

COUNTY GOVERNMENT OF KILIFI



THE COUNTY TREASURY

2021 COUNTY FISCAL STRATEGY PAPER

**COALESCING STRUCTURAL REFORMS FOR SUSTAINABLE
ECONOMIC RECOVERY AND DEVELOPMENT**

February, 2021

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This 2021 County Fiscal Strategy Paper (CFSP) has been compiled using latest information, some of which is unaudited or subject to revision.

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FOREWORD

The 2021 County Fiscal Strategy Paper is a policy document that sets out the broad strategic objectives and policy goals to be implemented in the subsequent financial year. It is prepared in compliance with the Public Finance Management Act (PFMA), 2012, Section 117. It outlines the County's development priority areas as well as the resource allocation that will complement the implementation of the development agenda.

The CFSP 2021 derives its policy directions from the Budget Policy Statement 2021 as well as the development agenda envisioned in the County Integrated Development Plan (CIDP) 2018- 2022. This provides the basis for prioritization of the development agenda and an identification of the means and resources for their implementation.

The CFSP also reviews the broad macroeconomic environment as well as use the projections of the medium term to inform the anticipated fiscal space and fiscal environment that the development agenda will be rolled into.

Implementation of the CFSP development goals will be through the subsequent budget process that will be guided by the resource ceilings specified herein. The implementation will be a significant contribution to the improvement of lives and livelihoods of the Kilifi citizens.

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CHAPTER ONE: INTRODUCTION

Overview

1. The County Fiscal Strategy Paper (CFSP) is a policy document that sets out the policy goals and priority development areas that will guide budget preparation for the subsequent financial year and the medium term. As such, it informs the County's public finance management as well as public discussions on economic and development issues thus stirring holistic and sound discourses which incorporate a variety of views and aligns the development plans to the County's priority issues.

2. This 2021 CFSP outlines the financial outlook with respect to revenues, expenditures and borrowing. The strategic objectives spelt out in this CFSP are derived from the County Integrated Development Plan (2018-2022), Annual Development Plan FY2021/22 and consultative public participation fora on the 2021 CFSP. In addition to this, the 2021 CFSP aligns to the 2021 Budget Policy Statement (BPS) which outlines national government priority policy areas as well as strategic objectives prioritized in the Third Medium Term Plan (MTP III) and the Vision 2030 development blueprint. As such, this 2021 CFSP also complements the policy priorities spelt out in the Big 4 Agenda which focus on:

- (i) Supporting job creation by increasing value addition and raising the manufacturing sector's share to the gross domestic product;
- (ii) Focusing on initiatives that guarantee food security and nutrition to all Kenyans;
- (iii) Providing universal health coverage thereby guaranteeing quality and affordable healthcare to all Kenyans; and
- (iv) Supporting construction of at least five hundred thousand (500,000) affordable new houses to Kenyans.

3. The 2021 CFSP has been prepared by taking cognizance of the 2021/2022 Economic Outlook and the County's five pillar development agenda namely of food sufficiency; healthcare, education and youth development; provision of safe water, lastly, beneficial use of land and other natural resources. In addition to this, the paper seeks to give a framework for implementation of programmes and projects prioritized by the citizens. Additionally, the policy paper benefited from feedback from members of the public and other interested stakeholders. It will serve as a guide in the preparation of the budget estimates for FY 2021/22.

Legal Basis for the Preparation of the County Fiscal Strategy Paper

4. The 2021 has been prepared in accordance with the requirements provided in Section 117 of the Public Management Act, 2012 which states;

- (i) The County Treasury, pursuant to section 117(1) and (6) of the Public Finance Management Act (PFMA), 2012 is mandated to prepare and forward the Fiscal Strategy Paper to the County Executive Committee for approval and subsequently submit the approved CFSP to County Assembly, by 28th February of each year. The same shall be published and publicized not later than seven days after it has been submitted to the County Assembly.
- (ii) In accordance with 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 Budget Policy Statement (BPS) for 2021. In this regard, the fiscal policies are geared towards triggering a multiplier effect towards the achievement of the national theme of Building Back Better: Strategy for Resilient and Sustainable Economic Recovery.
- (iii) 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 FY2020/21-FY2022/23.
- (iv) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- (v) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of —
 - (a) the Commission on Revenue Allocation;
 - (b) the public;
 - (c) any interested persons or groups; and
 - (d) any other forum that is established by legislation.

Structure of the County Fiscal Strategy Paper

5. The report is structured into four sections as follows;

Chapter one provides the background and legal basis for the preparation of the CFSP.

Chapter two spells the broad strategic priorities and policy goals for coalescing structural transformations for sustainable development.

Chapter three examines how macro-economic factors influence county's plans and financial forecasts.

Chapter four shows how the county complies with principles of public finance and fiscal responsibility principles as well as set the budget framework for coming financial year.

The last section is the **Conclusion**.

CHAPTER TWO: COALESCING STRUCTURAL REFORMS FOR SUSTAINABLE ECONOMIC RECOVERY AND DEVELOPMENT

Introduction

6. The 2021 CFSP builds on the gains of the people focused transformative agenda that the County has been implementing over the last three years. This agenda has been characterized by a five point policy goal that buttresses the objectives of the CIDP 2018-2022. In addition to this, the CFSP transformative agenda reflects the achievement of the national government's MTPIII that aims to implement the socio economic pillars envisaged in the country's development blueprint, Vision 2030.

7. This plan is intended to cement gains as well as fast track the implementation of structural transformation through context specific interventions. As such, it aligns with the 2021 BPS that aims at articulating measures that will stimulate growth, promote job creation, reduce poverty, and protect the vulnerable groups and businesses. The BPS aims to achieve these in the following ways:

- (i) Roll out the Post-Covid-19 Economic Recovery Strategy
- (ii) Harnessing the implementation of the "Big Four" Agenda for job creation;
- (iii) Foster a secure and conducive business environment by maintaining macroeconomic stability, enhancing security; improving business regulations;
- (iv) Fast track development of critical infrastructure in the country such as roads, rail, energy and water, among others, so as to reduce the cost of doing business as well as promote competitiveness;
- (v) Transform economic sectors for broad based sustainable economic growth;
- (vi) Improve access to education, strengthen health care systems and enhance cash transfers to support the vulnerable members of our society;
- (vii) Support youth, women and persons with disability to enable them actively contribute to the economic recovery agenda;
- (viii) Facilitate the County Governments in strengthening their systems to enhance service delivery; and
- (ix) Implement various structural reforms to enhance the efficiency of public service delivery while at the same time ensuring accountability for better

macroeconomic and fiscal stability, sustained credit ratings, improved fiscal discipline and minimized corruption.

8. The BPS aims to complement the County's aspiration of a resilient and sustainable development in the wake of the economic shock caused by the COVID-19 pandemic. As such, priority is given to the following crucial areas whose interventions resonate with the overall government agenda as well as context specific interventions that will continue the progressive development envisioned in the people focused transformation agenda for the preceding three years. The areas of intervention are as follows:

- i. Integrating Food Value Chains for Nutrition and Economic Sufficiency
- ii. Bolstering Financial Access for Economic Prosperity
- iii. Promoting Basic Education, Training And Skills Development
- iv. Ensuring Access To Safe Water And Sanitation Services
- v. Protecting the Vulnerable Members of Society through a Social Safety Net Program as well as Community Sensitization
- vi. Promoting Infrastructural Development.
- vii. Promoting Environmental Protection And Disaster Mitigation
- viii. Providing quality and affordable health care for disease control and eradication

9. The county's fiscal space is contracting in the face of the global COVID pandemic. As such, the resource basket is constrained. To attain the aforementioned objectives, the county will prioritize completion of ongoing crucial projects that will accelerate the attainment of the recovery goals. This is also in light of the fact that it is the last financial year of the current regime and this prioritization will deter the formation of many white elephant projects. There will also be a deliberate investment in high impact projects that will have a multiplier effect over a wide section of the highlighted priority areas.

10. In regard to operational costs, care has been taken to minimize on the recurrent expenditures as well as focus on essential interventions such as medical drugs, non-pharmaceuticals and dressings. Minimization of operations and maintenance costs is aimed at sparing some fiscal space for emerging priorities that will mitigate the COVID pandemic as well as institutionalize the post-covid economic recovery process.

11. The inherent downside to this fiscal position is that most new projects may not kick off as priority shifts to concluding ongoing projects as well as other projects that resonate with the recovery process. This may brew discontent amongst the political class and the public who are eager to benefit from these projects and enjoy the fruits of devolution. Additionally, this being the last financial year of the current regime, there is need to complete most flagship projects, to allow the public reap the public investment that has gone into them.

12. In regard to the shrinking fiscal space, the County government plans to leverage on its investment commitments through partners and the private sector, to upscale implementation of projects and programmes, increasing the attainment of the policy goals. The gains and losses of the constrained fiscal space in light of the economic recovery strategies; provide the base for realizing the County's policy goals as detailed in the following sections.

Integrating Food Value Chains for Nutrition and Economic Sufficiency

13. Attaining food and nutrition security is key to a healthy, prosperous population. It is also important for attaining the human and economic development agenda of the country through a healthy human capital base. The Big 4 Agenda postulates food and nutrition sufficiency to all Kenyans; a goal which is affirmed in the 2021 BPS, to increase national productivity and enhance economic development. This is also in compliance with Article 43 (c), of the Constitution of Kenya that assures Kenyans of the right to be free from hunger and to have adequate food of acceptable quality.

14. Over the years, Kilifi County has focused on maximizing food production by increasing the acreage under cultivation and irrigation as well as to maximize production of staple crops and to shift farmers from subsistence to commercial production through irrigation and other improved farming technologies and use of improved seeds and seedlings. Alternative forms of agriculture such as aquaculture and irrigated farming also need to be improved and progressively maximized so as to attain this goal. This is because it remains an avenue of continuous cultivation, curtailing rain fed agriculture as well as minimizing food losses through sporadic changes in the weather patterns.

15. The 2019 County Gross Product (CGP) by the Kenya National Bureau of Statistics (KNBS) indicates that Kilifi County's major economic activity is agriculture; which contributes significantly to its development. The human population census of 2019 by KNBS, revealed a significant number of households involved in farming activities, specifically in farming and crop production as shown in the table below.

Table 1: Number of Households in Different Farming Activities

SUB COUNTY	TOTAL	FARMING	CROP PRODUCTION	LIVESTOCK	AQUACULTURE	FISHING	IRRIGATION
CHONYI	11,421	10,025	9,838	5,153	14	30	68
GANZE	23,258	20,578	19,306	15,777	41	158	442
KALOLENI	36,355	22,504	21,295	14,519	34	54	254
KAUMA	3,479	2,867	2,738	1,939	10	60	54
KILIFI NORTH	39,512	18,690	17,085	12,011	30	1,021	386
KILIFI SOUTH	53,074	15,114	13,485	8,570	72	878	466
MAGARINI	33,017	25,989	24,929	15,959	75	1,884	856
MALINDI	73,547	31,072	27,424	19,363	63	2,176	2,942
RABAI	24,809	14,349	13,234	8,692	27	132	175
TOTAL	298,472	161,188	149,334	101,983	366	6,393	5,643

SOURCE: Kenya National Bureau of Statistics, 2019 Housing and Population Census Vol. IV.

16. In spite of the large number of farming households, there has not been significant economic outturn, with more farmers focused on subsistence production. This informs the need for an up-scaling of the production methods by increasing the acreage under production as well as integrating the supply value chains to support value addition and market linkages for sale of the final produce.

17. To this end, there has been deliberate focus towards the attainment of food and nutrition sufficiency. The County has made significant investments in the agricultural sector, in a bid to increase the food sufficiency as well as to economically empower the farmers and other stakeholders, in line with the Big 4 Agenda goal of enhancing nutrition and food sufficiency. Some of the projects the County has implemented and are nearing completion are:

- The Coconut Toddy Factory in partnership with the National Agricultural and Rural Inclusive Growth Project (NARIGP) - The site has been identified in Rabai Sub-county and it will be owned by the local coconut farmers through their coconut cooperative unions.
- Cassava project in Tezo Ward – The project is in its last phase. When operational, it will provide milling, chipping and starch processing services.

- Other completed projects in the dairy industry include:
 - Ruruma milk collection center.
 - Ganze collection Center.
 - Manyeso Dairy in Gede.
 - Magarini Dairy.
 - Matsangoni pastoralization plant.

18. This 2021 CFSP envisages a robust legal and policy environment that will support value addition of the agricultural products along the value chains as well as to ensure the farmers benefit economically. To this end, the County aims at a significant investment in the cooperative model of production and marketing, to leverage on economies of scale as well as returns on investment by boosting farmers' incomes, reducing post-harvest losses, reducing price volatility and increasing exposure to more efficient and effective farming technology and practices. The County government, through the Department of Agriculture will play a supplemental role and promote the transition to a sustainable production model, creating decent jobs for young people, supporting small and medium enterprises, and boosting public policies in the process. In addition to this, the cooperative model aims at product differentiation as well as bringing in a variety of different product lines to tap into an array of consumers. This will boost to the transformative agenda as well as aid the post-covid economic recovery process that is people focused whilst attaining the twin goals of improved nutrition and economic sufficiency.

Bolstering Financial Access for Economic Gains

19. The County and its people are still reeling from the aftermath of the COVID-19 pandemic which has seen massive job losses, including lay-offs of people employed in the informal sector. Businesses also suffered low turnovers due to decreased economic activities and hours that formed part of COVID-19 mitigation measures, thus reduced economic outturns. The seasonal unemployment has driven most people into businesses and self-employment as the country tries to recover from this economic shock. Although the national government has put in place economic stimulus programmes such as cash transfers to the elderly, elimination and decrease in the income tax levels of employed individuals and interest relief to loans and other credit facilities, there is still need to leverage these efforts to make them sustainable and beneficial to the citizens in the county, most of whom are unemployed.

20. According to the 2019 census report by KNBS, Kilifi County has a population of

1,440,958 distributed across 298,472 households. The major economic activities in Kilifi County are Agriculture, Mining, Manufacturing and Tourism (CRA, 2021). Of these, agriculture remains the economic mainstay of the County, with a significant portion of the population directly involved in the agricultural activities. The Census grouped the agricultural activities into 6 broad categories and the following table shows the number of households practicing agriculture in Kilifi, Coast region and in Kenya respectively.

Table 2: Distribution of Households Practicing Agriculture, Fishing and Irrigation in Kilifi, Coast Region and Kenya

Area	Farming	Crop Production	Livestock Production	Aqua-culture	Fishing	Irrigation
Kilifi	161,188	149,334	101,983	366	6,393	5,643
Coast Region	392451	336,873	267,354	1,266	18,222	24,875
Kenya	6354211	5,555,974	4,729,288	29,325	109,640	369,679

SOURCE: KNBS Kenya Population and Housing Census, 2019, Volume IV

21. There are a large number of households involved in farming, while there are very few in aquaculture and irrigation. This is thus a significant gap in the food production value chain hence the need to improve production in this area. Forming of cooperative groups to improve the access to market and credit facilities will improve production in this area.

22. This 2021 CFSP aims at bolstering financial access to the residents of Kilifi by making it easy and economical to access credit facilities. So far, the County has provided credit facilities to groups through its cooperative model in its seed capital initiative, the Kilifi County Microfinance (Mbegu) Fund as shown in the table below:

Table 3: Mbegu Fund

DISBURSEMENT YEAR	MALE	FEMALE	TOTAL
2018-2019	1,878.00	3,798.00	5,676.00
2019-2020	2,202.00	4,787.00	6,989.00

SOURCE: County Government of Kilifi, Department of Trade, Tourism and Cooperatives.

23. Currently, the Cooperative membership toll is at 153,568 out of a possible 633,054 from the Kilifi County population. To effectively provide financial access for prosperity, the County will seek to bridge the gap of 479, 486 through cooperative membership. There have been 282 cooperatives formed and 747 beneficiaries of the Mbegu Fund initiative. Of these, 62 cooperative activities and 358 beneficiaries are involved in the agricultural sector. Comparing their percentages and the distribution of the 6 agricultural activities in the County, it is evident that in the subsequent fiscal years, the irrigation sector should have more beneficiaries; while fishing and farming are agricultural sectors that should be improved as far as creation of cooperative groups is concerned.

24. The 2021 CFSP also seeks to increase the Mbegu Fund capital by partnering with a variety of stakeholders and investors in different economic sectors, thus diversifying the economic activities and catering for more citizens. In addition to this, more groups and individuals will be allowed to exploit the availability of funds and add to the loan portfolio and boost private sector involvement in economic recovery. This will bring more people under the economic prosperity umbrella in the County, gaining traction towards realizing the country's manufacturing capabilities in line with the Big 4 Agenda. In this vein, the CFSP aims at partnerships with the private sector and other investors into creating an economic zone which is well equipped with a variety of machines and materials where in skilled artisans like carpenters, welders as well as other *jua kali* artisans can be employed and linked with markets. These complexes once established, can function as training grounds for youths and other groups to learn a trade and obtain a skill for economic gains.

Promoting Basic Education, Training and Skills Development

25. The overall literacy rate in Kilifi County stands at 68%. Of these, 51% are male while 49% are female. There are 418 primary schools and 86 secondary schools catering for an estimated 256,000 and 22,500 students respectively. There are 13 youth polytechnics, one college and a University campus.

26. The County has made progressive efforts in ensuring that quality education is easily accessible to all through continued construction of ECDEs classrooms and TVETs and recruitment of caregivers. Through the County Department of Education (DoE), the County has 790 ECD schools out of which the County built 613 ECDE classrooms. 442 classrooms are complete and in use as well as 41 VTCs with 382 instructors. Enrollment in the various ECDEs and VTCs is as follows;

Table 4: Public Pre-Schools and VTCs Enrollment at Feb, 2021

SUBCOUNTY	NO. OF SCHOOLS	ENROLLMENT
MAGARINI	196	12,614
MALINDI	62	4,922
KILIFI NORTH	88	8,536
KILIFI SOUTH	67	7,979
KALOLENI	122	8,650
RABAI	67	7,012
GANZE	198	10,184
TOTAL	800	59,897

SUB-COUNTY	WARD	VTC	ENROLMENT		TOTAL
			MALE	FEMALE	
Kilifi South	Chasimba	1.Dzitsoni	85	100	185
	MwarakayaA	2.Mwarakaya	25	30	55
		3.Pingilikani	31	24	55
	TOTAL	3	141	154	295
Ganze	Sokoke	4.Vitengeni	132	82	214
	Ganze	5.Ganze	10	38	48
		Bamba	6.Bamba	90	50
	Jaribuni	7.Jaribuni	20	35	55
		8.Palakumi	5	25	30
	TOTAL	5	257	230	487
Malindi	Shella	9.Muyeye	434	215	649
	Ganda	10.Gahaleni	56	149	205
		11.Ganda	77	40	117
	Kakuyuni	12.Kakuyuni	454	259	713
	Jilore	13.Jilore	50	60	110
	TOTAL	5	1,071	723	1,794
Kilifi North	Dabaso	14.Gede	238	107	345
	Watamu	15.Watamu	32	50	82
		Tezo	16.Ngerenya	36	58
	Kibarani	17.Mdzongoloni	103	103	206
	Matsangoni	18.Roka	39	73	112
	Mnarani	19.Mkwajuni	403	173	576

	TOTAL	6	851	564	1,415
Kaloleni	Kayafungo	20.Mwabanyundo	165	101	266
	Kaloleni	21.Tsagwa	40	20	60
	Kaloleni	22.Kaloleni	172	32	204
	Kayafungo	23.Tsangatsini	14	19	33
	Mwanamwinga	24.Hademu	4	50	54
		25.Mwanamwinga	21	36	57
	Mariakani	26.Mariakani	148	98	246
	TOTAL	7	564	356	920
Rabai	Kambe/Ribe	27.Kambe-Ribe	53	54	107
	Mwawesa	28.Mwamtsunga	70	36	106
	Rabai Kisurutini	29.Rabai Kisurutini	30	49	79
	Ruruma	30.Ruruma	32	74	106
	TOTAL	4	185	213	398
Magarini	Gongoni	31.Mapimo	292	108	400
		32.Mwaeba	29	16	45
		33.Kambi Ya Waya	44	58	102
	Adu	34.Adu	70	40	110
		35.Musumarini	34	63	97
		36.Shakahola	58	54	112
	Garashi	37.Marafa	103	80	183
	Marafa	38.Bungale	43	77	120
	Sabaki	39.Milalani	60	51	111
	TOTAL	9	733	547	1,280
TOTAL	39	3,802	2,787	6,589	

27. The global COVID-19 pandemic disrupted the academic calendar in Kenya as the government abruptly closed all schools and colleges nationwide as a mitigation measure against the pandemic. This disrupted nearly 17 million learners countrywide, bringing about numerous economic and social issues. These included interrupted and loss of learning time, education exclusion, homelessness, nutrition and economic crisis, childcare challenges and increase in teenage pregnancy cases, financial implication to households, and sexual exploitation among other issues. The effects were more severe for the underprivileged children and poor households. Adoption of digital and remote learning in schools exacerbated the existing inequalities as learners from poor households could not afford to stream the lessons due to lack of access to internet and unreliable electricity. This has widened the inequality gap and impeded their ability to access quality education and continued learning; resulting into limited and minimal learning within the areas, especially in urban informal settlements. Remote learning also faced a lot of challenges due to lack of well-defined infrastructure as well as the urgency in its implementation, leading to multiple unintended negative effects, more so to the poor and vulnerable in society. Most of the teachers and education stakeholders

had limited knowledge for online dissemination of knowledge, lack of detailed costs of teaching and preparation of online teaching, online assessment and evaluation.

28. Further to this, children lacked the gadgets to use for online learning and this resulted to part of the challenges in access to online learning. In 2019, the government launched a 24.6 billion laptop project with the aim to bridge digital learning in Kenyan schools. The gadgets were supplied to some schools but others were not as it turned out to be too expensive. Additionally, some schools that had received the gadgets had no prior expertise on how to use them, thus implementation was ineffective. With this, it made remote learning close to impossible especially for the marginalized areas.

29. School closure also had implications for learners who relied on school feeding programs as a main source of nutrition. With everyone now at home, families' ability to provide food for their children was even further reduced due to loss of income and jobs. School feeding programmes have always provided both educational and health benefits for the most vulnerable children thereby increasing enrolment rates, reducing absenteeism, and improving food security at the household level.

30. Due to loss of livelihoods particularly in low-income households, some children were forced into income-generating activities to support their families' survival. In such poverty-stricken areas, securing food takes precedence over learning. For instance, children from poor families from disadvantaged neighborhoods resorted to working as opposed to learning in order to provide for their families. This raised the increase on sexual exploitation with the young girls engaging in transactional sex in order to gain not only access to essential needs like sanitary towels but also to support their families. This highly contributed to early and unplanned teenage pregnancies which were projected to be on the rise during COVID-19 thus contributing to loss and disruption in learning.

31. As a County, there is need to navigate through these challenges and ensure continued access to provision of quality, equitable and inclusive education as cited in Article 53 of the Constitution of Kenya. This CFSP seeks to push forward the educational transformative agenda as well as aiding in the post pandemic economic recovery efforts in the following ways:

(i) Strive towards long-term achievable ICT integration strategies

32. As part of long term measures the DoE needs to enhance Information Communication Technology (ICT) incorporation in education, training and research, through adopting policy initiatives like strengthening ICT incorporation in education, training and research. To execute this policy, the County government through the

department will execute the following strategies; strengthen public-private partnership in ICT, Strengthen innovation centers of excellence to nurture ICT based innovations, promote linkages on use of ICT between education, training and research, Develop the capability of managers, instructors, teachers trainers and instructors to incorporate ICT in education, training and research, Augment availability and utilization of digital learning materials and open educational resource centers at all levels of education, training and research, Strengthen ICT-based curriculum delivery and assessment approaches at all levels of education, training and research, Promote integration of ICT in the education and training for students with special needs and incapacities, Augment policy, regulatory and institutional frameworks to support ICT incorporation in education, training and research.

(ii) Capacity Building on Digital Tools Utilization

33. Provision of assistance to educators and parents on the utilization of digital tools is key. The department will plan for brief training or orientation workshops for educators and parents as well, if monitoring and facilitation are required. Help educators to organize the basic settings for instance solutions to the use of internet data if they are needed to offer live streaming of lessons.

(iii) Improvement on Water and Sanitation Infrastructure.

34. The Department of Education in conjunction with the Department of Water will improve water and sanitation infrastructure, disseminate knowledge on health and hygienic practices in learning institutions to avert the possibility of infections arising from infectious diseases like COVID-19 and such like infirmities. The County Government will initiate; Provision of hand washing facilities and sanitizers, provision of masks, introduction of School-based health programs and enforcement of social distancing in schools which will be enabled through completion of the facilities under construction and ensuring they are adequately equipped.

(iv) Conducting Mentorship and Psychosocial Counseling Services

35. Department of Education will conduct mentorship and psychosocial counseling service programs for learners, Teachers, its officials, and Gender Based Violence (GBV) victims during the protracted schools closure period, teen pregnancies victims, drug abusers and pornographic addicts among other psychologically and socially affected members of the school community so as to improve the mental health of those affected.

(v) Creation of Scholarly Communities of Practice

36. DoE will encourage institutions to create scholarly communities of practice and enhance connection for the purpose of sharing experiences from successful cases and

stories: Communities of practice for teachers, parents, and school managers will enable sharing of experiences and conversations on coping tactics when confronted with learning challenges especially in the digital platform.

(vi) *Scaling up Assistance for Vulnerable and Marginalized Learners*

37. Given the economic backlash caused by COVID-19 globally and more specific to the marginalized and vulnerable members of society and their learners, the DoE will provide additional assistance to Orphans and Vulnerable learners through the Ward Scholarship Fund to ensure their continuing stay in school to avoid a possibility of dropping out of schools for lack of funds and support.

(vii) *Adoption of Multi Sectoral Coordination Approach for Robust Mitigations*

38. Finally, the DoE will adopt a Multi Sectorial Coordination approach to facilitate inter sectorial coordination and synergy among the actors in education sector for COVID-19 emergency response interventions to ensure that every challenge emanating from the pandemic is mitigated for accordingly.

39. These measures are intended to not only mitigate the impact of the pandemic, but to also forestall further spread and embrace the digital learning space which is the new frontier in education.

Ensuring access to safe water and sanitation services

40. COVID-19 has placed high demand on water for hand hygiene, compelling governments to ensure continuity in progressive provision of safe water that is accessible to all residents in adequate quantity and quality at an affordable price. This partly accounts for success in the achievement of the social pillar in Kenya Vision 2030, as prioritized under the Environment, Water, Sanitation and Regional Development Sector in MTP III.

41. The County has a total population of 1,453,787 out of which 80% have access to clean water and the department has plans to further increase the percentage by an extra 50% of the current status of access to clean water. Also out of the population 60% have access to sanitary services and targets are to increase percentage up to 80% whilst 60% of the same population has access to working waste management systems and plans are to increase the coverage up to 80%.

Table 5: Population Density

National/ County	Population	Land Area (Sq. KM)	Population Density (No. per Sq. KM)
Kenya	47,564,296	580,876.30	82
Kilifi	1,453,787	12,539.70	116

SOURCE - KNBS Census Report 2019 Volume 1

42. The County has a total of 10 functional water pans and 15 functional dams which have continued to bolster efforts of ensuring access and provision of clean and safe water over the years. The County has a total of 64 functional boreholes distributed across the county and extra 18 boreholes which are currently undergoing repair and maintenance, out of which 8 are in Ganda ward and 8 in Shella ward. The County also owns one drilling machine that has made it possible for the drilling of boreholes to be cost-effective and ensured timely completion of boreholes. There are plans to purchase another drilling machine.

43. The County government acknowledges that there have been issues such as disparities in tariffs charged on water and water bills issued for unused water especially during water shortages. To address this the county has been working on a merger of the two major water service providers in the county (KIMAWASCO and MAWASCO) with a view to reduce cost and other operational inefficiencies. The merger is still ongoing and awaiting stakeholders engagement, policy direction, adoption and implementation.

44. The County remains committed to increasing access to clean and safe water by extension of pipelines of which the county currently has 1000kms of pipelines laid since inception of devolution and water department plans to increase pipelines by a further 117.5kms of which 90kms of the planned targets have been achieved in the current financial year.

45. For the County government of Kilifi to further ensure access to safe water and sanitation services of households, there are plans to:

- (i) Expand and rehabilitate the existing water pipeline connection infrastructure to increase access to water.
- (ii) Expand sewer infrastructure to accommodate more households.
- (iii) Promote the importance of hand washing and construct water and sanitation (WASH) facilities to increase access at the household level.

- (iv) Provide waste collection services at households, promote and facilitate regular waste collection, and embrace environment clean up exercises at neighbor hoods and in towns.

46. On sanitation services, there is still a significant open defecation within the population, with a substantial number of households owning decent sanitation systems like septic tanks, latrines and connection to the main sewer line. This is illustrated in the table below:

Table 6: Mode of Human Waste Disposal

Description/Mode of Human waste Disposal	Septic Tank	Pit Latrine Covered	Open/Bush	Main Sewer
County Level	18.7	40.1	17.0	2.4
Chonyi	0.9	74.3	6.1	0.1
Ganze	2.6	36.3	44.5	0.1
Kaloleni	13.6	53.6	12.2	2.4
Kauma	1.1	39.1	42.2	0.1
Kilifi North	23.2	41.6	9.8	2.3
Kilifi South	20.9	46.8	4.5	2.4
Magarini	6.3	27.9	43.6	0.9
Malindi	34.0	23.6	15.7	4.4
Rabai	11.5	55.9	5.8	1.9

Source: 2019 Kenya Population and Housing Census Vol. IV

47. The County department of Water in conjunction with KIMAWASCO had in the previous years started the 'toilet per home initiative' with the aim of ensuring high level of sanitation and this initiative is currently at an 80% success rate. The County government is going to implement further mitigation on making sure that the success rate reaches 100% including sensitization of people living in the rural areas through extensive community outreaches.

48. In the awake of the novel Covid-19 pandemic the County government of Kilifi identifies that clean water, proper sanitation and good hygiene are an essential component in protecting human health in times of outbreak of infectious diseases. Frequent and correct hand hygiene has been emphasized by the World Health Organization (WHO) as one of the frontline measures to curb transmission of COVID-19. This has placed a higher demand for water use in households, schools, health care facilities, marketplaces, workplaces and public places. It has necessitated the need for provision of water, sanitation and hygiene by the County government to all, including the vulnerable men, women and girls, elderly, persons with disabilities persons living in informal settlements, the street families, the homeless, refugee camps and those living in rural and urban areas. However, it will be important for national and county

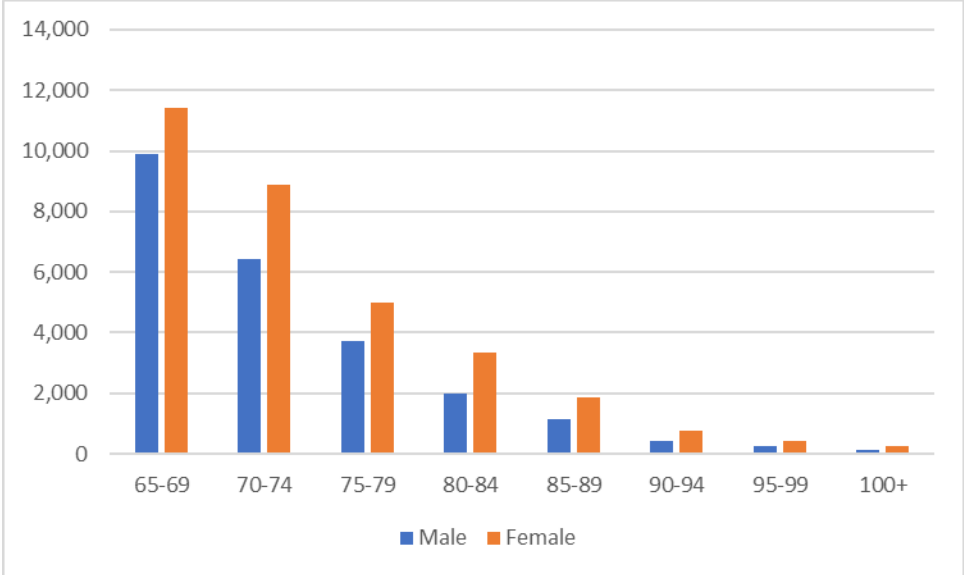
governments to collaborate in capital and infrastructure investment for water and sanitation which is attributed to the Presidential directive to water companies to ensure continuous supply of water regardless of payment status from the users. Majority of the households may not be in a position to pay water bills, and this therefore means that the county’s share of own source of revenue is likely to decrease.

Protecting the Vulnerable Members of Society Through a Social Safety Net Program as well as Community Sensitization

49. The COVID-19 pandemic has impacted the country’s macro and micro economic environment, exacerbating the vulnerabilities of the most vulnerable segment of society. Most of these individuals are characterized by high dependency levels, exposure to very risk environments, and very low income since most cannot fend for themselves. The vulnerable in our society today include elderly (65+ years), People Living With Disabilities (PWDs), Orphan and Vulnerable Children (OVCs), teen moms, women and the poor. High unemployment rate and unsteady income flow, some of the covid-19 impacts, from caregivers is expected to further devastate the country’s most vulnerable members.

50. As per the 2019 Kenya Population and Housing Census, Kilifi County has 55,888 elderly persons, which accounts for 3.8% of the County’s total population, out of which 23,963 are male and 31,925 were female. This community faces socio-economic challenges such as poverty, health, housing, mobility, HIV/AIDS, isolation and neglect. The graph below shows the population distribution for persons aged 65+ years.

Chart 1: Population Distribution for Persons Aged 65+ Years



SOURCE: KNBS 2019 Household and Population Census

¹ - KNBS Basic Report on Well-being Kenya 2015/2016

51. Disability is universal, a development priority and a human rights issue. Over a billion people, about 15% of the world's population, have some form of disability – 1 in 7 people. (WHO report on Disability, 2019). Kenya has identified disability agenda as a critical development issue to be mainstreamed into all economic sectors. Mainstreaming is a process anchored on the international and regional instruments, local policy and institutional frameworks. The Convention on the Rights of Persons with Disability obligates Kenya as a signatory, to ensure and promote the full realization of the human rights of persons with disabilities across the broad development sphere. Other instruments include the Sustainable Development Goals which rally national commitment to disability through the mantra of 'leave no one behind' as well as African Union Disability Agenda and the East African Community Disability Policy both of which lay emphasis on mainstreaming disability agenda into national development frameworks. At the national level, the Constitution of Kenya, 2010, the National Disability Policy, 2018 and the Persons with Disability Act, 2003 serve as the anchor of the promotion of the rights of persons with disability.

52. In Kilifi County, the population of People Living with Disabilities (PWDs) is at 20,064, which represents 1.4% of the County's total population. This community comprises of several impairment forms including visual, hearing, mobility, cognitive, self-care and communication and albinism. The challenges they face include lack of universal access in structural buildings, extreme poverty, high unemployment rate and poor provisions of education and health services, entrenched stigma, exclusion and discrimination, physical and sexual abuse in social institutions. The table below shows the PLWDs population across the County.

Table 7: PWDs Population Statistics

SUB COUNTY	TOTAL	MALE	FEMALE
Kilifi	20,064	9,004	11,060
Chonyi	752	370	382
Ganze	2,170	997	1,173
Kaloleni	2,832	1,227	1,605
Kauma	331	179	152
Kilifi North	2,529	1,028	1,501
Kilifi South	2,253	985	1,268
Magarini	3,064	1,491	1,573
Malindi	4,566	2,064	2,502

Rabai	1,567	663	904
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Source- KNBS 2019 Population and Housing Census Data

53. This 2021 CFSP aims at promoting the inclusion of PLWDs in the social, economic and political development and to reduce barriers that hinder their participation in society. Various activities will be conducted that include:

- To sensitize care givers and community resource persons on prevention, early identification and intervention of disability in Kilifi County
- To sensitize PWDs on disability rights in Kilifi County
- To conduct outreaches to assess PWDs for registration in Kilifi County
- To procure and distribute 207 wheelchairs to PWDs
- To hold two disability stakeholders’ meetings in Kilifi County
- Commemorate the world disability day in Kilifi County

The County Department of Gender will spearhead the activities in partnership with other partners.

54. In addition to the cash transfers to cushion this demography, the County endeavors to invest in these efforts by setting up special need ECDE centers for children with special needs, construction of ramps to ease access to public utilities, and special sanitation provisions. The Mbegu-Fund seed capital fund seeks to incorporate vulnerable members in the community to enable them advance economically. In addition to this, the County plans to construct and equip a PWD empowerment centre to train and empower this community with economic craft skills to help them live an economically independent life. To cater for the vulnerable particularly older persons and PWDs the County will continue to set and disburse funds to the said vulnerable groups in the coming financial years as well as provide infrastructural support to mitigate the severity of their existing vulnerabilities, successfully rehabilitating them into a normal livelihood.

i. Poverty and Disaster Risk:

55. The very poor people also identify as vulnerable in our society. Multidimensional poverty exacerbates this group’s vulnerability and compounds their problems to other socioeconomic issues. The national extreme poverty rate stands at 36.1%¹, with Kilifi County at 46.4%.

In addition to this, Kilifi County has a child poverty index of 0.30 and rate of 47%. Child poverty is measured in different dimension, ranging from nutrition, healthcare, education, access to information, access to clean water and sanitation services and housing. Deprivation composition among children of age 5-17 deprived in one to six

¹ - KNBS Basic Report on Well-being Kenya 2015/2016

dimensions (UNICEF-Kenya, 2017 Child Poverty)

Table 8: Deprivation Dimensions

Dimension	Rate (%)
Health	17
Education	19
Access to Information	18.5
Water	15
Housing	11.5
Sanitation	18.5

56. With the multifaceted nature of poverty; there are inherent challenges like hunger, malnutrition, limited access to education, and poor sanitation. With the drought return period reduced to two to three years¹, overall food poverty rate stands at 48.4%. On average 250,000 to 300,000 people continue to be food insecure due to drought yearly¹.

57. Deliberate efforts have been made by the County Government to curtail the effects of extreme poverty within the county including setting aside 170 Million Kenya Shillings in FY 2019/20 and 100 Million in FY 2020/21 in terms of Emergency Relief to provide food and non-food support to individuals highly afflicted by poverty. Self-help groups have been used as an effective strategy for poverty alleviation, human development and social empowerment, and are therefore often focused on microcredit programs and income-generating activities.

ii. Teen Pregnancies and Sexual and Gender Based Violence (SGBV):

58. The COVID-19 pandemic has seen an extremely high prevalence of teenage pregnancy due to a multiplicity of reasons but chiefly because teenage girls were out of school in line with the government's directive of school closure. Teen pregnancies remain an area of concern due to the long-term effects it has on the girls and women. It mutates into a vicious cycle of poverty as majority of the girls end their educational pursuits at an early age thus perpetuating gender inequality. Similarly, the 'Stay at Home' directive as part of the mitigation policy led to a surge in the SGBV cases, making intimate partner violence a point of concern in the County.

59. A study conducted in December 2020 on "Mitigating Adolescent Pregnancy in Kilifi County: Risk Factors, Interventions Needed and Strategic Implementation Readiness" identified six categories of linked factors to teen pregnancies. These are; poverty, parenting difficulties and failures, children's idleness and time away from school programs, adolescents' personal choices and morals, socio-cultural factors, as well as broader community and government system factors.

60. The study's recommendations on mitigation of adolescent pregnancies and associated factors included five key categories; health system factors, the role of the school environment, parents' roles and responsibilities, adolescents' roles, and broader community and government roles. This study complemented ongoing efforts to mitigate teen pregnancies. In both cold (Ganze) and hot (Magarini) spot areas, there was closure of night clubs and bars, as well as banning of 'disco matanga'. Parents and adolescents are getting sensitized on the matter, associated risk factors, consequences of early pregnancies, and how to report cases. Some arrests of those involved in early pregnancies has also occurred and girls were being reintegrated back into school.

61. Efforts emphasized uniquely by hot spot respondents included setting up a task force on sensitization of communities, distribution of family planning commodities by CBOs, use of boarding schools for girls, distribution of sanitary towels, and engaging adolescents in recreation activities. Those unique to cold spot were increased availability of condoms, and guiding and counselling services in schools. There were additional efforts across Kilifi as reported by county level leaders.

62. The County Government is implementing policies on handling perpetrators provision of support education of teen parents. Field officers are helping to carry out health integrated programs and there were tele- counsellors to provide psycho-social support. There are youth tournaments and capacity building of members of the police force to allow them investigate and deal with the perpetrators of teen pregnancies. This CFSP aims at sheltering this vulnerable population by constructing and establishing safe centers and rescue centers where the victims of these cases can receive psychosocial support as well as get a safe place to stay as they are rehabilitated. As a complementary step, the County government in conjunction with partners will work on training and facilitating CHWs and CHVs to offer psychosocial support and counseling to the affected people in society.

Promoting Infrastructural Development.

63. Quality infrastructure is important for economic development as it assures of labour and material mobility. The County government is committed to improving the existing infrastructure as well as constructing new infrastructural amenities to aid in the post pandemic recovery period while creating an enabling environment for the socio-economic well-being of the population. Labour and materials are crucial factors of production. As production thrives and people move about in a variety of economic activities, there is an increased economic growth which results into business centers, towns and cities. This has profound positive multiplier effects as it supports the growth of other economic sectors leading to socio economic prosperity.

64. Land remains an important factor of production with an inherent value in the economic value chain. As part of the government efforts to improve output and utility on land, there are sustained efforts to improve on arable land as well as other infrastructural investments that can increase the utility of land sustainably in the short and long run. To complement the County's agenda of sustained land use, the County will focus on provision land tenure for urban centers. This will be done through surveying and titling of the various urban land parcels, effectively reducing the emergence of slums through planning and zoning. This will also capacitate town dwellers to use their lands as collateral for financial access as well as increase the investment potential of the citizens. Currently, the County valuation roll has 13,000 properties. This CFSP will facilitate the valuation and commissioning of 46,000 additional properties. Consequently, this will lead to an increase in the number of properties in the valuation roll thus increasing county own source revenue collection through land rates. During the year, there will be supplementary valuation rolls that will serve to increase the resource base through revenue collection.

65. The County Spatial Plan is essential in identifying preferred land use. Currently, there are local physical development plans that cover sixteen towns including Mazeras, Adu, Mikapuni, Kikambala, Majengo and Shariani. These plans aim at delineating zoning and incentivizing investors through proper planning thus allowing for development control as it will be a guide for infrastructure and utilities provision preventing a strain on resources. In addition to these, the CFSP 2021 aims at increasing survey and titling of settlement schemes in rural areas through survey of informal settlements and increase agricultural production, this will take care of the squatters thus increasing agricultural production. To complement the efforts of increasing arable land, there will be efforts at titling the dissolution of group ranches to individuals. Such ranches include Kayafungo and Gotani ranches.

66. This CFSP foresees deliberate effort at sustaining the development efforts at the County. As such, there will be a boost in the investment of a GIS lab to ensure that the departmental datasets are mapped onto the GIS database. This will guide investments and fast track development as well as create a management tool to allow utilization of the information. In the same vein, there will be asset valuation for fixed and movable assets will also be implemented to assist in concluding the valuation for insurance.

67. In line with the government's Big 4 Agenda of provision of affordable housing, the County Government of Kilifi will seek to renovate and establish affordable housing to provide adequate housing for its population. Majority of the houses in Kilifi County have wall made of mud/wood 59% and walling materials, followed by brick with block at 22.05% and mud/cement at 5.95%. On the floor earth 73.5% as the main floor materials, cement 25.05%, tiles 1.15% and roofing makuti leads with 41.4%, corrugated iron sheets 32.9% and glass 20.2% as the main roofing materials. There are informal settlements coming up in the major urban centres in the County especially in Malindi and Kilifi towns. The County currently has 8 old estates; out of which 5 are in Kilifi Municipality, 2 in Malindi Municipality and 1 in Mariakani. However, most of the houses are dilapidated and routine renovation has not restored the buildings. To this end, the County plans to partner with the private sector to invest in the construction of modern, multi storey buildings within its urban areas and municipalities. This will address the housing shortfall as well as boost the rental income for the County.

68. This CFSP espouses the need for actualizing the County Government Master Plan of FY2018/19, to construct an office block complex. The complex will enhance diversification of offices for effective delivery of services and decrease in office rent paid.

69. The operationalization of Kilifi and Malindi municipalities as semi autonomous units has seen an increased investment in infrastructural development more so through the World Bank funded urban areas grant that focus on improving infrastructure in the urban areas. As such, there is an expansion in the construction, rehabilitation and improvement of the urban areas ecosystem within these two municipalities; investments that are bound to spur growth as well as improve on the accessibility and livability of these areas. Focus will also be on the greening of the environment and use of eco friendly resources in the infrastructural development. As such, key projects are almost complete within these two municipalities such as the Malindi Water Front Park, the storm drainage system in both municipalities as well as the rehabilitation of Oloiptip market in Kilifi municipality. This will be a positive boost to the post pandemic recovery process through direct and indirect employment as well as creation of a conducive environment for working, business and living.

70. Roads are the main linkage between production and markets; supporting market access for goods and services as well as connecting different people within the production value chain. Kilifi County boasts of a total of 2,008kms of classified road surface; of which 326.2km are bitumen standard roads, 542.3 gravel and 1,139.5 earth surface. Vision 2030 has Kilifi County as a resort city. This informs the need to expand, boost and maintain high quality infrastructure. Improving on these roads, would mean better timelines of transport hence optimum achievement of tourism and goals as well as other income generating activities. This is because tourism is the mainstay of the County and remains a viable source of indirect and direct revenues through employment opportunities, the cottage industry as well as other economic activities.

71. Infrastructural development majors on the ability to construct and secure water resources within Kilifi County. This includes water resources management and treatment for usage by the county's residents. Water system provides a critical health function and is essential to life, economic development and growth.

Water system failures can result in service disruptions, impediments to emergency response and damage to other types of essential infrastructure. Inadequate access to safe water and sanitation underpins many of the health challenges in many households. Moreover, families in the bottom incomes quintiles often spend 20% of their income on water further, exacerbating the cycle of poverty.

72. Reliable and affordable energy is fundamental to a thriving economic environment, both for domestic and industrial use as it supports industrial establishment and expansion, modern agriculture, increases the economic hours; hence increasing trade. The main source of energy in the County includes; wood fuel, electricity, paraffin and solar energy which are mainly used for cooking and lighting.

73. The number of trading centres connected with electricity stands at 50 while over 80% of the households use wood fuel. The number of trading centres connected to electricity is expected to increase as the national and county governments continue to implement the Rural Electrification Programme aimed at connecting rural centres with electricity thus promoting wealth and employment creation. The County is currently promoting the use of renewable energy and use of energy saving jikos by households and institutions such as schools and hospitals. So far, the County has installed and operationalised 4 biogas plants, installed 1,000 solar home systems and distributed 3,000 solar lanterns. The County has also embraced green energy and there has been a significant investment in solar street lights and high masts. In the same vein, it has put in place measures to ensure enhancement of energy development and management under the following proposed projects in the county energy master plan:

- Conducting feasibility study on viability of generating (electricity) from waste in the county through recycling.
- Construction of streets and high mast lights in Matanomanne, Bamba, Gotani, Kibao Kiche, Kambe, Mwembekati and Majajani.
- Construction of biogas bio digester at Godoma secondary school, Ganze Sub County
- Purchase and distribution of briquetting machines in Ganze, Magarini, Kilifi North, Kilifi South, Kambe Ribe and Kaloleni.
- Developing Kilifi County Energy Regulations.
- Establishing of tree nurseries for creating carbon sinks.
- Construction of 350 biogas digesters targeting households and learning institutions including ECDs and polytechnics whereas 4 are already completed.
- Purchase and distribution/supply of 3500 solar lanterns to vulnerable members of the community Purchase and supply of 30 charcoal kilns for improved charcoal production

74. Promoting infrastructural development will facilitate domestic and regional trade particularly through reduced cost of doing business and enhancing competitiveness in domestic and regional markets. The economy of Kilifi needs reliable infrastructure to connect supply chains and efficiently move goods and services across the county. There are a total of 78 trading centres in Kilifi County with 3,809 registered traders in retails, wholesales and manufacturers. In addition to this, the County has made a significant investment in markets, to boost the small scale traders as well as revenue collection. The major markets are in Kilifi, Mtwapa, Malindi, Mariakani and Watamu, serving the population as illustrated below:

Table 9: Market Construction from 2015/16 to date and Population Distribution

SUB COUNTY	NO. OF MARKETS	POPULATION
Chonyi	1	62,335
Ganze	3	143,906
Kaloleni	2	193,682
Kauma	0	22,638
Kilifi North	9	178,824
Kilifi South	1	206,753
Magarini	6	191,610
Malindi	1	333,226
Rabai	1	120,813
TOTAL	24	1,453,787

75. The County plans to progressively increase the trading space and envisions partnering with investors and the private sector to expand the markets as well as link the micro producers with the markets, thus boosting the economic sufficiency of the Kilifi residents. To aid in the Post Covid-19 recovery strategy, there will be installation and rehabilitation of high mast solar floodlights and streetlights in all markets within the County.

Promoting Environmental Protection and Disaster Mitigation

76. Environment refers to the surrounding, and it is here that development and economic activities take place. So crucial is the environment that sustaining it is a mainstay in economic activities; with most of the Sustainable Development Goals (SDGs) linked directly to environmental conservation. As global efforts to combat climate change intensify, the County government remains committed to the provision of a clean, secure and sustainable environment for all its citizens, with a focus on mitigating environmental degradation and enhancing conservation efforts. To enhance environmental sustainability, the County Government will continue to implement a Green Economy Strategy. The focus will be on conservation and management of forests, sand harvesting management, solid waste management, strengthening policy and compliance, water catchments and management of wetlands, water resources management, renewable energy generation, air quality regulations and monitoring devices, noise regulation, removing of asbestos from all county buildings and mitigation and adaptation of the effects of climate change.

77. The County is committed to confronting the realities of climate change through adoption of technologies for climate change mitigation and resilience, human resource

development and partnership with academia and other research institutions. Over the last decade, the County has witnessed a systematic depletion of forest cover as development of housing and other urban infrastructure take precedence. From 2002 to 2020, Kilifi lost 182ha of humid primary forest, making up 0.77% of its total tree cover loss in the same time period. Total area of humid primary forest in Kilifi decreased by 0.72% in this time period. This trend continues to threaten the rich urban nature and biodiversity that Kilifi is endowed with.

78. To curtail this, the County will coordinate a structured programme to restore forest cover and conserve biodiversity for shared prosperity. As part of its efforts at improving environmental management and climate change mitigation, the County will implement an integrated waste management program aimed at managing the environment more effectively by increasing collection points, town beatification, acquiring dump sites in all our sub-counties, liter bins, waste trap, skip loader and noise meters. To reduce the cost of transporting garbage from one sub-county to another, there will be additional number of dumping sites in Kilifi South, Ganze, Magarini and Rabai.

79. In the FY2021/22, the sub-sector is committed towards establishing tree nurseries in all 7 sub-counties for purposes of massive afforestation and re-forestation initiatives of deforested areas and community training on attaining and promoting of national 10% tree cover.

Urban forestry will also be enhanced through planting of trees in all open areas in our towns. During rainy seasons, the County will provide free seedlings to schools, places of worship and women groups. Additionally, efforts will be directed towards conservation of Kayas and Mwangea forests through initiatives such as tree planting, public awareness and sensitization.

80. The County is well endowed with natural resources and minerals such as manganese and titanium. These are to be exploited sustainably to ensure maximum benefits for both the current and future generations. In enhancing value addition, marketing and exporting of these minerals, the County is in the process of developing a data base of all mineral resources within the County. In addition to this, there will be rehabilitation of quarries as part of the conservation campaign. Similarly, control measures will be institutionalized in the management of quarries and water resources through education and sensitization campaigns and clean-up activities. To conserve wetlands, the County will plant mangrove trees in crucial areas such as Sabaki, Mida Creek and Kwa Kadzengo. Efforts will be made to rehabilitate degraded lands and gully,

conduct quarterly advocacy campaigns on climate change adaptation and mitigation activities, facilitate green infrastructure project and support recycling, and promote green building and energy efficiency program. Projects and programs being implemented in the county will undergo an Environmental Impact Assessment (EIA) before commencement to ensure minimal adverse effects on the environment. Management of sand harvesting remains a priority for the County. In this regard, there is formulation of a sand harvesting bill aimed at mitigating the adverse effects of erosion and environmental degradation.

81. The County takes cognizance of the fact that the ultimate purpose of emergency management is to save lives, preserve the environment and protect property and the economy. Therefore, the County's emergency management system comprises of all the four interdependent risk-based functions i.e., prevention/mitigation, preparedness, response and recovery. In addition to this, there is a County Steering Group (CSG) that convenes whenever there is a looming disaster; to undertake needs assessment for disaster response.

82. The County's signature investment in disaster mitigation is the Disaster Management Policy which harmonizes all emergency services under one roof to ensure an organized way to handle disasters. Regulations through the policy are in conjunction with Maritime Authority and the department of fisheries. The County already has a draft policy which is at the public participation level. Funds have already been approved for public participation. Formulating of the policy has been a joint undertaking between the County Government and other stakeholders. To mitigate and reduce the effects of disasters, the County government will use both structural and non- structural measures (land zoning).

83. In the financial year 2021/2022 and over the medium term, funding and efforts in risk reduction will be focused on all the key result areas including hazard mapping, adoption and enforcement of land use and zoning practices, implementing and enforcing building codes, mapping of flood plains, raising of homes in flood-prone areas, disaster mitigation public awareness programs and where possible, insurance programs. As a complementary approach, the County will set aside emergency funds for food and non-food items, as well as equip beach safety units with rescue boats to conduct rescue missions. So far, 20 survivors have been rescued at sea with the help of the trained personnel. Care has been taken to incorporate measurement and assessment of the evolving risk environment.

Provide Quality and Affordable Healthcare for a Healthy and Productive Society.

84. Promotion of high quality healthcare has been and remains a priority in both the international and national policy spheres. The Government of Kenya has prioritized the health sector under the 'Big four (4)' Agenda to ensure that the country progressively moves towards Universal Health Coverage (UHC). Similarly, this prioritization aims at achieving national health goals under vision 2030 and International Health Commitments under the Sustainable Development Goals (SDGs) No. 3 "Ensure healthy lives and promote wellbeing for all at all ages", the Alma Ata, Abuja and Astana Declarations of 1978, 2001 and 2018, respectively. Kenya devolved health care services with the adoption of a new constitution in 2013; where the County Governments have a bigger responsibility in the implementation of health services from level 1 to level 4; in terms of health systems, health infrastructure capacity and human resources for health.

85. The County Department of Health has the overall goal of delivering quality and affordable health care that is accessible to all residents of Kilifi County. Financing for the health sector is from four main sources; the equitable share of revenue collected nationally, own source revenue, conditional grants and external loans and grants from development partners. The investments towards the health sector in the County has grown over the period under devolution resulting to increased availability of key health care inputs such as human resources for health, health infrastructure, health products and technologies. By 2019, the County has a total of 330 health facilities (12 hospitals, 41 health centers and 277 dispensaries of varied ownership i.e., public, private and faith based), serving a population of 1,453,787 (KNBS, 2019). This represents 2 health facilities per 10,000 populations which is below the national target of 2.5 per 10,000 populations (MoH, 2020).

86. The advent of the novel COVID-19 virus globally had a negative impact on the health sector in that priority funding in the health sector shifted to mitigation measures against the pandemic, restrictions in movement negatively affected the provision of essential services negatively affecting some of the key health outcomes further reducing own source revenue that would have been generated by the County Health sector. The disease also affected health care workers resulting in death, jobs losses and prolonged restrictions of movement of the population increased the population susceptibility to mental health and gender based violence.

87. In spite of these negative effects, the County Health System also realized some positive effects like increased sensitizations on public health care, infrastructural

upgrade of selected health facilities, increased research on disease mitigation, the value of global health security, reactivated community surveillance systems and use of technology in contact tracing, emphasized use of data in disease control, helped to build capacity for multi-sectoral collaborations on the control of the pandemic. These among others are lessons that the County will value in the journey toward strengthening its health systems as we forge towards a post pandemic recovery.

88. A paradigm shift in the health sector has seen the County put more emphasis on preventive and promotive health services with a focus on; disease control, reproductive, maternal and child health services. This 2021 CFSP will focus on health systems strengthening, more so on community health, as a first point in building its primary health care system. This will be made possible by operationalization of already constructed dispensaries through equipping and staffing. The strategy will focus on promoting community healthcare by bringing resources close to the people through increasing the capacity of residents to realize their rights to equitable, good quality healthcare as well as to demand services that will lower the health inequalities and progressively move towards UHC. This will be done by establishing and resourcing Community Health Units linked to health facilities, where the residents can access essential health services. These units will be manned by Community Health Volunteers thus enhancing service delivery as the community health workers are familiar with the community health needs. As a first line in health care management, these units will thus enhance healthcare delivery as they will also address other social determinants of health.

89. This CFSP also advocates for increased partnerships in the health space; to improve on the infrastructure and financing for health. It also advocates for community participation for tailor made interventions and solutions. Other specific means of interventions include:

(i) Disease Control and Eradication.

90. The County government will continue its efforts to address problem of morbidities resulting from preventable conditions such as malaria, HIV, diarrhea among others through implementation of community and primary level preventive measures and behavior change communication. These efforts have resulted to a decrease in the population diagnosed with leprosy and TB from 35 to 26 and from 2,460 to 1,587 respectively. More emphasis will be put on Malaria control as the percentage of population testing positive for Malaria has increased from 7.2% to 15.5% in the past one year.

The government will take preventive and preparedness measures in order to greatly increase the ability to control communicable diseases and prevent epidemics. Such measures include:

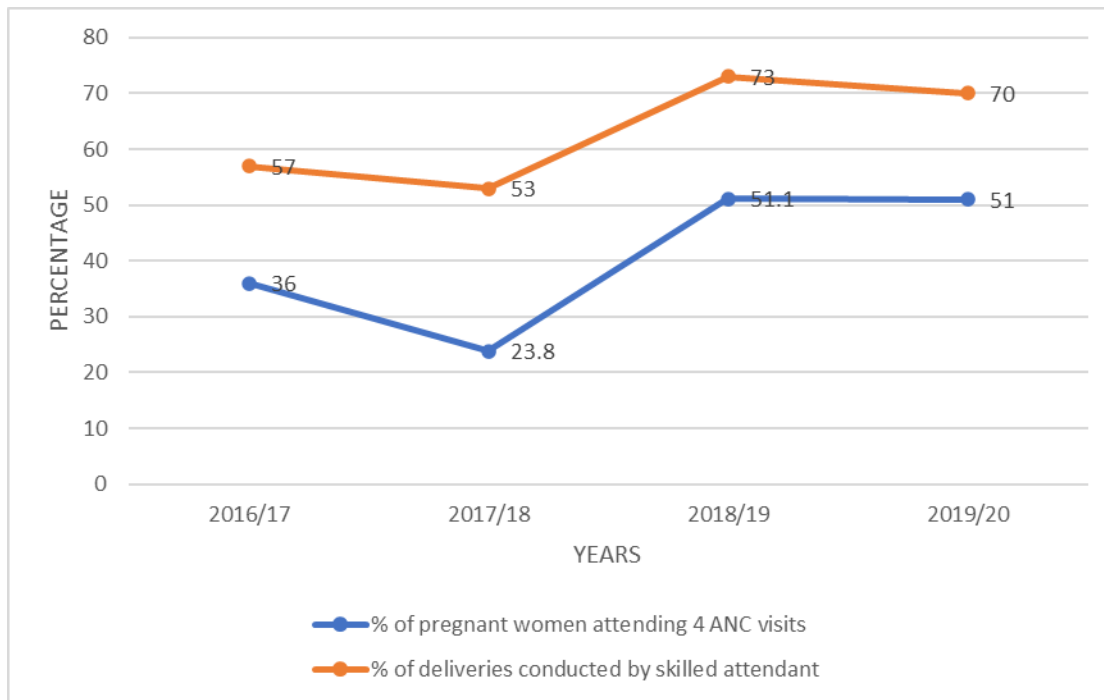
- Training health workers on diagnosis and management
- Availing essential medicines, supplies and equipment for diagnosis, treatment and environmental health measures in case of disease outbreaks;
- Strengthening health surveillance systems and developing protocols for managing information on certain diseases;
- Raising awareness among the population likely to be affected by a disaster on communicable diseases and the need for early referral to a health facility.
- Acute respiratory infections and diarrhea are most often the major killers in emergency situations. To prevent them, hygiene promotion, the provision of adequate quantities of safe water, sanitation facilities and appropriate shelter are absolutely necessary.

To augment these efforts, the department will also carry out public awareness campaigns and education fora on non-communicable diseases such as diabetes, high blood pressure, cancer and neglected tropical diseases.

(ii) Reproductive, Maternal and Child Health Services.

91. Article 43 (1) (a) of the Constitution provides that every person has the right to the highest attainable standard of health, which includes the right to health care services, including reproductive health care. The County government has and commits its efforts and resources towards reduction of maternal and child mortality through sensitization on family planning, maternal and child health services. There are implemented interventions that focus on increasing access to reproductive and child health services and to address the high prevalence of underage pregnancies in the County. The proportion of pregnant women getting iron supplements increased from 65% to 88%; pregnant women attending 4 antenatal care visits (ANC) increased from 36% to 51%; while deliveries by skilled birth attendance increased from 57% to 70% in the past three years. This is illustrated in the graph below.

Chart 2: Percentage of Women Attending 4 ANC visits and Deliveries by Skilled Birth Attendants



SOURCE: 2021 Kilifi County Health Sector Working Group Report

Facility based maternal mortality reduced from 115 to 103 per 100,000 live births. Access to family planning for women of reproductive age improved from 38% to 56% over the review period.

92. Child immunization and health prevention interventions are crucial for improved health outcomes. With health services as a devolved function, majority of counties in the country rolled out children immunization programmes. According to the National Policy Guidelines on Immunization of 2013, counties are required to achieve minimum immunization coverage of 80% of fully immunized children. By FY 2019/2020, the percentage of children under one year of age fully immunized in Kilifi County was 78%, an increase from 69% of 2017/2018 but still below national target of 80% although it is above the current national immunization target which stands at 68%. The County will strive to achieve the 80% target over the medium term. Below is a summary of reproductive health statistics for Kilifi county in comparison with the national statistics.

Table 10: Summary of Reproductive Health Statistics

Category	Kilifi	Kenya
Total Population	1,453,787	47,564,296
Population growth Rate	2.9%	2.2%
Total Fertility Rate	5.1%	3.9%
Average Household size	4.8	3.9
Contraceptive Prevalence Rate	34.1%	58.0%
Modern Contraceptive Use	32.8%	53.0%
Full Immunization Coverage	78%	68%
Unmet need for modern Family planning method	20.6%	18.0%
Women of Reproductive Age (15-49)	25.7%	25.4%
Maternal Mortality Rate (Per 100,000)	488	362
Neonatal mortality rate (Per 1,000)	18.1	22
Infant mortality rate (Per 10,000)	31.5	39
Under 5 mortality rate (Per 1,000)	42.1	52

(iii) Other Key Priority Areas

Emerging Disease and Pandemics Preparedness:

93. The County needs to continue factoring the effect of emerging diseases and pandemic during the allocation of health budgets. The health and disease burden increases as a result of demography, lifestyle changes, socio economic gaps and the public health systems, and the fact that Kilifi County is a busy tourist and commercial hub continues to place a huge strain on the County Health System.

Infrastructure:

94. Although the County has heavily invested in improved health infrastructure, equipment, human resource among other areas of investment, many of the health facilities fail to meet the required norms and standards. Currently we have a total 150 public health facilities (5 hospitals, 15 health centers, 130 dispensaries), many of these facilities are operating below the prescribed norms and standards by Ministry of Health. To ensure that the health sector resources are effectively employed, there is need to re-evaluate the priorities, and distribution of these resources. More resources now need to be directed towards completion and operationalization of Kilifi County Health Complex that is anticipated to provide referral and multispecialty services. Additionally, priority needs to be given to upgrade health facilities in line with the norms and standards as opposed to further additions in new health facilities.

Funding Gaps in the Health Sector:

95. Health sector has received the highest allocations of the County allocations estimated at between 22%-28% for the period between 2016/17 to 2019/20 This translates to a per capita expenditure of below Ksh. 2,000/-. This amount is lower than would afford the residents a descent health benefit package estimated at Ksh. 6,000/- per household for NHIF and Ksh. 8,600/- per household as per WHO recommendation. Only 0.1% of the poor households in the County are on a health insurance policy. Community initiatives and pooling of resources can assure the sustainability of the insurance scheme. Therefore, the government in collaboration with other stakeholders will invest towards achieving the said minimum standards through the Universal Health Coverage Scheme. The private sector will also be roped in to invest in the critical infrastructure like ICT, record and database management system including electronic medical records system and telemedicine.

Universal Health Care:

96. Strategy and commitment to recruit over 7,000 households with vulnerable and indigent persons for enrollment into a UHC scheme for health insurance by both levels of government. This is to ensure their access to quality, promotive, preventive, curative, rehabilitative and palliative health services based on needs.

97. This CFSP espouses more focus on environmental health, by increasing awareness creation and strengthening disease prevention measures as well as promoting compliance to standards guidelines and procedures for factories and industries

CHAPTER THREE: RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK OVERVIEW

Overview

98. 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, our economy contracted by 5.7 percent in the second quarter of 2020 from a growth of 4.9 percent in the first quarter in 2020. The economy is therefore estimated to slow down to a growth of around 0.6 percent in 2020 from the earlier projection of 2.6 percent in the 2020 Budget Review and Outlook Paper (BROP). Economic growth is projected to recover to 6.4 percent in 2021 due to in part, the lower base effect in 2020. In terms of fiscal years, economic growth is projected to grow by 3.5 percent in FY 2020/21 and further to 6.2 percent over the medium term.

99. The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that support exports. Year-on-year overall inflation remained within the Government target range of 5 ± 2.5 percent in December 2020 at 5.6 percent from 5.8 percent in December 2019. This lower inflation was mainly supported by a reduction in food prices.

100. The foreign exchange market has largely remained stable but 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.

Global and Regional Economic Developments

101. Global economy is expected to grow by 5.2 percent in 2021, from a contraction of 4.4 percent in 2020. Although the global economy is growing again, the pandemic has caused a heavy toll of deaths and illness, plunged many into poverty, and may depress economic activity and incomes for a prolonged period.

102. In advanced economies, there is an expected growth of 3.9 percent which reflects a 3.1 percent increase in the US after a contraction of 4.3 percent in 2020. In the euro area, output is expected to grow a 3.6 percent following a 7.4 percent decline in 2020. Activity in Japan is expected to expand by 2.5 percent in 2021 after a contraction of 5.3 percent in 2020.

103. Growth among emerging markets and developing economies, growth is expected to grow to 6 percent in 2021, after a contraction of 3.3 percent in 2020. China's economy is projected to expand by 8.2 percent in 2021 following a growth of 1.9 percent in the previous year. Excluding China, emerging markets and developing economies are projected to expand by 3.4 percent in 2021 after a contraction of 5 percent in 2020.

104. Growth prospects for Sub-Saharan Africa are expected to recover. Activity is projected to increase 3.1 percent in 2021 after a contraction of 3.0 percent in 2020. The greatest impact on growth has been for economies which mainly depend on tourism but that does not mean that the economies that are dependent on commodity exportation have not been hit.

105. Growth in the East African region is estimated to slow down to 1.0 percent in 2020 compared to a growth of 6.2 percent in 2019. Activity is projected to expand by 4.5 percent in 2021; this will be supported by positive growths in Kenya, Tanzania and Rwanda. Kenya's economy is expected to rebound relatively quickly in 2021, lifting real GDP relatively by 6.4 percent from a contraction of 0.6 percent in 2020.

Table 11: Global Economic Growth in Percentage

Region/Country	Actual	Estimated	Projection
	2019	2020	2021
Global	2.8	(4.4)	5.2
Advanced Economies of which	1.7	(5.8)	3.9
USA	2.2	(4.3)	3.1
Emerging And Developing Economies of which	3.7	(3.3)	6.0
China	6.1	1.9	8.2
India	4.2	(10.3)	8.8
Sub-Saharan Africa of which	3.2	(3.0)	3.1
South Africa	0.2	(8.0)	3.0
Nigeria	2.2	(4.3)	1.7
East African Community of which	6.2	1.0	4.5
Kenya	5.4	0.6	6.4

Source: International Monetary Fund, 2020

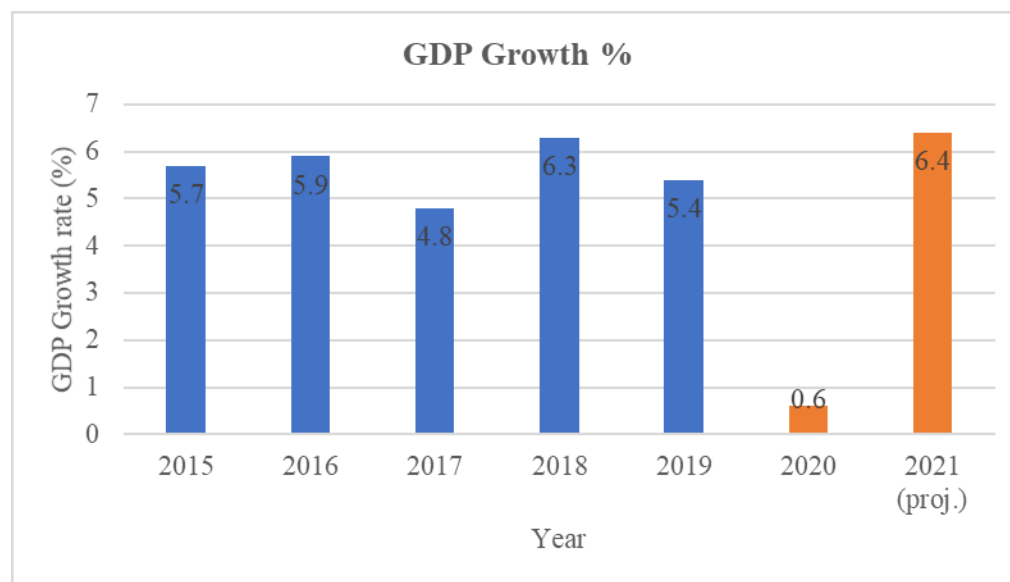
Domestic Economic Development

106. The outlook for the economy, both globally and in Kenya, remains highly uncertain, as the COVID-19 pandemic continues to unfold. Under baseline assumptions, Kenya's economic output was projected to contract by 1.0 percent in 2020, and to

rebound in 2021, with real GDP increasing by 6.1 percent.

107. Compared to the previous projections, in the April 2020 KEU, this implies a sharper projected fall in GDP in 2020 (similar to projections under the adverse scenario described in April), followed by a stronger rebound in 2021. A major driver of the revised projections is the treatment in the national accounts of education sector output. The shutdown of institutions in Q2 and Q3 of 2020 cuts real GDP growth by 2.2 percentage points in 2020, and when value addition in the sector normalizes in 2021, this is projected to add 2.2 percentage points to GDP growth. Stripping out these unprecedented large education effects, GDP growth (ex. education) was projected at 1.2 percent in 2020 and 6.1 percent in 2021.

Chart 3: Trend in Kenya's Economic Growth Rates

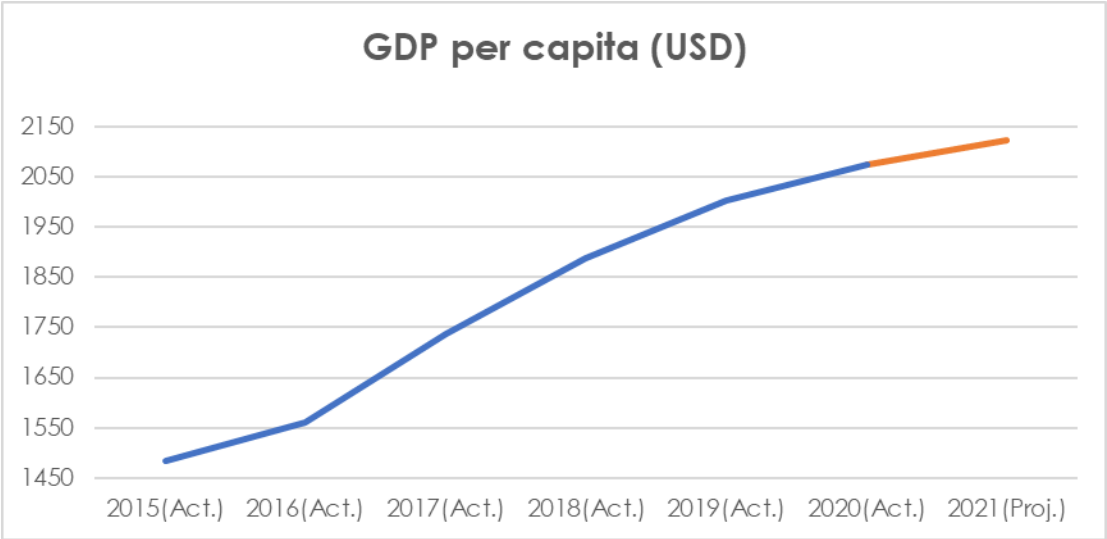


Source: Kenya National Bureau of Statistics

GDP per Capita Income

108. The statistics shows gross domestic product (GDP) per capita in Kenya from 2015 to 2021. GDP is the total value of all goods and services produced in a country in a year. It is an important indicator of the economic strength of a country and a positive change is an indicator of economic growth. In 2019, the GDP per capita in Kenya amounted to around 2,004.42 U.S. Dollars.

Chart 4: GDP per Capita (USD)



SOURCE: Kenya National Bureau of Statistics: Kenya: Gross domestic product (GDP) per capita in current prices from 2015 to 2021.

Agriculture Sector

109. The agriculture sector continues to play a vital role in the rural economy. The sector was one of the first to fully devolve the function of service provision to the county governments underscoring the importance of County Governments' role in ensuring food security. Agriculture is key to Kenya's economy, contributing 26 per cent of the Gross Domestic Product (GDP) and another 27 per cent of GDP indirectly through linkages with other sectors. The sector employs more than 40 per cent of the total population and more than 70 per cent of Kenya's rural people. Agriculture in Kenya is large and complex, with a multitude of public, parastatal, non- governmental and private sectors.

110. Favorable rains and improved access to inputs supported agriculture sector output. The sector contributed 1.4 percentage points to GDP growth in H1 of 2020 (from about 1.0 percent in H1 2019) following broad-based growth in key food and cash crops. Horticulture deliveries fell in H1 due to international transport disruptions to contain the spread of COVID-19, but have recovered to their pre-crisis level, while tea is benefiting from improved prices as a result of low output due to COVID-19 in India, and robust global demand.

111. The agricultural sector comprises six subsectors—industrial crops, food crops, horticulture, livestock, fisheries and forestry—and employs such factors of production as land, water and farmer institutions (cooperatives, associations). The following is the contribution of the subsectors to Agricultural Gross Domestic Product (AgGDP) and

agricultural exports. Industrial crops contribute 17 per cent of the AgGDP and 55 per cent of agricultural exports. Horticulture, which has recorded a remarkable export-driven growth in the past 5 years and is now the largest subsector, contributes 33 per cent of the AgGDP and 38 per cent of export earnings. Food crops contribute 32 per cent of the AgGDP but only 0.5 per cent of exports, while the livestock subsector contributes 17 per cent of the AgGDP and 7 per cent of exports. Livestock and fisheries subsectors have huge potential for growth that has not been exploited.

112. In 2003, the NARC Government developed and launched the Economic Recovery Strategy for Wealth and Employment Creation (ERS) as the blueprint for setting the country back on the growth path. The strategy was a shift from previous planning documents that sought to reduce poverty instead of creating wealth and employment. It elaborated the role of agriculture and recognized that for the economy to grow to create wealth and employment as the backbone of the economy, agriculture has to grow even faster. Agriculture was therefore given high prominence and priority in the ERS. In 2004, the Government developed and launched the Strategy for Revitalizing Agriculture (SRA) as a follow up and response to the ERS. The SRA set out the Government's vision: To transform Kenya's agriculture into a profitable, commercially oriented and internationally and regionally competitive economic activity that provides high quality, gainful employment to Kenyans.

Non-Agricultural Sector

113. The services sector contracted by 3.2 percent year-on-year (y/y) in H1 of 2020, as a moderation in the first quarter was followed by a sharp outright contraction in the second quarter. Activity in the accommodation, education, and transportation subsectors was severely curtailed. As a result, accommodation and restaurants (tourism) contracted by 83.3 percent y/y in Q2, subtracting 0.9 percentage points from overall GDP growth. Transport and storage services contracted by 11.6 percent y/y, and wholesale and retail trade activity by 6.9 percent y/y over the same horizon, also contributing to the services sector contraction. The impact on education was particularly large and was the main driver of the contraction of overall output in Q2. With schools and other institutions shut down, education sector output is estimated to have contracted by 56.2 percent y/y in Q2, exerting a drag of 3.8 percentage points on year-on-year GDP growth during the quarter.

114. Services can be used strategically to facilitate economic transformation. These include ICT services that enable telework, digital financial services and e-commerce platforms, which have kept economies running amid COVID-19-induced lockdowns. ICT services, which can increase efficiency and reduce costs, promote the digital transformation of farming, manufacturing and other sectors. This services-enabled digitization improves

supply and export capacity, enhancing countries' economic resilience and recovery in the wake of the pandemic. Digitization of services has helped creative industries cope with the pandemic, as many creatives have turned to digital platforms and technologies to connect with audiences and consumers. The potential of digitization is equally important in other services that have been severely affected by the pandemic, such as tourism, the world's third largest export sector (after fuels and chemicals). A UN policy brief on the impact of COVID-19 on tourism, released in August, projected that export revenues from tourism, which supports one in 10 jobs globally, could fall by \$910 billion to \$1.2 trillion in 2020.

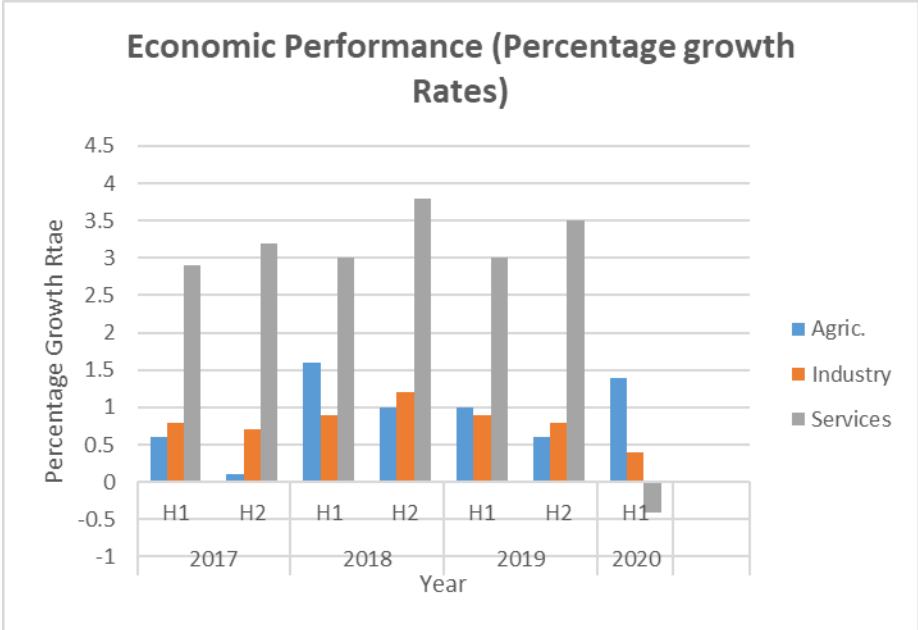
115. In July, UNCTAD estimated that the losses could be as high as \$3.3 trillion or 4.2% of the world's GDP, if the pandemic was to put international tourism at a standstill for a total of 12 months, a projection becoming more likely in the face of a still unchecked pandemic. For small island developing states, where tourism accounts for as much as 80% of exports, the impacts of the pandemic are devastating. As countries reel under the pandemic's economic impact, the services sector can help turn the tide by creating opportunities for greater income, food security, productivity, employment, investment and trade.

116. Industrial output declined, owing to major disruptions in supply chains, reduced demand for output, and factory closures, but the sector staged a recovery in Q3. Manufacturing value-added contracted by 0.5 percent in H1 2020, compared to growth of 3.7 percent in H1 2019. High-frequency data in the third quarter of 2020 point to a sizable rebound. The PMI of surveyed firms reports a sequential expansion in activity in July through October. Electricity sales have also rebounded from their low in April and May 2020. This recovery is supported by increased food production (wheat, maize flour, canned fruits, sugar and soft drinks), and also expansion in non-food manufacturing such as leather, galvanized sheet steel and cement. The economy should have recovered in Q3, albeit frailly, after contracting for the first time in at least a decade in Q2 due to the pandemic. Exports increased in July–August after shrinking in Q2, while the fall in imports softened in the same period. However, this still points to weakened domestic demand.

117. Moving forward, the situation was seemingly upbeat at the outset of Q4: Business conditions improved notably in October, with the private sector PMI climbing to a record high, boosted by strengthening aggregate demand as more restrictions were eased. However, a recent rise in Covid-19 cases prompted a snap-back of containment measures in early November, boding ill for activity. The government aims to borrow an additional KES 1.0 trillion (around USD 9.2 billion) for the current fiscal year (1 July 2020–30 June 2021) as revenues have dwindled and is seeking a second IMF loan.

118. Growth performance in other industrial subsectors has also been curtailed by the pandemic. Despite relative support from ongoing government spending on infrastructure projects, growth in the construction subsector moderated to 4.6 percent in H1 2020 compared to 6.6 percent in the same period in 2019. Growth in the energy and water sectors slowed down to 2.7 percent in H1 2020 compared to 7.5 percent in H1 2019, as demand was reduced by COVID-19. Power generation has been boosted by adequate precipitation (supporting hydroelectric output) and the ongoing shift towards more clean and renewable sources (with over 90 percent of electricity generated from more sustainable sources such as hydro, geothermal, solar, and wind). As of 2019, Kenya’s installed capacity is about 2,819 MW compared to a peak demand of 1,912 MW.⁵

Chart 5: Economic Performance (Percentage Growth Rates)

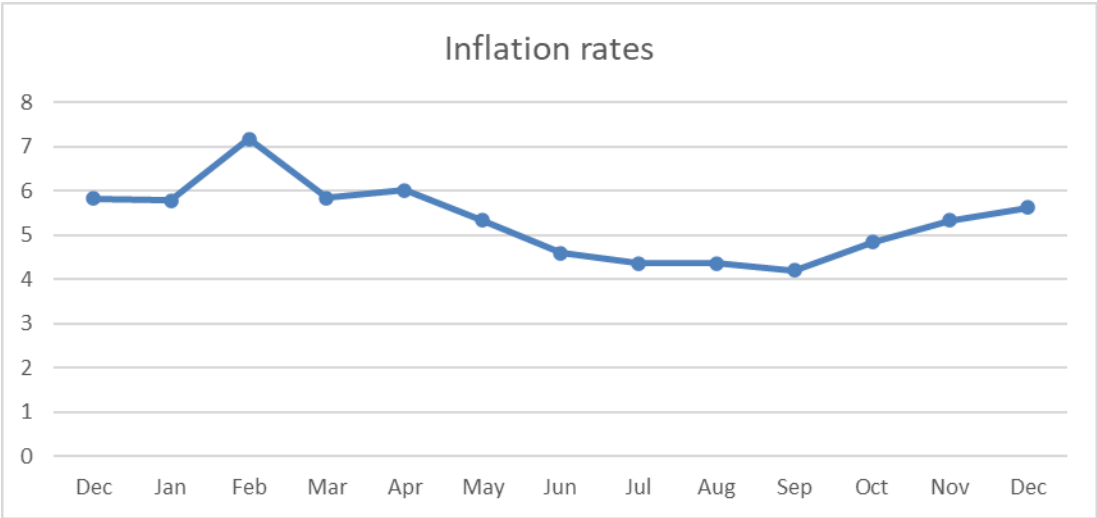


Source: World Bank, Kenya Economic Update November 2020

Inflation Rate

119. Year-on-year average 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 rate was supported by a reduction in food prices. Consumer prices increased 0.98% in seasonally adjusted month-on-month terms in December, easing from November’s 1.07% increase. December’s print reflected higher prices for food and non-alcoholic beverages and housing, water, electricity and gas.

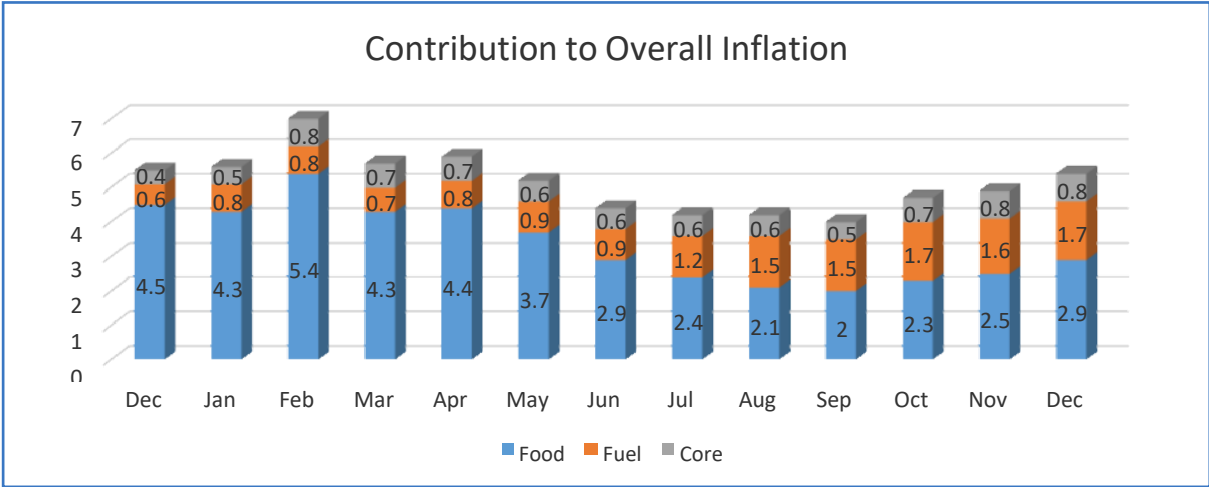
Chart 6: Inflation Rates



Source: Kenya National Bureau of Statistics

120. Core inflation (Non-Food-Non-Fuel) contribution to inflation remained 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 2019 on account of increasing international fuel prices. 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.

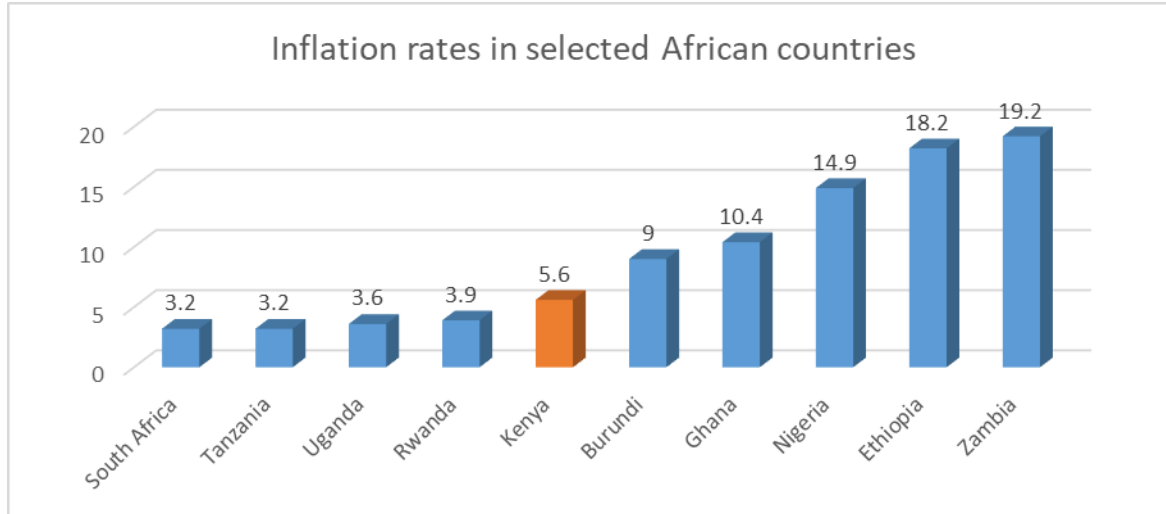
Chart 7: Contribution to Overall Inflation, Percentage Points



Source: Kenya National Bureau of Statistics

121. Kenya’s rate of inflation compares favourably with the rest of Sub-Saharan African countries. In December 2020, Kenya recorded a lower inflation rate than Burundi, Ghana, Nigeria, Zambia and Ethiopia.

Chart 8: Inflation Rates in Select African Countries (December 2020)

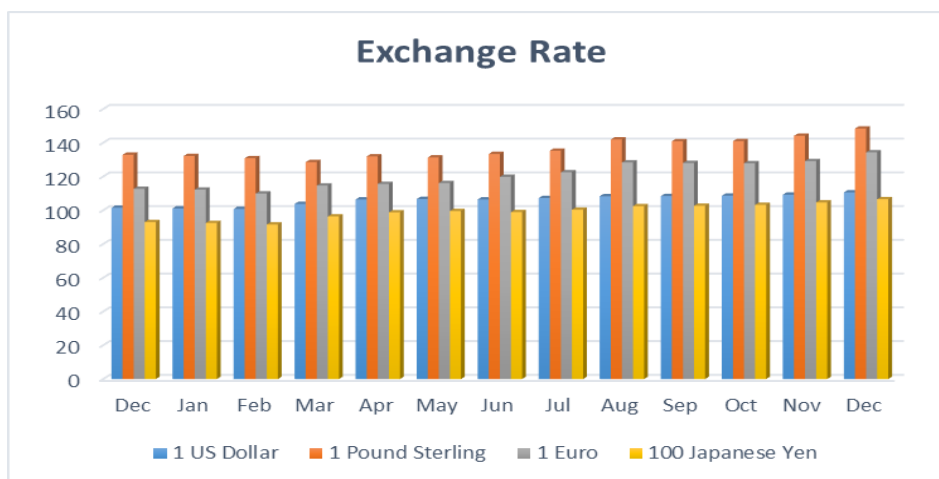


Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

122. The foreign exchange market has 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.

Chart 9: End of Month Mean Exchange rate of Kenya Shillings against Major Selected Countries



Source: Kenya National Bureau of Statistics

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

Table 12: Performance of Selected Currencies against the US Dollar (December 2019 to December 2020)

Country's Currency	Appreciation
Ugandan Shilling	0.2
Tanzanian Shilling	(0.9)
Botswana Pula	(1.4)
Ghanian Cedi	(3.2)
South African Rand	(3.2)
Burundi Franc	(3.3)
Namibian Dollar	(3.3)
Malawian Kwacha	(3.8)
Rwanda Franc	(5.3)
Nigerian Naira	(7.0)
Mauritius Rupee	(8.4)
Kenyan Shilling	(9.0)

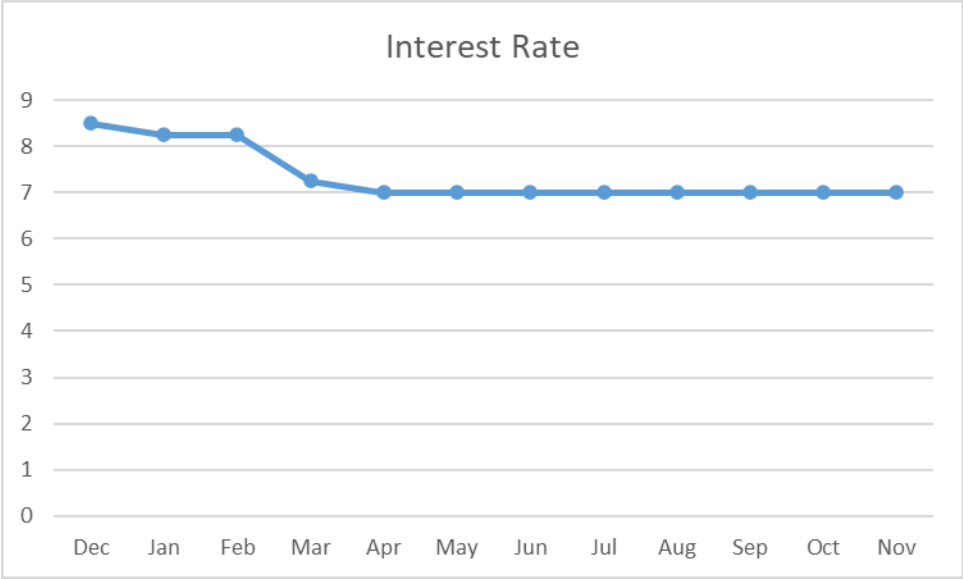
Source: Central Banks of Kenya

Interest Rates

124. 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.

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.

Chart 10: Short-Term Interest Rates, Percent



Source: Central Bank of Kenya

ECONOMIC OUTLOOK

Global Growth Outlook

125. The COVID19 pandemic has caused major disruptions in the global economy. Economic activity has been hit by reduced personal interaction, owing both to official restrictions and private decisions; uncertainty about the posts-pandemic economics landscape and policies has discouraged investments, disruptions to education have slowed human capital accumulation and concerns about the viability of global value chains and course of the pandemic have weighed on international trade and tourism. Due to a collapse caused by the pandemic a global output is expected to expand up to 4% in 2021 but remain well below pre-pandemic projections. Downside risks include the possibility of further severe effects on potential output from the pandemic and financial stress. The heightened level of uncertainty highlights the role of policy makers in raising the likelihood of better outcomes while warding off worse ones. Policy actions will need to balance the risks from large debt loads with those from premature fiscal tightening, as well as foster resilience by safeguarding health and education, improving governance and enhancing debt transparency.

126. In advanced economies, a nascent rebound stalled in the third quarter following a resurgence of infections, pointing to a slow and challenging recovery. U.S. GDP is forecast to expand 3.5% in 2021, after an estimated 3.6% contraction in 2020. In the euro area, output is anticipated to grow 3.6% this year, following a 7.4% decline in 2020. Activity in Japan, which shrank by 5.3% in the year just ended, is forecast to grow by 2.5% in 2021.

127. Aggregate GDP in emerging market and developing economies, including China, is expected to grow 5% in 2021, after a contraction of 2.6% in 2020. China's economy is expected to expand by 7.9% this year following 2% growth last year. Excluding China, emerging market and developing economies are forecast to expand 3.4% in 2021 after a contraction of 5% in 2020. Among low-income economies, activity is projected to increase 3.3% in 2021, after a contraction of 0.9% in 2020. Analytical sections of the latest *Global Economic Prospects* report examine how the pandemic has amplified risks around debt accumulation; how it could hold back growth over the long term absent concerted reform efforts; and what risks are associated with the use of asset purchase programs as a monetary policy tool in emerging market and developing economies.

128. Policymakers need to continue to sustain the recovery, gradually shifting from income support to growth-enhancing policies. In the longer run, in emerging market and developing economies, policies to improve health and education services, digital infrastructure, climate resilience, and business and governance practices will help mitigate the economic damage caused by the pandemic, reduce poverty and advance shared prosperity. In the context of weak fiscal positions and elevated debt, institutional reforms to spur organic growth are particularly important. In the past, the growth dividends from reform efforts were recognized by investors in upgrades to their long-term growth expectations and increased investment flows.

129. Central banks in some emerging market and developing economies have employed asset purchase programs in response to pandemic-induced financial market pressures, in many cases for the first time. When targeted to market failures, these programs appear to have helped stabilize financial markets during the initial stages of the crisis. However, in economies where asset purchases continue to expand and are perceived to finance fiscal deficits, these programs may erode central bank operational independence, risk currency weakness that de-anchors inflation expectations, and increase worries about debt sustainability.

Domestic Growth Outlook

130. Kenya's economy contracted by 0.4 percent in H1 2020, weighed down from March onwards by the COVID-19 shock, compared to growth of 5.4 percent in H1 of 2019. Moving into the second half of the year, high frequency data point to a recovery in economic activity, but output remains well below levels experienced before the shock generated by the pandemic. Micro-level data show that hardships and socio-economic challenges (lost incomes and unemployment) remain elevated. The GDP growth for 2020 was revised downwards from 5.1 percent to 1.2 percent in 2020 and pick up to 6.1 percent in 2021, subject to the post-pandemic global economic recovery.

131. Economic activity has suffered in the FY2020/21 at the hands of Covid-19 but is projected to grow strongly next FY2021/22. However, a growing public debt burden will put pressure on credit ratings and minimize room for fiscal stimulus: Revenues have been hit by the pandemic and the country might face difficulties meeting its existing debt obligations. The pandemic shaped FY2020/21 revenue and spending choices, as the government focused on containing the health crisis, without losing sight of its Big-4 development agenda. In March 2020, The President of the Republic of Kenya announced an Economic Stimulus Package which was designed to help the country through the current COVID-19 crisis. The package included cash transfers to households, reduction in tax rates implemented through the Tax Laws (Amendment) Act, 2020 as well as additional government spending to cover the additional healthcare costs and to support the economic recovery. These measures have a positive effect on the short-term recovery as the tax rate reductions works by influencing the behaviour of households and businesses to create demand.

132. The *Inua Jamii Initiative* and *Kazi Mtaani* for example, have encouraged households to spend more whereas tax reduction has created room for additional investment for businesses. Government expenditure is a component of gross domestic product (GDP), and therefore spending increases output, but the impact can be greater than the sum of additional spending if it stimulates additional economic activity. For example, government infrastructure projects such as the *Nairobi-Mombasa Expressway* have restored activity in the construction sector, which in turn increased construction employment and household incomes, leading to increased consumption.

Risks to the Economic Outlook

133. Risks from the global economies relate to persistence of the Covid-19 pandemic and required lockdowns, voluntary social distancing and its effect on consumption, the ability of laid off workers securing employment in other sectors, rising operating cost to make workplaces more hygienic and safer, reconfiguration of disrupted global supply chains, extent of cross- border spill overs occasioned by weaker external demand and funding shortfalls.

134. The pandemic is tipping millions back into poverty and reversing earlier per capita income gains. Downside risks to the growth outlook predominate, and the uncertain evolution of the pandemic, influenced in part by vaccine-related developments, suggests that various growth scenarios are possible. Even after the crisis subsides, the long-term damage caused by the pandemic is expected to weaken potential growth. Many countries have provided exceptional levels of fiscal support, which are expected to be withdrawn amid sharply higher debt levels. In the longer run, a concerted push toward productivity-enhancing structural reforms will be required to offset the

pandemic's scarring effects.

135. Although the Kenyan economy is projected to recover as the pandemic is gradually brought under control, it is not expected to return to its pre-crisis trend. The baseline forecast is subject to several risks. The risks will emanate from weaker external demand, reduced tourist arrivals and containment measures due the Covid-19 pandemic. In addition, the economy will continue to be exposed to risks arising from public expenditure pressures, particularly wage related recurrent expenditures and the erratic weather-related shocks that could have negative impact on energy generation and agricultural output leading to higher inflation that could slow down growth.

136. The spread of the pandemic could accelerate, particularly if the vaccination process is delayed, and economic weakness and impaired banking systems may lead to financial crises. This would interrupt the already-slow recovery and deepen the damage to the economy. It would also exacerbate existing strains—prolonged economic weakness could trigger a wave of bankruptcies; banking balance sheets could be further impaired; governments might be unable to continue providing support; and, in some circumstances, temporary bouts of unemployment and business shutdowns could become permanent. In the medium term, the crisis may lower potential output as a result of lasting damage to health and education. Declining global cooperation may lead to greater uncertainty and less effective policy actions.

Sovereign Risk

137. The Kenyan economy is in a shallow recession because of the impact of the coronavirus (Covid-19) pandemic, and stimulus measures have widened the fiscal deficit considerably, accentuating public debt risks. However, funding from the IMF and the World Bank have provide balance-of-payments support, and the sovereign's commitment to fully meeting its external obligations remains strong.

Currency Risk

138. The shilling remains overvalued in real effective exchange-rate terms, despite nominal depreciation in 2020, and the current-account deficit remains large. However, merchandise exports have been resilient in the last year, despite global disruption related to the pandemic.

Banking Sector Risk

139. Loan repayment holidays, loan extensions and debt restructurings in the private sector have severely undermined banks' profitability and so capital, and asset quality remains a major weakness for the sector. Credit to the private sector has been growing in nominal terms but is lower as a proportion of GDP than it was four years ago.

Political Risk

140. Pandemic-related disruption poses risks to institutional functioning and political stability, although the president is emerging with his reputation enhanced as he heads into the last two years of his second and final presidential term. Power struggles will escalate in advance of the August 2022 elections.

Economic Structure Risk

141. In 2020 the pandemic will have brought a period of strong growth in Kenya to an end, and the rebound in 2021 will be modest. Structural constraints such as infrastructure deficiencies, skills shortages and high unemployment will persist, as will large fiscal and current- account deficits.

Mitigating the Risks

142. The Government is continually monitoring these risks and taking appropriate monetary and fiscal policy measures to preserve macroeconomic stability and strengthen resilience in the economy. To cushion the country against the downsides of the risks, the Government is implementing an Economic Stimulus Package to protect lives and livelihoods. Implementation of the "Big Four" Agenda will unlock better growth, and positively impact on the lives of people through jobs creation and poverty reduction. The Government is also planning a Post Covid-19 Economic Recovery Strategy to return the economy on a stable growth path. Additionally, the diversified nature of our economy continues to offer resilience to any global challenges.

143. Targeted liquidity support to firms in sectors considered contact-intensive and with strong links to the informal sector by providing access to finance (credit) through provision of lines of credit to basic micro finance institutions (MFIs) and Savings and Credit Co-Operative Societies (SACCOs) to support MSMEs. Additional liquidity support to reduce payment risks and supply risks (including trade finance facilities) to MSMEs and large-scale businesses through commercial banks could also play a role.

144. Creating a conducive business environment that encourages private sector innovation and growth to generate needed jobs, continuing to progress on the medium-term reform agenda, to lift productivity connectivity, and physical infrastructure gaps that ease mobility within cities so as to support normalization of economic activity. Domestic business environments address the problem of delayed payments in both the public and the private sector (where large buyers may delay payment to small suppliers beyond 90 days). Similarly, delays in public payments (including VAT refunds) affect private sector liquidity and profitability.

145. Support Kenyan firms to plug into regional and global value chains (GVC), notably in agriculture, manufacturing, and ICT by facilitating faster cross-border trading given

that, clearance times for import and exports can still be lengthy. Cross-border mobility of persons could also be increased. The government can also facilitate access to intermediate inputs and consider measures to attract FDI to sectors.

146. Ensure achievement of Vision 2030 and the Agenda 4, which put forward an ambitious development plan for Kenya—one that identifies concrete goals related to the three pillars of economic, social and political performance. These include establishing a consolidated social protection fund to support orphaned and vulnerable children, the disabled and other vulnerable groups; strengthening Kenya’s health system, particularly in rural areas; and diversifying Kenya’s energy supply system—moving away from large-scale hydroelectric power and toward decentralized, renewable energy sources.

Subdued Global Economic Recovery

147. Although global economic output is recovering from the collapse triggered by COVID-19, it will remain below pre-pandemic trends for a prolonged period. The pandemic has exacerbated the risks associated with a decade-long wave of global debt accumulation. It is also likely to steepen the long-expected slowdown in potential growth over the next decade. Making the right investments now is vital both to support the recovery when it is urgently needed and foster resilience. Our response to the pandemic crisis today will shape our common future for years to come. There is need to seize the opportunity to lay the foundations for a durable, equitable, and sustainable global economy.

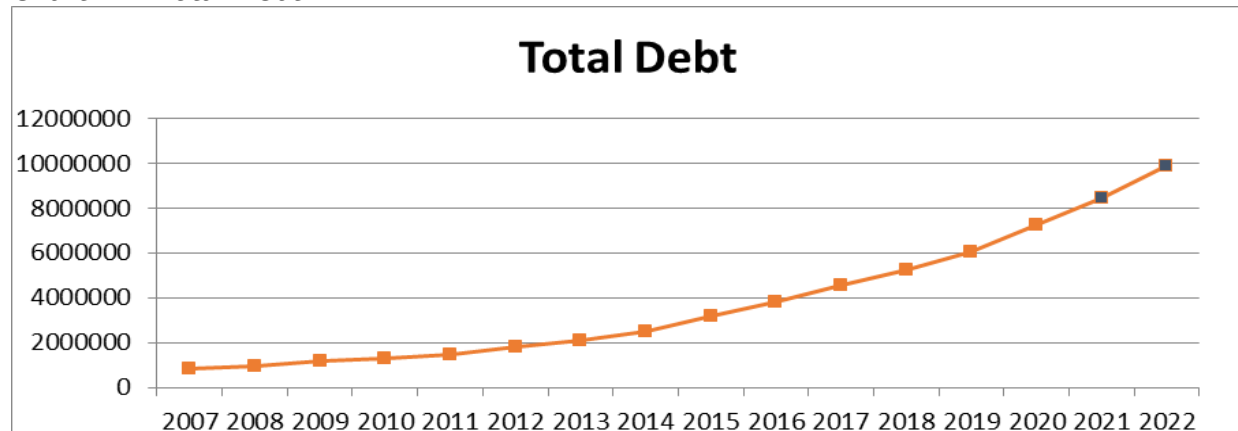
Public Debt

148. According to the Central Bank of Kenya, Public Debt stock was at Kshs. 7.25 trillion in the year 2020; y/y analysis shows a 20 percent increase from Kshs. 6.05 trillion at the end of 2019 an increase that is attributed to the heavy infrastructural investment projects in 2020 including Mombasa port expansion, Kenya Standard Gauge Railway amongst so many and the fund intensive Covid-19 economic recovery initiatives. The debt levels are projected at 8.5 trillion in 2021 and 9.86 trillion in the medium term.

149. The total debt stock as a percentage of GDP was at 62.1 percent in 2019 GDP. The new IMF directive to include county debts as a component of public debt could set the figure above parliament set debt ceiling of 70 percent leading to the questioning of its sustainability. Y/y analysis shows that the debt stock has exhibited an increasing trend over the past 15 years at 16.6 percent with 2007 as the base year which has been explained by the infrastructural projects that have been pursued by the current leadership regime. The debt stock was made up of 52 percent of external debt at a record of Kshs. 3.8 trillion and 48% domestic debt at a Kshs. 3.5 trillion record. Y/y analysis shows that both domestic and external debt stock have increased at 18 and

21 respectively from the 2019 levels.

Chart 11: Total Debt



SOURCE: CBK statistics

County's Fiscal Outlook

150. Implementation of FY 2020/21 started on a slow pace on account of disputes on the equitable share of revenue to county governments. When a resolution was arrived at, the county government revised the approved estimates for FY 2020/20 to provide for the additional equitable share of revenue from national government, unspent revenue from FY 2019/20 and pending bills for goods and services provided, works done as well as allocate more funds for ongoing projects.

151. Own Source Revenue collection also started on a low but increased by 21.0 percent in the half year of FY 2020/21 compared with FY 2019/20. The county government will 2020 Kilifi County Fiscal Strategy Paper Page 35 of 44 intensify enforcement of applicable measures to ensure the target for FY 2020/21 is achieved but will also be cautious and conservative when projecting own source revenue for the coming year.

152. The conservative own source revenue estimation trend is evident in the table below which also provides an analysis of revenue performance to indicate the areas of intervention by the county government towards achieving the target for FY 2020/21.

Table 13: Own Source Revenue Collection by Class, FY 2020/21

REVENUE CLASS	APPROVED ESTIMATES FY 2019/20	HALF YEAR FY 2019/20	APPROVED ESTIMATES FY2020/21	ACTUAL AMOUNTS HALF YEAR 2020/21	PERFORMANCE (% (+/-))
HSIF	132,000,000	83,772,970	94,383,844	101,514,082	17%
Land Rates/Other Land Revenue	337,710,413	39,407,311	126,387,790	67,462,952	42%
Cess on natural resources	339,932,316	99,168,251	448,953,608	126,699,448	22%
Business Permit	88,732,482	6,503,612	60,777,250	7,556,805	14%
Parking fees	50,008,379	10,304,619	29,248,289	11,769,708	12%
Market fees	16,569,337	5,372,437	11,677,048	3,732,540	-44%
Billboards & Signage	26,370,253	4,944,123	12,669,431	8,245,853	40%
Building Plan Approval and Inspection	9,242,007	2,375,173	5,713,060	3,815,719	38%
Rent/Stall rents	5,874,241	2,932,350	5,835,845	2,452,918	-20%
Survey fees and plot rents	3,102,184	511,450	1,266,734	212,000	-141%
Sale of Tender Documents	-	-	21,000	-	
Plot Ground Rent	9,908,832	2,483,615	6,728,051	2,287,554	-9%
House Rent	15,000,000	18,358,790	54,873,993	19,967,741	8%
Refuse Collection	6,343,947	490,125	1,262,806	399,400	-23%
Food Hygiene Fees	15,118,139	372,300	1,912,780	687,560.00	46%
Slaughter House and Livestock sale Yards	3,539,470	661,115	1,600,657	480,020.00	-38%
Others	40,548,000	10,450,605	36,687,814	7,162,347.00	-46%
TOTAL	1,100,000,000	288,108,846	900,000,000	364,446,648	21%

153. On the expenditure side, the County's absorption rate was 22.0 percent in the half year of FY 2020/21. It is expected that the revision of the budget to provide for pending bills and ongoing projects will unlock this. The table below provides the expenditure analysis for half year FY 2020/21 according to economic classification.

Table 14: Expenditure Analysis According to Economic Classification, Half Year FY 2020/21

Department/Division	RECURRENT EXPENDITURE			DEVELOPMENT EXPENDITURE			TOTAL			
	Printed Estimates	Revised Estimates	Cumulative Expenditure	Printed Estimates	Revised Estimates	Cumulative Expenditure	Printed Estimates	Revised Estimates	Cumulative Expenditure	Overall Absorption
County Assembly	-	-	-	-	-	-	-	-	-	-
Office of the Governor	280,395,858	349,895,858	-	-	-	-	280,395,858	349,895,858	-	-
County Attorney	92,243,160	92,243,160	-	-	-	-	92,243,160	92,243,160	-	-
Finance	319,694,326	728,888,652	106,338,627	66,033,455	42,033,455	-	385,727,781	770,922,107	106,338,627	28%
Economic Planning	43,712,391	118,424,782	6,910,520	-	-	-	43,712,391	118,424,782	6,910,520	16%
Agriculture	362,084,348	382,741,346	20,685,706	376,091,614	321,925,515	83,864,372	738,175,962	704,666,860	104,550,078	14%
Livestock	51,415,764	52,415,764	4,089,812	162,425,736	100,474,567	-	213,841,500	152,890,331	4,089,812	2%
Fisheries	51,009,184	43,009,179	9,087,292	101,033,176	59,471,004	-	152,042,360	102,480,183	9,087,292	6%
Water and sanitation	193,077,617	187,026,417	68,655,819	1,255,258,136	1,109,790,191	23,158,988	1,448,335,753	1,296,816,608	91,814,806	6%
Environment, Natural Resource and wildlife	117,269,353	116,300,921	58,650,885	55,763,912	52,503,793	55,763,912	173,033,265	168,804,714	114,414,797	66%
Education	1,018,108,438	1,018,108,438	420,267,286	-	448,997,849	-	1,018,108,438	1,467,106,287	420,267,286	41%
Information, communication and technology	81,855,754	81,855,754	2,000,000	81,855,754	-	2,000,000	163,711,508	81,855,754	3,999,999	2%
Medical services	2,728,128,585	2,986,564,835	1,056,403,930	33,000,000	892,695,429	3,110,134	2,761,128,585	3,879,260,264	1,059,514,064	38%
Public health	1,700,000	457,781,345	-	1,187,744,034	33,000,000	61,718,417	1,189,444,034	490,781,345	61,718,417	5%
Roads, transport and public works	213,514,147	374,028,294	103,841,865	557,131,631	1,151,355,408	-	770,645,778	1,525,383,702	103,841,865	13%

Department/Division	RECURRENT EXPENDITURE			DEVELOPMENT EXPENDITURE			TOTAL			
	Printed Estimates	Revised Estimates	Cumulative Expenditure	Printed Estimates	Revised Estimates	Cumulative Expenditure	Printed Estimates	Revised Estimates	Cumulative Expenditure	Overall Absorption
Lands and energy	149,257,540	197,152,539	25,791,092	38,216,384	279,253,376	377,400	187,473,924	476,405,915	26,168,492	14%
Physical planning, urban development and housing	149,257,540	38,216,386	25,791,092	337,159,582	116,169,014	-	486,417,122	154,385,400	25,791,092	5%
Gender, culture, social services and sports	131,218,446	152,342,446	21,491,302	183,103,440	85,900,000	-	314,321,886	238,242,446	21,491,302	7%
Trade and tourism	129,801,235	151,447,912	29,920,430	303,142,414	230,495,737	91,136,228	432,943,649	381,943,649	121,056,658	28%
Cooperative development	14,350,000	-	105,000	-	14,350,000	-	14,350,000	14,350,000	105,000	1%
County public service board	65,158,201	65,158,201	20,377,671	-	-	-	65,158,201	65,158,201	20,377,671	31%
Public Service Management	389,199,111	4,200,000	86,501,217	389,149,111	-	86,501,217	778,348,222	4,200,000	173,002,435	22%
Devolution and Disaster	144,330,000	131,939,014	44,256,238	79,960,041	50,960,041	86,307	224,290,041	182,899,055	44,342,545	20%
Kilifi municipality	12,150,000	25,000,000	1,918,216	25,000,000	96,593,668	1,918,216	37,150,000	121,593,668	3,836,432	10%
Malindi municipality	35,000,000	33,991,854	1,680,310	35,000,000	259,606,332	6,444,146	70,000,000	293,598,186	8,124,456	12%
TOTAL	6,773,930,998	7,788,733,097	2,114,764,310	5,267,068,420	5,345,575,379	416,079,336	12,040,999,418	13,134,308,475	2,530,843,646	21%

CHAPTER FOUR: FISCAL POLICY AND BUDGET FRAMEWORK

Prudent Fiscal Policy

154. This County Fiscal Strategy Paper (CFSP), specifies strategic priorities and policy goals that will guide the preparation of the subsequent budget as well as the medium-term expenditure framework thus ensuring resource allocation based on prioritized programs. In this CFSP 2021, priority has been accorded to ongoing projects as well as flagship projects that are almost complete. Similarly, there is a strategic allocation to mandatory expenditure lines such as personnel emoluments. It is important to take cognizance of the fact that there may be a lag between the projected economic growth rate and the reality, as the global macroeconomic landscape adjusts to the post pandemic recovery period. This brings to the fore the contracting fiscal space hence the need for departments to prioritize and direct spending towards most critical needs as well as leveraging on the private sector engagement.

Observing Fiscal Responsibility Principles

155. In managing the County Government's public finances, the County Treasury shall comply with the provisions of the Public Financial Management Act 2012 in observing these 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 thirty-five (35) percent of the County Government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
- d) Over the medium term, the Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- e) The County debt shall be maintained at a sustainable level as approved by County assembly and shall never exceed twenty (20) percent of the county government's total revenue at any one time in accordance with Regulation 25(1)(d);
- f) The fiscal risks shall be managed prudently; and
- g) Increase the absorption of resources allocated for development purposes from the current levels to over 80 percent. This will give the envisaged impetus to

economic development and further improve the credibility of our budget.

Fiscal Structural Reforms

156. Underpinning the fiscal program are measures to provide realistic own revenue estimates with the objective of exceeding the target every subsequent year. For effective and efficient management of financial resources, the County will continue to enhance revenue collection as well as rationalize expenditure. This will be achieved by instilling accountability and transparency in handling public finances, simplifying licenses and fees levies, improving compliance and automation of revenue collection system and to widening revenue base.

157. On the expenditure side, the County Government will continue to enhance prudent financial management; to improve efficiency and reduce wastage. The County Government will institute measures to contain the wage bill so as to channel resources to development initiatives. These would include payroll cleansing and staff rationalization. The County Government will also enhance staff technical capacity so as to encourage proper and transparent use of resources and enhance service delivery.

FY 2021/22 Budget Framework

158. The County Government intends to attain prudent use of financial resources in the coming financial year and over the medium term. As such, it will ensure strict adherence to the fiscal responsibility principles as well as prioritize the completion of ongoing projects. As such, resources will be allocated to various departments based on the following considerations:

- Personnel costs of existing staff.
- Flagship projects
- Projects to be revoked
- Ongoing Projects
- Strategic Interventions
- Operations and Maintenance
- COVID – 19 Mitigation
- Pending Bills
- Linkage of Programmes to the CIDP, 'Big Four' Plan MTP III of Vision 2030.
- Cost effectiveness and sustainability of the programme.

159. Detailed budgets will be scrutinized, should additional resources become available in the process of firming up the resource basket, the County will redirect them to the insufficiently funded strategic priority areas of agriculture, water, waste management,

health and education, as captured in the CFSP 2021.

160. The National Treasury proposes that four existing conditional allocations funded from the National Government’s revenue share be converted to unconditional allocations to be disbursed to the Counties apart of their equitable revenue share. The four conditional allocations are: The Road Maintenance Levy Fund (RMLF); the grant to level-5 hospitals; the compensation for user fees foregone and the rehabilitation of village polytechnics grants.

Own Source Revenue Collection:

161. Over the years, own source revenue (OSR) collection has been on an upward trend, rising from Kshs. 414 million in FY 2012/14 to Kshs. 864 in FY 2018/19. The table below shows the trend in OSR collection for the County since the inception of devolution;

Table 15: County Own Source Revenue Collection

Financial year	Actual collection (Kshs. million)	Target (Kshs. million)	Collection vsTarget
2013/14	414.50	650	63.7%
2014/15	550.00	850	64.7%
2015/16	516.00	1,000	51.6%
2016/17	602.00	1,700	35.4%
2017/18	522.00	1,500	34.8%
2018/19	864.30	1,400	61.7%
2019/20	793.71	1,100	72.15%

The OSR target for FY 2020/21 has been set at Kshs. 1,150,000,000 with prospects of realizing the target in harsh economic conditions resulting from the COVID pandemic.

162. With the operationalization of the Hospital Services Improvement Fund (HSIF) in 2019, the County Treasury plans to remove HSIF as one of the county’s revenue streams. Instead, collections from hospitals within the county will be spent according to the fund’s approved budget and accounted for by the Fund Administrator in line with Hospital Services Improvement Fund Act. Consequently, with effect from FY 2021/22, the OSR target will trip to a lower level after removing the amount relating to HSIF collections. The table below provides own source revenue projection for each revenue stream:

Table 16: Own Source Revenue Estimates for FY 2019/20-FY 2021/22

Revenue Stream	Actuals for FY 2019/20 (Kshs)	Target for FY 2020-2021 (Kshs)	Target for FY 2021/22 (Kshs)
HSIF	179,400,631.10	94,383,844.00	-
Land Rates and other Land Revenue	131,437,898.90	176,387,790.00	190,000,000.00
Cess on natural resources	276,601,301.00	568,953,608.00	300,000,000.00
Business Permit	42,495,339.30	110,777,250.00	75,000,000.00
Parking fees	29,805,583.75	59,248,289.00	30,000,000.00
Market fees	7,439,593.00	11,677,048.00	10,000,000.00
Billboards & Signage	24,837,467.00	12,669,431.00	29,000,000.00
Building Plan approval and Inspection	6,817,100.00	5,713,060.00	7,500,000.00
Rent/Stall rents	5,411,657.30	5,835,845.00	5,000,000.00
Survey fees and plot rents	1,179,404.50	1,266,734.00	1,000,000.00
Plot ground rent	7,292,634.80	6,728,051.00	10,000,000.00
House rent	30,478,756.30	54,873,993.00	50,000,000.00
Refuse Collection	4,384,327.00	1,262,806.00	1,000,000.00
Food Hygiene Fees	4,152,351.40	1,912,780.00	3,000,000.00
Slaughter House and Livestock sale Yards	3,526,062.70	1,600,657.00	3,500,000.00
Others	38,452,948.50	36,687,814.00	35,000,000.00
TOTAL	793,713,056.55	1,150,000,000.00	750,000,000.00

163. With the full automation of revenue collection; County-Pro and the opening of new and refurbished markets, the County estimates to collect the aforementioned revenue in the respective revenue streams in the FY 2021/22. However, the projected revenue amount is subject to review depending on the prevailing macroeconomic conditions in the County and, or globally.

164. The County government projects to collect KSh. 750,000,000 in FY 2021/22 down from KSh. 1,150,000,000 in FY 2020/21 in own source revenue. With the full automation of revenue collection; County-Pro and the opening of new and refurbished markets, the County estimates to collect the aforementioned revenue in the respective revenue streams in the FY2020/21. However, the projected revenue amount is subject to review depending on the macroeconomic condition in the County and, or globally.

Equitable Share of Revenue Raised Nationally:

165. In FY 2021/22 the County is therefore, going to receive an equitable share of KSh. 11,641,592,941 this being inclusive of the conditional grants.

Resource Basket FY2020/21.

166. The 2021 Budget Policy Statement (BPS) provides for an allocation for Kilifi County of Kshs. 11,641,592,941 as equitable share of revenue raised nationally. According to the BPS, the following four conditional grants have been converted to equitable share:

- (i) Grants to Level-5 Hospitals,
- (ii) Compensation for user fee forgone,
- (iii) Road Maintenance Fuel Levy,
- (iv) Rehabilitation of Village Polytechnics

With the foregoing developments, the resource basket in overall available for the FY 2021/22 budget is as follows:

Table 17: Resource Basket for FY 2021/22

Revenue item	Amount for FY 2021/22 (Kshs)
Equitable Share of Revenue Raised Nationally	11,641,592,941
Leasing of Medical Equipment	153,297,872
Conditional allocations	2,154,008,617
Own Source Revenue	750,000,000
TOTAL	14,698,899,430

Personnel Emoluments:

167. Due to increased expenditure pressure on the county coffers, the County Treasury has recommended a freeze in recruitment in the FY 2021/22. This is to ensure that the county's wage bill is adherent to the fiscal responsibility principle regarding salaries and wages as prescribed in the Public Finance Management Act, 2012. This notwithstanding, in FY 2021/22, the County Department of Health Services plans to operationalize 10 dispensaries, 3 maternity facilities, 1 physiotherapy unit and 1 blood bank, all of which will require staffing. In view of this, recruitment of the staff necessary for operationalizing the said facilities will be allowed so that the county government's investment in these facilities can start benefiting the citizens. Replace of staff who have exited service due to natural attrition will be allowed.

168. Under the function of waste management which has been transferred from the County Department of Water to the Kilifi and Malindi Municipalities, the county government will transfer casual staff responsible for cleaning within the municipalities together with their budget for salaries/wages. The municipalities will not be allowed to recruit new casual employees until the existing casual employees within the county government are optimally engaged.

169. In this 2021 CFSP, **Kshs. 4,991,401,423** has been allocated for personnel emoluments, an amount which translates to **34%** of the county's total revenue budget. The breakdown of the personnel emoluments budget is provided below:

Table 18: Personnel Emoluments Costs FY2021/22

DEPARTMENT	TOTAL
Office of the Governor	117,061,978
Finance	269,339,428
Agriculture	283,106,637
Water & Sanitation	198,166,342
Education	665,573,973
Health	2,638,927,908
Roads, Transport & Public Works	255,172,984
Lands & Energy	53,213,796
Gender, Culture, Social Services and Sports	71,834,740
Trade, & Tourism	59,013,250
County Public Service Board	30,588,524
Devolution, Public Service and Disaster Management	349,401,864
TOTAL	4,991,401,423

Strategic Interventions:

170. Some of the expenditure areas in the county's budget either benefit the whole county or require a heavy investment which, for fairness in setting expenditure ceilings, should be left out of the department's ceiling. Budget allocations for such expenditure areas (herein referred to as strategic interventions) a total of **Kshs. 6,902,038,489** has been ring-fenced in a separate category as tabulated below:

Table 19: Strategic Interventions FY2021/22

STRATEGIC INTERVENTIONS		
DEPARTMENT	PROJECT	AMOUNT (KSH)
Education	Ward Scholarship Fund	350,000,000
Trade	Mbegu fund	120,000,000
Health	Food Rations	50,000,000
	Medical Drugs	450,000,000
	Dressings and Non Pharmaceuticals	150,000,000
	Medical Gas (Oxygen)	20,000,000
	Cooking Gas	25,000,000
	Ambulance Fuel	25,000,000
	Leasing of Medical Equipment	153,297,872
	Kilifi Complex Phase II	175,000,000
Devolution	Staff Medical Insurance	300,000,000
	Insurance (Others) WIBA	10,000,000
	Emergency Relief	80,000,000
	Cash Tranfers- Elderly	29,232,000
	Cash Tranfers- PWDs	3,000,000
Roads	Motor Vehicle Insurance	100,000,000
	Road Maintainance	150,000,000
	Kibao cha Fundisa - Adu (Phase I)	200,000,000
Office of the Governor	Gratuity	35,000,000
County Attorney	Legal fees	100,000,000
Finance	Ward Development Programme	875,000,000
	Car Loans and Mortgages	50,000,000
	Loans and Grants	2,154,008,617
	Emergency Fund	150,000,000
Lands	Rehabilitation of Street Lights	10,000,000
	Kilifi Municipality	81,200,000
	Malindi Municipality	56,300,000
County Assembly	-	1,000,000,000
TOTAL		6,902,038,489

171. In this CFSP, the Kilifi and Malindi municipalities have been separated from county departments to allow them the autonomy envisaged in the Urban Areas and Cities Act, 2012. In this respect, the municipalities will have their budgets considered and approved by the municipal boards. Considering that the municipalities are separate auditable entities, the county government will with effect from FY 2021/2022 grant them budgetary resources to be spent as per their approved budgets.

Development Projects:

172. As stated earlier in this CFSP, the County government will special emphasis towards the completion of on-going projects so that citizens can enjoy the benefits of the development projects. As such, the County Treasury has analyzed project implementation data for the purpose of allocating resources towards the completion of development projects. The following table shows the financial resources required for the completion of the projects per county department.

Table 20: Budget Allocation for Completion of Ongoing Projects FY2021/22

DEPARTMENT	AMOUNT (KSH)
County Division for Finance	6,346,153
County Division for Agriculture	90,659,324
County Division for Water & Sanitation	135,988,987
County Division for Education	135,988,987
County Division for Medical Services	630,666,272
Roads, Transport & Public Works	135,988,987
County Division for Lands & Energy	90,659,324
Gender, Culture, Social Services and Sports	48,049,442
County Division for Trade, & Tourism	135,988,987
Devolution, Public Service and Disaster Management	16,318,678
TOTAL	1,426,655,140

Operations and Maintenance (O&M) Budget:

173. Due to the contracting fiscal space, it has been considered necessary to scale down the O&M budget in FY 2021/2022 to match with available resources. This CFSP proposes to set the O&M budget at about 60% of the previous year's budget on the average. The ceiling for O&M budget for FY 2021/22 is **Kshs. 1,308,804,378** as presented below.

Table 21: Operations and Maintenance FY2021/22

DEPARTMENT	AMOUNT (KSHS)
Office of the Governor	112,730,782
County Attorney	42,274,043
County Division for Finance	264,917,337
County Division for Economic Planning	67,638,469
County Division for Agriculture	63,411,065
County Division for Livestock	28,182,695
County Division for Fisheries	25,364,426
County Division for Water & Sanitation	14,091,348
County Division for Environment, Natural Resources & Wildlife	38,328,466
County Division for Education	58,338,180
County Division for Information, Communication & Technology	28,182,695
County Division for Medical Services	153,877,517
County Division for Public Health	63,129,238
Roads, Transport & Public Works	90,184,625
County Division for Lands & Energy	63,129,238
County Division for Physical Planning, Urban Development and Housing	19,727,887
Gender, Culture, Social Services and Sports	62,001,930
County Division for Trade, & Tourism	36,637,504
County Division for Cooperative Development	14,091,348
County Public Service Board	22,546,156
Devolution, Public Service and Disaster Management	23,109,810
Public Service Management	16,909,617
TOTAL	1,308,804,378

New Projects:

174. In the FY2021/22, the County Government will prioritize the starting of new projects in the department of Health as per the table below:

Table 22: New Projects FY2021/22

NEW PROJECTS		
DEPARTMENT	PROJECT	AMOUNT (KSH)
HEALTH	Health Complex Waste Management	30,000,000
	Mariakani Sewer System	20,000,000
	Rabai Waste System	20,000,000
TOTAL		70,000,000

Indicative Budget Ceilings for FY 2020/2021 Budget

175. The following table shows the indicative budget ceilings per department, for which the expenditure constraint has been expressed. Therefore, spending is limited to the following caps:

Table 23: Departmental Budget Ceilings FY2021/22

DEPARTMENTS	RECURRENT	DEVELOPMENT	TOTAL
County Assembly	-	-	1,000,000,000
Office of the Governor	264,792,760	-	264,792,760
County Attorney	142,274,043	-	142,274,043
County Division for Finance	1,609,256,765	2,160,354,770	3,769,611,535
County Division for Economic Planning	67,638,469	-	67,638,469
County Division for Agriculture	346,517,702	90,659,324	437,177,026
County Division for Livestock	28,182,695	-	28,182,695

County Division for Fisheries	25,364,426	-	25,364,426
County Division for Water & Sanitation	212,257,690	135,988,987	348,246,677
County Division for Environment, Natural Resources & Wildlife	38,328,466	-	38,328,466
County Division for Education	723,912,152	485,988,987	1,209,901,139
County Division for Information, Communication & Technology	28,182,695	-	28,182,695
County Division for Medical Services	3,512,805,425	1,028,964,144	4,541,769,569
County Division for Public Health	63,129,238	-	63,129,238
Roads, Transport & Public Works	595,357,609	335,988,987	931,346,596
County Division for Lands & Energy	263,843,034	90,659,324	354,502,358
County Division for Physical Planning, Urban Development and Housing	19,727,887	-	19,727,887
Gender, Culture, Social Services and Sports	133,836,670	48,049,442	181,886,112
County Division for Trade, & Tourism	95,650,754	255,988,987	351,639,741
County Division for Cooperative Development	14,091,348	-	14,091,348
County Public Service Board	53,134,680	-	53,134,680
Devolution, Public Service and Disaster Management	413,109,810	48,550,678	461,660,489
Public Service Management	366,311,481	-	366,311,481
TOTAL	9,017,705,801	4,681,193,629	14,698,899,430

CONCLUSION

176. The 2021 CFSP seeks to ensure a conducive environment for the post pandemic economic recovery process as well as a sustainable model of development that will have positive multiplier effects to a huge majority of the population whilst cushioning the vulnerable in society.

177. This CFSP has been prepared with figures provided for in the BPS, figures that are subject to change with the enactment of the County Allocation of Revenue Act, 2021. In the event that the CARA, 2021 provides for more budget allocation for Kilifi County, such incremental resources will be allocated towards enhancing the O&M budget, completion of on-going projects and recruitment in the Department of Health Services subject to adherence with fiscal responsibility principles.