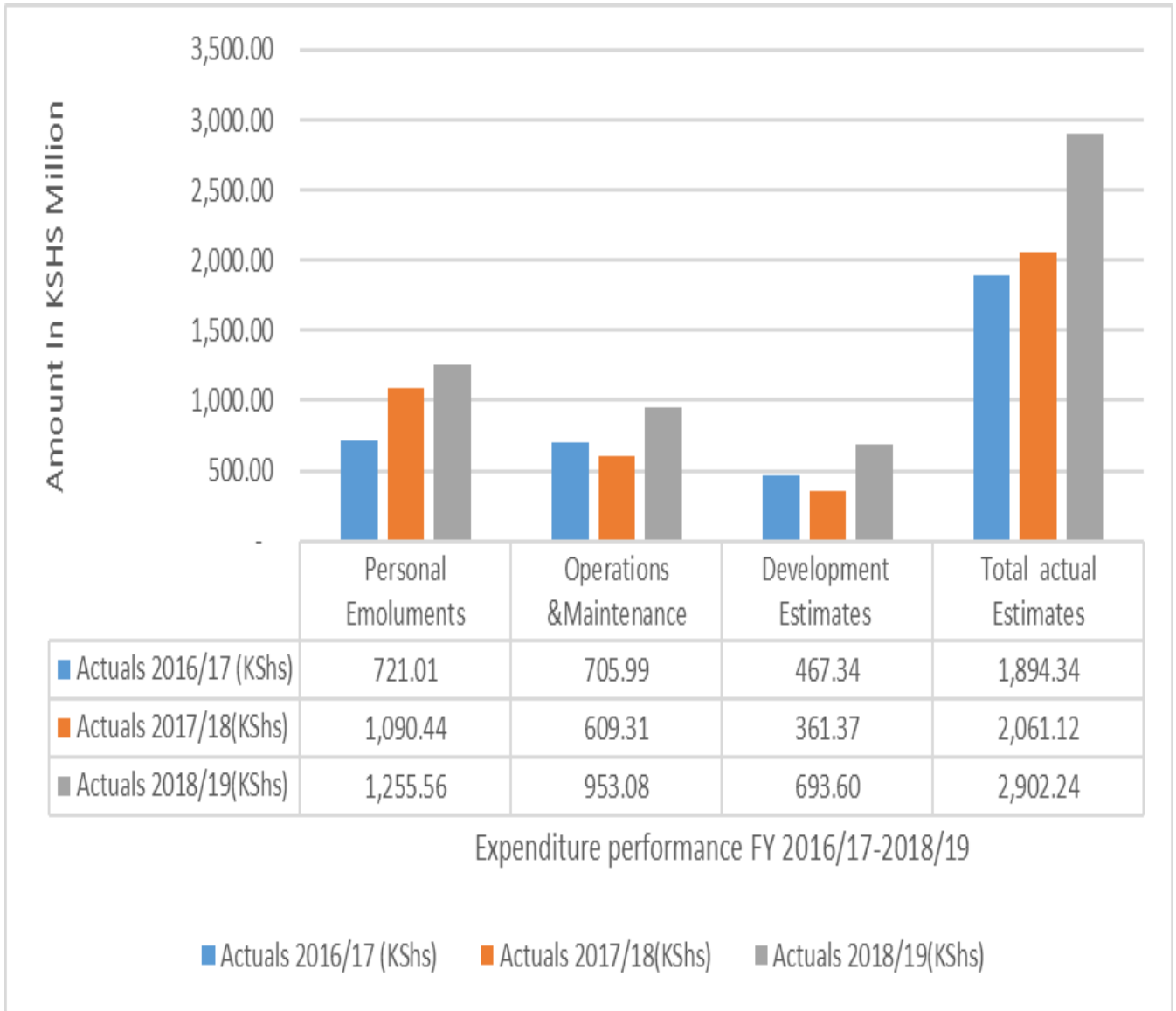
37. Interest rates remained stable and low in the period 2013 to October 2019, except from June to December 2015 when world currencies were under pressure. During the period, the Central Bank Rate (CBR) was adjusted appropriately to anchor inflation expectations. The Central Bank Rate was reduced to 8.5 percent on 25th November 2019 from 9.0 percent in August 2018 as there was room for easing monetary policy stance to support economic activity. The interbank rate declined to 5.9 percent in December 2019 from 8.2 percent in December 2018 due to enhanced liquidity in the money market. The interest

rates for government securities have been declining indicating that the implementation of government domestic borrowing program supported market stability.

Lamu county expenditure performance

1. Over the medium term the expenditure on Compensation to employees has been rising steadily rising from Kshs 721 Million in FY 2016-17 to Kshs 1,255 Million which is an increase of Kshs 535 Million over three years as Shown in the figure below.
2. The increase in compensation to employees has been as a result of the need to fill the gaps in staff establishment in order to improve service delivery. The county has also been implementing various SRC circulars on salary and allowances increases which had a effect on the Compensation to employees.
3. Expenditure on Development has been rising with the exception of 2017-18 due to prolonged electioneering period .

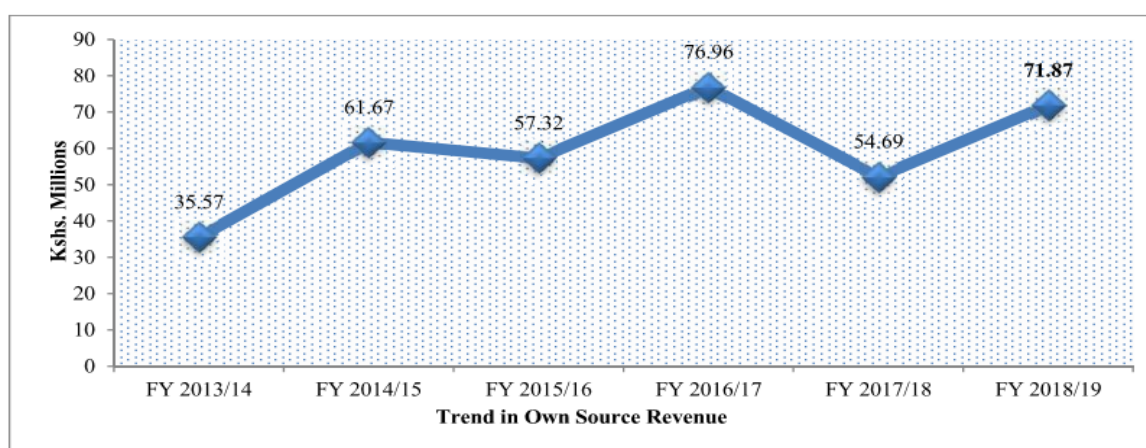
FIGURE 1 EXPENDITURE BY ECONOMIC CLASSIFICATION 2016/17-2018/19



The county has been experience some growth in local revenue since devolution with the exception of FY 2015/16 and 2017/18 due to insecurity issues experienced in 2014 and Prolonged Election due to nullification of presidential election results respectively.

FIGURE 2: LAMU COUNTY OWN SOURCE REVENUE COLLECTION FOR FY 2013/14 TO FY 2018/19

Figure 3.82- Lamu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: Lamu County Treasury

County Fiscal Overview

The revised Approved Budget for the Financial Year 2019/20 amounts to Kshs. **4,736,317,031** with Kshs. 2,655,940,022 (56 percent) allocated for recurrent expenditure and Kshs 2,080,377,010, (44 percent) for development expenditure.

In order to finance the budget for the Financial Year 2019/20, the County Government is expected to receive the following total revenue as shown in the table below.

TABLE 1:2019/20 SUPPLEMENTARY 1 EXPECTED REVENUE

	REVISED ESTIMATES
FUNDING	AMOUNT (Kshs.)
Balance B/F(2018/19)	1,463,672,976
<i>Equitable share National Government Revenue</i>	<i>1,302,472,383</i>
<i>Rehabilitation of Village Polytechnics</i>	<i>23,563,550</i>
<i>Road maintenance Fuel levy fund</i>	<i>23,828,805</i>
<i>THSUCP- Transforming Health care System to UCP</i>	<i>9,679,483</i>
<i>KDSP Level 1 2017-18</i>	<i>1,534,906</i>
<i>ASDSP</i>	<i>5,500,000</i>
<i>KUSP- Kenya Urban Support Project</i>	<i>48,247,400</i>
<i>KUSP-Urban Institutional Grant Bal b/f (2018/19)</i>	<i>41,200,000</i>
<i>Rehabilitation of Village Polytechnics for 2018-19nyet to be reinburshed</i>	<i>7,646,450</i>
Equitable share National Government Revenue raised Nationally	2,595,300,000
Conditional Allocations from National Government Revenue	238,418,645
<i>Construction of County HQts</i>	<i>121,000,000</i>
<i>Foregone user fee</i>	<i>2,451,034</i>
<i>Rehabilitation of Village Polytechnics</i>	<i>41,298,298</i>
<i>Road maintenance Fuel levy fund</i>	<i>73,669,313</i>

Conditional Allocations from loans & grants from Development partners	338,425,410	
TRANSFORMING HEALTH SYSTEM FOR UNIVERSAL CARE PROJECT	35,000,000	
KCSAP	157,507,010	
<i>KDSP Level 1 2018-19</i>	<i>32,258,653</i>	
KDSP Level 1	30,000,000	
DANIDA	10,593,750	
ASDSP	14,265,997	
KUSP-Urban Development Grant	50,000,000	
KUSP-Urban Institutional Grant	8,800,000	
Donations towards supporting culture week	500,000	
Revenue from Own County resources	100,000,000	
GRAND TOTAL	4,736,317,031	
2019/20 REVENUE	2019-2020	2019-2020
	ESTIMATES	PERCENTAGE
National Government Transfer	2,595,300,000	55%
Conditional Allocations from National Government Revenue	238,418,645	5%
Conditional Allocations from loans & grants from Development partners	338,425,410	7%
Donations towards supporting culture week	500,000	0.01%
Local sources	100,000,000	2%
Balance b/f	1,463,672,976	31%
Grand Total	4,736,317,031	100%

Revenue Received from exchequer as at 31st December 2019

In the first half of financial year 2019/20, the County received **Ksh. 992,203,653.00** comprising of **Kshs 918,736,200.00** as equitable share and **Kshs 73,467,453.00**. The table below provides a summary of the revenues received from the National Government during the first half of the financial year 2019/20.

These figures are below

TABLE 2: HALF YEAR REVENUE TRANSFERS FROM NATIONAL GOVERNMENT

HALF YEAR REVENUE ANALYSIS			
NO.	STREAMS	BUDGET	ACTUAL
EQUITABLE SHARE			
1	EQUITABLE SHARE	2,752,000,000.00	918,736,200.00
SUB TOTAL		2,752,000,000.00	918,736,200.00
CONDITIONAL GRANT			
1	FUEL LEVY FUND	73,669,313.00	-
2	DANIDA FUND	10,593,750.00	5,296,875.00
3	WORLD BANK	35,000,000.00	7,780,417.00
4	VILLAGE POLYTECHNIC	41,298,298.00	-
5	USER FORGONE	2,451,034.00	-
6	KDSP	32,258,653.00	-
7	URBAN SURPORT PROGRAMME	50,000,000.00	-
8	CLIMATE SMART AGRICULTURE	157,507,010.00	60,390,161.00
9	SUPPLIMENT FOR COUNTY HQ	121,000,000.00	-
10	MUNICIPALITY	8,800,000.00	-
11	AGRICULTURE SECTOR DEVELOPMENT	14,265,997.00	-
SUB TOAL		546,844,055.00	73,467,453.00
GRAND TOTAL			992,203,653.00

The Revised Budget own source revenue estimates for fiscal year 2019/20 is Kshs 100,000,000. The table below provides a summary of the local revenue collected during the half of financial year 2019/20.

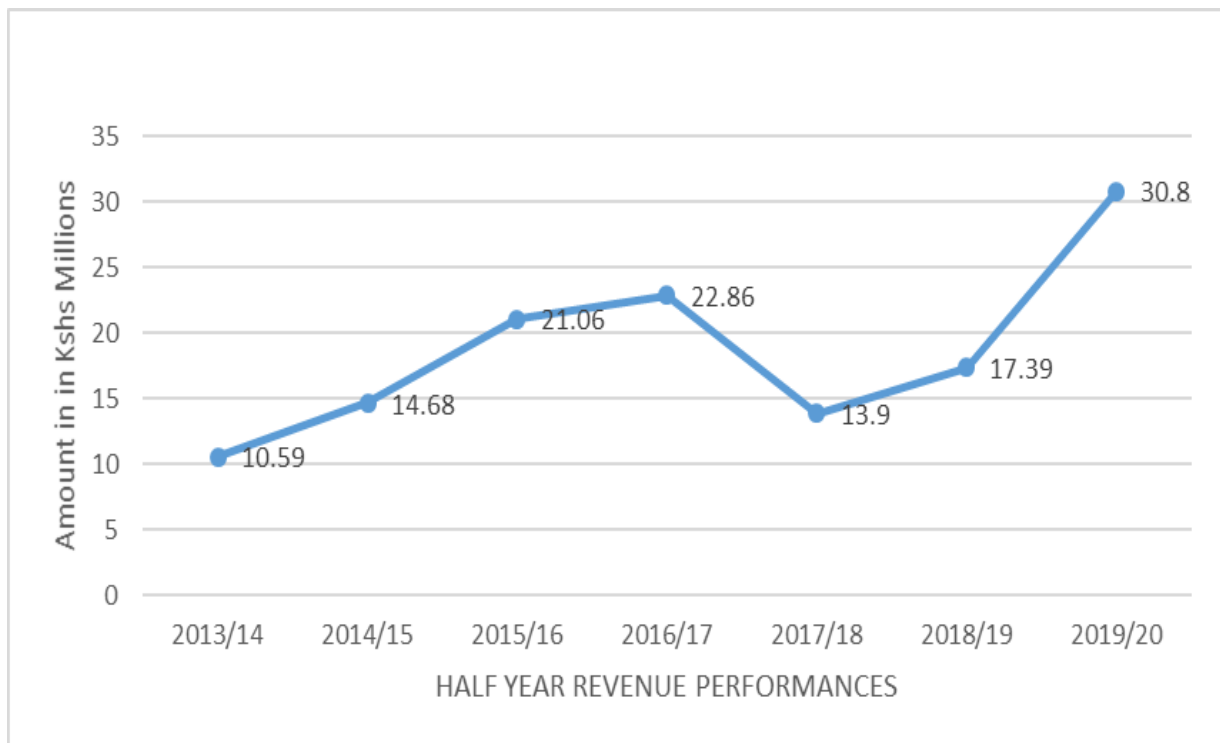
TABLE 3: HALF YEAR REVENUE STREAMS PERFORMANCE FOR FY 2019/20

S/NO	REVENUE STREAM	Amount in Kshs
1.	BUSINESS PERMIT CURRENT YEAR	1,253,800
2.	HEALTH CENTRES	16,048,609
3.	TRAINING/LEARNING CENTRES	271,200
4.	MARKET STALLS RENT	226,400
5.	FRUITS & VEGETABLES/PRODUCE CESS	1,448,777
6.	MEAT INSPECTION FEES	129,522
7.	COUNCIL VEHICLES HIRE (AMS TRACTORS)	2,241,600
8.	OPEN AIR MARKET FEE	750,976
9.	SLAUGHTERING FEE	143,000
10.	LIVESTOCK CESS	185,845
11.	FISH CESS	607,860
12.	STREET PARKING FEE	594,100
13.	SALES OF FLOWERS,PLANTS,FIREWOOD,PRODUCE,ETC	25,000
14.	WHEAT&MAIZE CESS	225,870

15.	VETENARY	120,863
16.	LOG CESS	167,000
17.	METER RENT	3,300
18.	SIGN BOARDS & ADVERTISEMENT FEE	1,743,000
19.	SAND,GRAVEL,AND BALLAST EXTRACTION FEES	767,854
20.	FISHERIES LICENCE	35,600
21.	LAND RATES	262,066
22.	PUBLIC HEALTH	60,000
23.	LAND REVENUE	697,180
24.	HIDES AND SKINS FEE	3,900
25.	WATER DISILATION PLANT	140,845
26.	DONATIONS	500,000
27.	SALARY COMMISION	957,255.00
28.	OTHERS MISCELLANEOUS	1,196,271
SUB TOTALS		30,807,693

The county was able to collect Kshs 30.8 Million during the first half year. This collection is Highest half year collection since 2013/14.Ccompared to the same period of FY 2018/19 which was 17.3 Million its an improvement of Kshs 13 Million. This increase can be contributed to NHIF Capitation for county residents.

FIGURE 3: HALF YEAR LOCAL REVENUE PERFORMANCE FROM 2013/14-2019/20



2019/20 half year County Expenditure Analysis

Half Year Actual expenditures on recurrent as at 31st December 2019 stood at kshs 990,891,984.00

compared to half year FY 2018/19 which stood at Kshs 842.26 Million

TABLE 4:2019/20 HALF YEAR RECURRENT EXPENDITURE ABSORPTION IN COMPARISONS WITH THE SAME PERIOD 2018/19 IN KSHS MILLION

Department	Budget Allocation (Kshs.)	Expenditure (Kshs.)			Recurrent Absorption rate as per budgeted amount		
		Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	405,000,000.00	195,000,000.00		137,131,277.00	-	34%	0%
County Executive	427,691,594.00	246,685,384.00		142,246,085.00	-	33%	0%
Finance	101,367,685.88	4,100,000.00		32,102,574.00	-	32%	0%
Agriculture & Irrigation	117,155,856.00	169,901,632.00		21,320,567.00	-	18%	0%
Land, Physical Planning	34,501,163.00	140,646,644.00		9,906,522.00	-	29%	0%
Education, Gender, Sports, Youth, Culture & Social services	257,451,209	179,612,618.11		203,304,182.00	-	79%	0%
Medical Services	914,332,589.22	336,241,284.00		347,027,539.00	-	38%	0%
Trade, Tourism & Investment Development	25,995,616.00	27,900,000.00		4,973,460.00	-	19%	0%
Livestock, Veterinary & Cooperative Development	37,984,244.00	43,017,253.00		17,846,965.00	-	47%	0%
Public Service Board	45,217,319.51	-		8,983,886.00	-	20%	0%
Water Management & Conservation	27,041,449.00	182,672,073.00		3,748,132.00	-	14%	0%
Youth, Gender, Culture, Sports & Social Services	25,019,132.00	124,796,840.00		3,560,462.00	-	14%	0%
Public Health Sanitation and Environment	86,274,460.00	31,581,390.08		29,385,900.00	-	34%	0%
Fisheries Development	33,852,020.00	37,098,203.00		10,621,745.00	-	31%	0%
Budget & Economic Planning	19,949,480			5,818,073.00	-	29%	0%
Infrastructure and Energy	43,316,203.60	262,876,288.60		12,682,115.00	-	29%	0%
Lamu Municipality	53,790,000.00	98,247,400.00		232,500.00	-	0%	0%
TOTAL	2,655,940,021.41	2,080,377,009.79		990,891,984.00	-	37%	-

Half Year Actual expenditures on Development as at 31st December 2019 stood at kshs 0 Million which is decline by kshs 55.78 Million compared to half year FY 2018/19 which stood at Kshs 55.78 Million.

The decline in absorption of development can be attributed to delay in passing 2019 County Allocation of Revenue Bill which resulted in delay of county funds by three months.

Also introduction of e-procurement by national treasury has delayed many procurements of goods and services mainly due to poor internet connectivity, suppliers not understanding the system, electricity Lamu problem being experienced in lamu amongst others

CHAPTER THREE: POLICIES TO FOCUS MEDIUM TERM DEVELOPMENT TOWARDS SUSTAINABILITY AND SHARED PROSPERITY

The CFSP 2020 will seek to provide more force towards the achievement of the development objectives espoused by the CIDP 2018-2022. This is an effort to ensure that the envisaged county growth and transformation in the medium term translates to shared prosperity and improved quality of life.

Guided by the Kenya vision 2030, and benefitting from the national “big four” agenda which seeks to transform the well-being of all Kenyans. The sustained implementation of prioritized programmes in the CIDP 2018-2022 is expected to transform the county, positioning Lamu as the Lamu of choice for all to Invest, Work and live in. This in turn will translate into expanded employment opportunities and rapid poverty reduction. Coupled with sustained inclusive growth, this will culminate into a shared prosperity for all, and an improved quality of life. The eight objectives will strategically yield huge strides in both the social and infrastructural development, together with achieving economic empowerment of the people.

3.1 Social and Community Development

The County Government recognizes the important role played by the social sectors of Education and health in making sustainable socioeconomic transformation a reality. A well-coordinated and fully functional social package will reduce the burden of economic shocks on households and enhance access to services by Lamu residents. In this regard, the Government will continue investing in quality and accessible healthcare services and free quality early childhood education as well as strengthening the social protection programmes. This investment will target the Youth, Women, Children and People living with disabilities for social inclusion.

Healthcare

Lamu County government is leading the way to making universal health coverage a reality in line with the ‘big four agenda’ and the Kenya Health Policy (2014-2030) and the Kenya Health Sector Strategic and Investment Plan, through health infrastructure expansion,

acquisition of specialized equipment and capacity building of staff and recruitment of additional staff we continue to register impressive gains in this sector. The County is committed to providing accessible high quality free maternity services in all its facilities. The medium term strategy is to continue in investing in staff development, modernizing of county hospitals, provision of enough drugs and the NHIF scheme for county residents.

Education and Youth development

While the education sector continues to record impressive outcomes in terms of gross enrolment rate and a pre-school retention rate estimated and a transition rate there is need to expand the scope of access to quality formal education.

FREE ECDE

The county Government is committed to providing basic education to all childrens in ECDEs by

- continuous construction and rehabilitation of ECDEs centres,
- Training ECDEs teachers on CBC,
- Provision of learning and teaching materials and
- introduction of school feeding programme.

Secondary and tertiary education functions still remain largely with the National government. However the County government will continue to offer scholarship to bright and need students in secondary schools as well as provide bursary to students enrolled in tertiary institutions.

The government is committed towards aligning education and training curricula to the demands of changing labour markets by

- developing competency based education
- Training for TVET
- revitalizing the all the county youth polytechnics by offering equipments
- capitation to students

The overall strategy in education during the medium term is to focus on developing educational delivery standards and strengthening quality control, continued curriculum reforms and educational inspectorate services in order to enforce and uphold quality education.

Sports and Culture

The Government recognizes the important role played by sports in enhancing national cohesion. Additionally, there are considerable benefits associated with functional sporting services in the County. In this regard, the government will invest in modern and high quality sporting facilities like seven aside pitch that are well distributed across the County. Rehabilitation of sports facilities and holding of Annual Governors Cup .

Lamu county government will continue to support various cultural activities like the Annual Lamu Cultural Festival and the inaugural Mpeketoni Cultural Festival. It is the commitment of the county government to promote artistic and cultural development through festivals and art exhibitions.

Physical infrastructure and Road Network Rehabilitation In order to ensure sustained economic transformation, and a competitive Lamu economy, the government will accelerate the pace for investment in street lighting opening of new roads. Considerable progress has been made in the implementation of road rehabilitation program and a number of key projects have been completed. Over the medium term, the strategy is to develop the road transport in order to have an effective, efficient and secure road network, step up road transport safety and regulation through developing and implementing road transport policies for an efficient and safe transport system. In this regard, the target for the medium term is to continue with the programme of opening and rehabilitation of new and existing road network across the county on required basis.

Water & Sewerage Infrastructure

Waste Management

Lamu County government is committed to proper waste management to ensure proper sanitation in the county. A number of strategies will be employed to effectively deal with

solid Waste. This includes further investment in SWD infrastructure and establishing designated dumpsites. In addition to this, the county will enhance the partnerships for collection and disposal of wastes with local CBOs. Behavioral change programmes for the resident in order to inculcate the 4Rs plan will be key in addressing the waste management sustainably.

Economic empowerment

Trade, Cooperative and Enterprise development

The government recognizes the important role played by Trade in employment creation, income generation for households and thus boosting improvement of quality of life to the people. It is also an important catalyst to economic development. In further development of this sector, the government will inject resources for the completion of the Lamu Modern Market. The government will also fasttrack the operationalisation of the Nagele Livestock Market as well as invest more in the construction of other market support infrastructure.

In recognition of the enormous potential of the cooperative movement in capital formation and employment creation, the County government will review existing legislation, revive dormant cooperatives and upscale registration and supervision of new enterprises.

Tourism

The Government seeks to establish a world class and well developed modern tourism facilities with a revised tourism policy to make it more comprehensive and enabling. Towards this end, investments will be made in development of Community-centered tourism infrastructure which efficiently supports tourists to visit tourist spots across the county. Additional branding and marketing of Lamu County as an internationally recognized tourist destination will be undertaken.

Agriculture, Livestock, Fisheries

Lamu County Government recognizes the potential in rural agriculture for socio-economic transformation of communities. Harnessing this potential is key in supplementing the

national agenda towards achieving food and nutrition security. The food and agriculture sector have prioritized food security, nutritional status and food safety as the key outcome in the medium term. The strategy for the medium term is to mainstream agriculture into the county planning process and incorporate community-based agricultural organisations in value chain promotions. Emphasis has been placed in provision of farm inputs (both materials and cash advances) to stimulate agricultural productivity.

The target for fisheries in the medium term is to increase fish production to improve the earnings by fisherfolk and meet the local demand for fish. In this regard, provision of fishing equipments and training of fishermen will be expedited. In addition to this, fish landing sites will be developed and cold storage facilities will be enhanced.

ENABLERS TO ACHIEVE THE MEDIUM TERM OBJECTIVES

In order to achieve the broad development objectives, good governance and stakeholder participation, financial sustainability, safety and security and prudent spatial planning must be promoted.

Stakeholder Participation

The government will upgrade the communication protocol for internal and external stakeholders so as to achieve full participation of all stakeholders in governance, development planning, resource allocation, service delivery and monitoring and evaluation. The government will be rolling out an elaborate communication plan as a component of the draft Public Participation policy. Furthermore, the government will allocate adequate resources for public participation in all the critical sectors in the County.

Enabling Legislation

The essence of devolution is to bring an administration, and provision of services closer to the public. Devolution is still being entrenched to the lowest level of administration, the goal being achieving full devolution, and proper decentralization in the medium term, it is important for relevant instruments of governance to be legislated on in order to fill existing gaps in the legal framework for effective delivery of the mandate of the County government.

The government will be working towards reviewing relevant laws especially in Land Ownership and Agriculture, Property Rating and Valuation, Finance laws, Education and Disaster Management in order to align them to thematic mandates of relevant sectors.

Corruption Eradication

Corruption in all its forms must be eradicated from all arms of our institution in order for all to obtain high quality of service and equitable socio-economic development. The government has recently concluded government functional reorganization that was partly meant to cut existing cartel networks in order to improve service delivery and employee productivity.

The government has resolved fully implemented the Internet Banking (I/B) protocol as a component of the Integrated Financial Management Information System (IFMIS) in all its financial transactions. This is expected to promote controlled expenditure while promoting transparency and accountability. Unreliable internet connections and inadequate resources continue to undermine the realization of outcomes in this performance area.

Mobilization and Management of resources

In line with Article 226 of the Constitution of Kenya and the Public Finance Management Act 2012, the Government is committed to ensure comprehensive long-term financial principles. However, own source revenue (OSR) continue to contribute very small proportions of the total county budget. This non-optimal scenario is attributed to overreliance on automation without a corresponding effort in innovation, a weak and opaque revenue collection systems, dismal collection in major revenue streams particularly in Rates and Parking.

To better improve this scenario, the county will accelerate the pace of the ongoing business establishments census, develop a revenue enhancement strategy and update the GIS based land valuation roll in order to turn around the revenue fortunes for the county.

Expenditure Control

The county is committed to ensuring prudent application of public resources for maximum returns to the public. In this regard, ongoing reforms in public procurement will be accelerated in 2020/21 to guarantee value for money in each expenditure. Non priority expenditure will be eliminated so as to channel more resources towards development.

Integrated Planning, Monitoring and Evaluation

Through the upcoming MTR for the 2nd generation CIDP, the Implementation of the Monitoring & Evaluation framework provided in the County Integrated Development Plan (CIDP) 2018-2022 will be strengthened in order to improve on budget absorption and returns on investment.

In the medium term, the County treasury is committed to enhancing budgetary resources towards Economic Planning in order to facilitate research, production and dissemination of County statistics as well as regular monitoring and Evaluation. Emphasis will be put in impact studies, need assessments and baseline surveys.

Resource allocation and Absorption

The Government is committed towards a realistic, balanced and pro-growth budget that is in perfect consonance with the fiscal responsibility principles. This includes sustaining the wage bill at current levels with prospects of a decline due to exit while allocating resources towards clearance of pending bills. The county will also accelerate resource allocation for programmes geared towards addressing development gaps in more marginalised areas within the county.

Asset Management

Finalization of the draft policy on Asset management remains behind schedule. This predicament continues exposing the County to the risk of losing its assets. The Government will fast track the operationalization of the county Asset Management Policy in order to address the inherited state where no framework existed for taking stock and updating the asset register.

Organizational structure

The government has completed and adopted a structure that defines the flow and is in the process of making substantive appointments for suitably qualified staff in order to end uncertainty and low morale among staff that have been in acting capacity Lamu for a long time. The incoming County Public Service Board (CPSB) is expected to complete the exercise of making appointments with clear terms and conditions of service in order to streamline functional relations in the government structure in order to enhance efficiency in service delivery.

Capacity Building

Implementation of Capacity Lamu Assessment and Rationalization Programme (CARPS) report recommendations remain a priority for the Public Service Management. The misalignment of skills, personnel deployment as well as lack of adequate succession planning has led to overstaffing in some of the lower levels as well as misplacement of skills in some key positions. The Government has initiated a number of programmes for capacity Lamu building for staff.

The County government seeks to further the existing partnership for staff training with the Kenya School of Government towards implementation of an effective working culture and a positive attitude towards service delivery through professional training.

Disaster Management

122. The County is prone to a number of natural and manmade disasters. These include terrorism, Infrastructure failure, disease outbreaks and sea accidents. In this regard the Government is committed to developing and implementing a resilience plan aimed at mitigating against adverse effects of such occurrences. The county is completing construction of Lamu fire station, equipping the fire fighting team and purchase of a rescue boats and vehicles.

has made considerable progress in mitigation and response particularly for floods and fires.

4.0 FISCAL POLICY, 2020/21 FY BUDGET AND THE MEDIUM-TERM EXPENDITURE FRAMEWORK

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

4.1 FY 2020/21 Budget Framework

In the FY 2020/21 prioritization of resource allocation will be based on the County Integrated Development Plan (CIDP), Departmental priorities, programmes and development policies of the County Government. The 2020/21 FY budget will institute reforms targeted at consolidating gains, achieving efficiency and productivity of government spending. The CIDP takes into account the development Agenda of the Country by including programmes for the County residents with high impact on their welfare.

4.2 Revenue Projections

The County government projects to receive a transfer of about **KShs. 3.5 billion** from the National Government for the FY 2020/21 constituting an equitable share allocation of KShs. 2.752 billion and conditional grants of **KShs 0.638 B** respectively. The allocations are indicative as the actual allocation will be provided in the County Allocation of Revenue Act (CARA), 2020

The County Executive will present to the County Assembly, more detailed structural measures to boost revenue generation through the Finance Bill, 2020, for consideration and enactment as required by the PFM Act, 2012.

TABLE 5: PROJECTED 2020/21 REVENUE RESOURCE ENVELOPE

REVENUE ESTIMATES

	2019-20	PROJECTED 2020-21	
REVENUE STREAM	AMOUNT (kshs Millions)	AMOUNT	Deviation
Equitable Share	2,595,300,000.00	2,753,550,000.00	158,250,000.00
Local Revenue	100,000,000.00	100,000,000.00	-
Compensation of user fee foregone	2,451,034.00	2,451,034.00	-
Rehabilitation of village YP	41,298,298.00	50,299,894.00	9,001,596.00
Road Maintenance fuel Levy	73,669,313.00	82,069,411.00	8,400,098.00
Construction of county HQs	121,000,000.00	50,000,000.00	-71,000,000.00
THSUCP- Transforming Health care System to UCP	35,000,000.00	171,042,777.00	136,042,777.00
Danida	10,593,750.00	7,380,000.00	-3,213,750.00
ASDSP	14,265,997.00	14,265,997.00	-
KUSP-Urban Development Grant	50,000,000.00	50,000,000.00	-
KUSP-Urban Institutional Grant	8,800,000.00	8,800,000.00	-
KDSP Level 1	30,000,000	30,000,000	-
KCSAP	157,507,010.00	171,868,944.00	14,361,934.00
balance BF	70,000,000.00	184,000,000.00	114,000,000.00
Total revenue	3,309,885,402.00	3,675,728,057.00	365,842,655.00

4.2 Expenditure Projection

Priority for funding in the FY 2020/21 has been given to projects/programmes that aim at scaling up levels of investment in economic and social infrastructure and creation of wealth & employment opportunities considering the limited resources and competing programmes for funding.

In this regard, County Departments will review their budgets with an aim of removing one-off expenditures from previous years and non/low-priority expenditures in order to realize and shift the savings to the highly priority programmes and ensure completion of the ongoing projects. The performance of earlier funded projects/programmes will also be reviewed with a view to improving

the implementation and absorption capacity of development projects. This will also ensure that projects are well planned and executed as planned.

4.3 Recurrent Expenditure Projections

Total recurrent expenditure budget in the FY 2020/21 is estimated to be Kshs2,620,423,812 which is 70 percent of the total county budget

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

The wage bill is projected at Kshs. 1,430,890,426 in the FY 2020/20 which is 41 percent of total revenues. This way and above the PFM regulation by 5 percent

The Operations and Maintenance expenditures will be lower in the medium term due to removal of one-off expenditures such as office infrastructure and equipment from the recurrent budget coupled with other expenditure rationalization measures. The estimated amount in the FY 2020/21 is Kshs 1,189,533,386 down from the printed Supplementary estimate of Kshs. 1,236,897,621 for the FY 2019/20.

TABLE 6: FY 2020/21 BUDGET ALLOCATION AS PER ECONOMIC CLASSIFICATION

County Ministry	Projected 2020/21	% of the total Budget
Personal Emoluments	1,430,890,426	39
Operations & Maintenance	1,189,533,386	31
Total Recurrent Estimates	2,620,423,812	70
Development Estimates	1,055,304,245	30
Total Budget Estimates	3,675,728,057	100

4.4 Development Expenditure Projections

In the FY 2020/21, the overall development expenditure is expected to be Ksh. 1,055,304,245. This accounts for 30 percent of the overall budget, which is in line with the fiscal responsibility requirement of allocating at least 30 percent of the budget to development expenditure.

4.5 Overall Deficit and Financing

To avoid deficits that have no clear plan on how they will be funded, the County Government has allocated resources for spending that are commensurate to the revenues expected in the FY 2020/21. In that FY therefore, the County budget shall be financed through transfer from the National Government and local revenue collected from fees, charges, rates, among others as allowed by the governing Acts and by-laws. The FY 2020/21 fiscal framework is therefore fully financed.

4.6 Risks to the 2020/21 Budget framework

The risks to the fiscal framework for the FY 2020/21 include under performance in revenue collection due to unforeseen factors. This remains a major challenge as it can generate pending bills and cause general cash flow problems or even cause undue demand for borrowing. To counter this, the County will put in structural reforms aimed at sealing loopholes, revenue enhancement while ensuring there are efficient and cost effective methods of collecting the revenues.

Another risk is the County's high wage bill. The need to fill the existing vacancies in the department, demands for promotions and strikes by especially health workers on pay increments will continue to put more pressure on the county revenue.

Over reliance on national government transfers is another risk that also undermines the County's fiscal autonomy. Coupled with the unpredictability on account of the delays in release of the resources, it poses another risk to proper implementation of the County's budget.

4.7 Fiscal Structural Reforms

Revenue mobilization:

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

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

4.8 Expenditure Management

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

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

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

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

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

- Foreign and domestic travel will be limited to essential travels
- Limiting training to the need basis and essential/critical.
- Strict enforcement of cost reduction Circulars to all County Departments.
- Implement a strict commitment control system to reduce the stock of pending bills.

4.9 Guiding Principles in Resource Allocation

The PFM Act, 2012 and the PFM (County Regulations), 2015 set out fiscal responsibilities principles that guide the Medium Term Expenditure Framework (MTEF) for the County. The

guiding principles that are considered in the allocation of the available resources include the requirement that the County public debt shall never exceed twenty (20) percent of the County government's total revenue at any one time. The county will not be incurring any debt;

- i. The County Government wages shall be contained at thirty-five (35) percent of the County government's total revenue in the medium term;**
- ii. The approved expenditures of a County assembly will be as per senate's recommendations.**
- iii. The County government actual expenditure on development shall be at least thirty percent.**

projects only.

DEPARTMENTAL EXPENDITURE CEILINGS FOR 2020/21 FY AND THE MEDIUM TERM

Arising from the criteria set above and the sector consultation forums, the allocation to the departments is as follows:

VOTE TITLE	2019/20 REVISED ESTIMATES				PROPOSED 2020/21				CONDITIONAL GRANTS		
	COMPENSATION TO EMPLOYEES	OPERATING & MAINTENANCE	DEVELOPMENT	GROSS ESTIMATES	COMPENSATION TO EMPLOYEES	OPERATING & MAINTENANCE	DEVELOPMENT	GROSS ESTIMATES	RECURRENT	DEVELOPMENT	Gross total
County Assembly	172,000,000	233,000,000	195,000,000	600,000,000	172,000,000	238,000,000	50,000,000	460,000,000		0	460,000,000
County Executive	178,684,123	249,007,471	246,685,384	674,376,978	170,684,123	160,000,000	20,000,000	350,684,123	30,000,000	50,000,000	430,684,123
Finance ,budget and economic planning	60,905,158	40,462,528	4,100,000	105,467,686	66,905,158	50,000,000	0	116,905,158			116,905,158
Budget and economic planning	8,225,013	11,724,467	0	19,949,480	0	0	0	0			0
Agriculture & Irrigation	45,569,471	71,586,385	169,901,632	287,057,488	44,850,000	15,000,000	30,000,000	89,850,000		186,134,941	275,984,941
Water management & Conservation	11,871,580	15,169,869	182,672,073	209,713,522	11,359,480	10,000,000	70,000,000	91,359,480			91,359,480
Land,Physical Planning, Infrastructure and Energy	15,601,163	18,900,000	140,646,644	175,147,807	14,601,163	15,000,000	60,000,000	105,601,163			105,601,163
Education and Village Polytechnic	66,807,209	190,644,000	179,612,618	437,063,827	66,807,209	223,000,000	52,000,000	341,807,209		50,299,894	392,107,103
Gender, Sports, Youth, Culture & Social services	6,873,600	18,145,532	124,796,840	149,815,972	10,873,600	13,000,000	32,000,000	55,873,600			55,873,600
Medical Services	666,682,844	247,649,745	336,241,284	1,250,573,873	680,000,000	170,360,265	164,000,000	988,360,265	180,873,812		1,169,234,077
Sanitation and Environment	69,315,296	16,959,164	31,581,390	117,855,850	53,315,296	10,000,000	15,000,000	78,315,296			78,315,296
Trade, Tourism & Investment Development	9,765,540	16,230,076	27,900,000	53,895,616	10,000,000	13,000,000	20,000,000	43,000,000			43,000,000
Livestock, Veterinary & Cooperative Development	29,394,360	8,589,884	43,017,253	81,001,497	32,000,000	8,589,884	30,000,000	70,589,884			70,589,884
Fisheries Development	25,371,540	8,480,480	37,098,203	70,950,223	24,371,540	8,480,480	20,000,000	52,852,020			52,852,020
Infrastructure and Energy	18,587,260	24,728,944	262,876,289	306,192,492	18,587,260	20,728,945	60,000,000	109,316,205		82,069,410	191,385,615
lamu municipality		53,790,000	98,247,400	152,037,400	18,650,000	10,000,000	5,000,000	33,650,000		58,800,000	92,450,000
Public Service Board	33,388,244	11,829,076	-	45,217,320	35,885,597	13,500,000	0	49,385,597			49,385,597
TOTAL	1,419,042,401	1,236,897,621	2,080,377,010	4,736,317,032	1,430,890,426	978,659,574	628,000,000	3,037,550,000	210,873,812	427,304,245	3,675,728,057
	30%	26%	44%	100%	39%	27%	18. %		4 %	12%	

6.0 CONCLUSION

The CFSP, 2020 is prepared as a guiding tool for budget preparation of financial year 2020/21. It is meant to broadly define the expected revenues and expenditure over the medium term as well as propose strategies of financing any anticipated deficit. Lamu County Government is expected to prepare a balanced budget in financial year 2020/21.

The set of policies outlined in the CFSP reflects circumstances that are in line with the fiscal responsibilities as outlined in the PFM Act, 2012. They are also consistent with the County Government strategic objectives pursued as a basis for allocation of public resources. These strategic objectives are provided in the County Government priorities spelled out in the national policies and Lamu CIDP, 2018-2022.

The adoption of Program Based Budgeting (PBB) will ensure that all County resources are linked to specific projects outputs and outcomes.

The use of the Integrated Financial Management Information System (IFMIS) and the introduction of e-Procurement System will also make it possible for the County to track the resources to results achieved in a more efficient manner.

In the budget for the financial year 2020/21, key priority areas of Health services, Education, Agriculture sector, water infrastructure network, Survey and planning will receive considerable allocation while maintaining reasonable growth on other County sectors.

Allocation of funds to these County key priority areas will generally reflect the critical needs of the County residents. It is envisaged that the enhancement of these key areas will drive the County economy up by creating greater supply hence improving the per capita income of household

