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FOREWORD

The 2018 Kisumu County Fiscal Strategy Paper (CFSP) has been prepared in accordance with the Public Finance Management (PFM) Act, 2012. It's the first in the second County's Plan period 2018-1022. The CFSP provides the current state of the National and County's economy and outlook over the medium term, broad macroeconomic issues and the medium term fiscal framework; the key strategic priorities and policy goals and a summary of the County's spending plans as a basis for the FY 2018/19 budget. The CFSP is expected to improve the public's understanding of the planning and budgetary process, shape public debate on economic and development matters and guide development and implementation of the County government programs.

The CFSP will be implemented under the Transformation Agenda with priorities targeting creation of conducive business environment for investment and job creation; investing in infrastructure to unlock growth potential; investing in sectoral transformation for food security and broad based sustainable economic growth; investing in quality and accessible social services (health, education, water and social safety net); consolidating gains in devolution for services delivery and enhanced rural development. These will serve as strong foundations for people's involvement and full participation in their development needs to realize the full potential of devolution.

The preparation of the document was a collaborative effort from various development actors within the County. We received valuable inputs from the County's Sector Working Groups and public participation forums which were held in all the seven Sub-Counties between the 15th- 23rd of February, 2018.

Finally, we are grateful to the County Treasury and the County Co-ordinator Office of the Controller Budgets for their valuable input into this document. The tireless effort and the significant amount of time spent by the County Planning team in putting together, the 2018 CFSP under the guidance of the, Chief Officer, Economic Planning and Development ensured that this document was produced in time.

RICHARD D. OGENDO

COUNTY EXECUTIVE COMMITTEE MEMBER

ECONOMIC PLANNING AND DEVELOPMENT

CHAPTER ONE

1.1 Introduction

The Constitution 2010 created a two-tier government; a National Government, along with 47 County governments that are distinct and interdependent and thus a paradigm shift in planning and budgeting. The Public Finance Management Act, 2012 stipulates that the County Governments prepare and submit a County fiscal strategy Paper to the County assembly by the **28th February** of each year

The County Fiscal Strategy Paper provides:

- A description of budget implementation for the first half of the year, including revenue and expenditure performance.
- A description of any changes to the budget during the year (Supplementary budget)
- An overview of the expected revenue and expenditure totals for the coming year based on an assessment of the economy and other factors which may affect the County
- Ceilings on the amount of money each sector will get and a narrative explanation.

The Fiscal Strategy Paper is prepared in pursuant to Public Finance Management Act, 2012 Section 117 which stipulates that:

- (1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.
- (2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- (3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
- (4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- (5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of: -
 - The Commission on Revenue Allocation
 - The public

- Any interested persons or groups, and
 - Any other forum that is established by legislation.
- (6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.
- (7) The County Treasury shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned.
- (8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly

Fiscal Responsibility Principles

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

- (1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- (2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles: -
- (a) The county government's recurrent expenditure shall not exceed the county government's total revenue.
 - (b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
 - (c) The county government's expenditure on wages and benefits for its public officers shall not exceed percentage of the county government's total revenue as prescribed by the county Executive member for finance in regulations and approved by the County Assembly;
 - (d) Over the medium term, the government's borrowings shall be used only the purpose of financing development expenditure and not for recurrent expenditure;
 - (e) The County debt shall be maintained at a sustainable level as approved by county assembly:

- (f) The fiscal risks shall be managed prudently; and
 - (g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.
- (3) For the purposes of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.
- (4) Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.
- (5) The regulations may add to the list of fiscal responsibility principles set out in subsection.

Overview of the County Fiscal Strategy Paper

Kisumu County has prepared County Fiscal Strategy Papers for the last three years with its focus on the seven pillars for sustained growth as were highlighted in the CIDP I and its last Annual Development Plan 2017/18. As the County transits into the second generation of the CIDP (2018-2022) and its first Annual Development Plan, This County's Fiscal Strategy Paper is the first in implementing the CIDP II with a complete re-organization of the sectors and development priorities.

The Fiscal Strategy paper provides information on the county government spending as well as information on revenue collection that is used to inform the sector ceilings. It looks at performance on the 2017/2018 budget implementation up 30th December and makes projections indicating the overall revenue and expenditure expected for the 2018/2019 financial year.

In order to come up with sector allocations, the paper outlines county key sector priorities to help identify areas to fund and by what proportion of the total budget. It provides sector ceilings representing the budget limits, the amount of money the county plans to spend in meeting the identified priorities in the 2018/2019 financial year.

CHAPTER TWO

SECTOR REVIEW

Governance and Administration:

This sector is divided into three broad sub sectors of Office of the Governor, Office of the County Secretary and the County Law office and Administration of Justice. It is charged with the responsibilities of policy formulation, coordination, human resource management and development and overseeing County programmes implementation.

Office of the Governor

The executive office of the Governor includes the Governor, the Deputy Governor, the County Executive Committee, the County Secretary, the Chief of Staff and results delivery unit. The Governor provides leadership in governance and development, promotes democracy, cohesion, the County's competitiveness and facilitates citizen participation in development of policies, programmes and delivery of services in the county. Whereas the County government structure has been devolved to the Sub-County and the ward level, the people are yet to realize the full potential of devolution as envisaged in the County Government Act, 2012.

Office of the County Secretary

This office is charged with the responsibility of management of the County Public Service. Currently, the human resource function faces both internal and external challenges. Internally the existence of four categories of employees: defunct local authorities' staff, national government devolved staff, County public service board recruited staff and state officers with different pay scales and different ranks within the same functional area poses a big challenge on employees' morale. Additionally, there are cases where employees in lower grades earn more than their seniors or those with less experience earning more than those with more experience largely because of the route through which they came to the service. Externally, some staff who are legally devolved are still under the national government which still pays and transfers them.

An efficient, motivated and well-trained public service will be one of the major foundations of the CIDP II. The county will build a public service that is citizen-focused, results-oriented with zero tolerance to corruption. The County will intensify efforts to bring about an attitudinal change in public service that values transparency and accountability to the residents of Kisumu

County. Results-based management and performance contracting will be pegged to the implementation of the sector's goals.

County Law Office and Administration of Justice

The County law office is a legal unit in the County Government of Kisumu which provides legal advice to all the departments and sectors. Currently the County law and Administration of Justice office is not anchored under any County legislative instruments despite performing functions that are key to the execution of the County mandates. The unit continues to incur huge debts arising out of engagement of external legal services, a situation that could be addressed by commensurate allocations in legal staff and resources.

The functions include but are not limited to dealing with day to day intra-departmental matters which call for legal direction and ensuring that all legislative instruments are in adherence to the County Policy guidelines and resolve any conflicts that may arise between policy guidelines and County laws.

The Unit is also involved in monitoring continuous evolution of laws based both on statutory and judicial decisions and making sure that the County keeps abreast with changing legal trends and with key legislative mandates.

County Assembly

The County Assembly is one of the two arms of the County government with the other being the County executive. The Assembly is constitutionally mandated to undertake the legislative oversight and representation role on behalf of the County.

In the discharge of its Constitutional mandate, the Assembly is comprised of elected and nominated members of the County Assembly incorporating gender, youth and persons with disability. These members are ideally assisted by a team of competent professionals and qualified staff led by the Assembly Clerk while the overall leader of the Assembly is the speaker to whom the Clerk is answerable.

Whilst the Assembly is an arm of the County government, it is distinct and independent from the executive and enjoys autonomy in the execution of its mandate and management of its affairs. The overall supervision and conduct of the Assembly as well as ownership of its property and policy direction overview is undertaken by the County Assembly Service Board chaired by the

Speaker. The board is equally mandated to implement the several circulars from the various commissions that coordinate the functions of County government such as the Salary and Remuneration Commission (SRC) and the Commission on Revenue Allocation (CRA).

Kisumu County Assembly membership currently stands at 48 with a staffing level of 50 members against the ideal recommendation of eighty-eight (88), far below the optimum number recommended by SRC. The Assembly hall and offices are situated within the old ADC offices constructed at the beginning of the 20th century, while the Speakers residence is rented. The Assembly furniture and equipment comprise of furniture from the defunct local authority.

Presently the following situation obtains at the Assembly: -the Assembly debating chambers is old and falling apart, the Assembly debating chambers is small and cannot comfortably seat the forty-eight (48) members, the debating chambers are ill suited for the functions undertaken therein. Members have no offices at all and have to do with undertaking their responsibilities in their cars or various restaurants in town thereby compromising confidentiality. The members have no common room or recreational facilities as is the norm in Commonwealth System. The Assembly has inadequate qualified and professional staff to enable it competently discharge its mandate, the few members of staff lack adequate physical offices and facilities to perform their duties, the Assembly does not have a residence for the Speakers against the salaried and remuneration commission advice, the Assembly is unable to install modern communication equipment in the County Assembly and its offices owing to architecture and age of the offices. With the impending ward and constituency boundaries reviews, the next Assembly will not have enough space. Worth noting is that there is no Speaker's or media gallery in the current Assembly. Parliament discharges 90% of its work through committees yet committee rooms are lacking.

Economic Planning and Development

The Economic Planning and Development sector plays a strategic role in the overall co-ordination of County development planning and budgeting, research and statistics and tracking of development results through a structured monitoring and evaluation framework which provides timely feedback to the citizenry.

The sector prepares the Development agenda for a specified period of time, sets goals, objectives, strategies, prioritized programmes and an implementation matrix with outputs and outcomes through enhanced community participation in project identification, implementation and management and enhances networking and collaboration with other development actors.

Through participatory and conventional sector approach planning, the sector takes into consideration competitive demands/ prioritization in allocation of public resources - Economic Growth versus poverty reduction and inequality and designs specific programmes targeting special regions and groups to promote equal access to resources and opportunities and benefits thereof as it addresses disparities between the rich and poor, inequitable distribution of public resources / services between individuals, regions; Rural –urban inequities and income disparities among rural areas and within major cities and towns which would otherwise lead to discontent and slow the development agenda.

Currently, the sector has to work towards meaningful and productive engagement of the citizenry during public participation in the budget making process; enhance policy linkage to planning and budgeting at the County level; enhance co-ordination of development partners to avoid duplication of activities and build capacities of communities to mobilize resources towards sustaining programmes/projects.

The Sector is also responsible for co-ordination of the County Integrated Monitoring and Evaluation System (CIMES). Effective monitoring and evaluation is crucial to the successful implementation and achievement of results for any plan, policy programme or project. Monitoring and evaluation is a key ingredient to development planning and forms an integral part of the programme management cycle and is the best way of measuring progress, detecting problems, correcting them, improving performance and learning at all levels. However, the County lacks a policy to implement a robust Monitoring and Evaluation system for efficient and effective implementation of its development plans and departmental strategic objectives. Due to non-existent and inoperability of a well-organized M & E organizational structure (County Integrated

Monitoring and Evaluation System), monitoring and evaluation of County programmes and projects has largely been ignored.

Finance

Financial services sector is one of the foundations upon which the achievement of the County Integrated Development Plan II is based and it is a key instrument in facilitating the mobilization of investment funds required to implement the programs and projects identified in the CIDP II. The sector plays a critical role in the development of the County by providing intermediary services to all the departments/sectors within the County. Finance department has six directorates namely: Budget, Revenue, Accounting services, Internal Audit, Assets and debt management and Supply chain management. The sector has a mix of the three cadres of staff; staff from the defunct local authority, seconded staff from National Government and staff recruited by the County Public Service Board. The number and qualifications of the current work force is yet to reach the level prescribed in the established structure.

Budget directorate ensures that financial activities in the budget cycle are planned for and accomplished in compliance with the all the relevant statutes and regulations. The directorate in consultations with department of Economic Planning compiles the forecasted resource envelope and allocates departmental expenditure ceilings which are then compiled to form budget estimates for a particular financial year. This process is done on a manual platform and is prone to inherent errors of omission and commission associated with any manual data processing system. In the formative years of devolution, formulation of over ambitious budgets driven by unrealistic revenue targets resulted to cases of pending bills.

The directorate of revenue is in charge of collection of the county's own source revenue which is categorized as main-stream and departmental. In the formative years of devolution, setting of revenue targets without clear mechanisms, strategies and policies to achieve the set targets has precipitated the revenue deficit which eventually results to county's budget deficit. The directorate automated some revenue collection streams in 2015, however, the un-automated revenue streams are still prone to leakages and pilferages inherent with manual receipting and manual cash collection.

Internal Audit directorate ensures that financial control mechanisms as stipulated in financial laws and regulations are in place and adhered to in expenditure and revenue systems and that there is value for money. It provides a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and governance processes.

Assets and debt management directorate is charged with management of debts and assets in the County. The current government took over books and records with huge but unverifiable balances. The apparent level of indebtedness of the county has been generated by the pending bills which have been occasioned with awarding of tenders based on approved budget estimates and revised budgets instead of the available cash-flow.

The directorate of accounting services is in charge of processing all payments, periodic reporting and coordination of external audit exercises. In the current structure, the directorate has decentralised its operations departmentally, though all staff within the directorate are domiciled at the County headquarters. It means that physical devolution of service delivery on this front is yet to be realised. Accounting departments in the health facilities across the County are not manned by qualified accountants.

Supply chain management is charged with preparing annual procurement plans and procurement and disposal of goods and services in the County. In the current structure, the directorate has decentralised its operations to the departments where each department has a procurement officer. Like in the case of accounting services, all staff of the directorate are domiciled in the headquarters. The implication is that service delivery is yet to be devolved further to the Sub-counties

Physical Planning, Lands, Housing and Urban Development

Housing and Urban Development

The rapid population growth and urbanization trends coupled with low investment in infrastructure and basic service expansion has resulted into enormous pressure on the urban housing and is expected to adversely affect allocation and utilization of resources and availability to social amenities. This will continue to put pressure on housing, natural resources and cause environmental degradation, and constrain the country's ability to produce food and guarantee quality health care and development.

The proportion of those residing in urban areas within the county accounts for 50.30 percent of the total population. 40 percent of these urban dwellers reside in the informal settlements of Nyalenda “A” and “B”, Manyatta “A” and “B” and Obunga. The land tenure system within these informal settlements is free-hold. Other dilapidated estates which require complete redevelopment include Okore, Argwings Kodhek, Arina, Lumumba, Ondiek, Mosque, Kibuye, Pembe Tatu, Kaloleni and Nubian.

Physical Planning and Lands

Land is the most important natural resource that the county is endowed with. It is critical to economic, social, political and cultural development. It is also considered as the principal source of livelihood and material wealth by playing host to natural resources. Secure access to land, sustainable land use planning and equitable distribution of land remain immensely important for food and nutrition security, attraction of foreign investors, employment and growth of industries and generally the socio-economic development of the county. Approximately 50 percent of the county’s land surface is grossly underutilized with sparse or no development especially in rural areas. In addition, most of the land in the county has not been registered which hinders people from asserting their rights over land.

The county spatial planning will consider land ownership, land use and control, land acquisition, land allocation and provisions for major land

Agriculture, Livestock and Fisheries

The sector comprises of five sub-sectors; industrial crops, food crops, horticulture, livestock and fisheries; and employs such factors of production as land, water and farmer institutions (co-operatives, associations). Nationally, agriculture sector contributes about 24 percent of the GDP, about 75 percent of industrial raw materials and 60 percent of export earnings. The sector accounts for 65 percent of Kenya’s total exports, 18 percent and 60 percent for formal and total employment respectively.

The County’s performance in this sector has been dismal despite its suitable ecological and climatic conditions for the production of cotton, sugarcane, rice and horticulture. The County’s total area under food crop (maize, beans, rice, sorghum, green grams, sweet potatoes, cassava,

tomatoes, cowpeas, kales and groundnuts) is estimated at 107,335 Ha with 3,443 Ha under horticulture during the long rains and 5,985 Ha under rice production. Area under cash crops is approximately 45,309 Ha with sugarcane covering the largest area at 44,988 Ha. Sugarcane growing is majorly done in Muhoroni Sub-County covering approximately 43,700 Ha and employing 14,585 farmers directly.

Main storage facilities: Farmers in the County mainly utilize two types of storage: on farm and off farm storage. Most farmers store their produce in gunny bags inside their houses. Off-farm storage is mainly through the National Cereals and Produce Board Silos in Kisumu and Muhoroni Sub- counties. The Lake Basin Development Authority and The National Irrigation Board offers storage facility for rice produced.

Livestock and Veterinary Services

Main livestock breed in the County include dairy cattle, beef cattle, pigs, goats, sheep, poultry, rabbits and bee keeping. A large number of dairy animals are found in the higher and cooler parts of the County, which are mainly found in Kisumu West, Muhoroni and Nyakach Sub-Counties. The most common dairy cattle breeds found in the County include Ayrshire, Friesian, Guernsey and their crosses.

Chicken production, which is one of the most important economic activities for small scale farmers in the County, is either reared in subsistence or commercial systems of production for white meat and eggs. Apart from livestock, the County is rich in wild bee colonies which provide immense potential for bee keeping and honey production.

Despite production potential with varied animal species in the County, livestock sector is riddled with low productivity due to animal diseases, farmers keeping animals of poor genetic material, poor (traditional) farming methods and changing climate, among other factors. Animal diseases affect the productivity and welfare of affected animals in the county. Among the diseases that cause losses to farmers include Foot and Mouth Disease (FMD), East Coast Fever (ECF), Black Quarter and Mastitis. Zoonotic diseases like Rabies kill animals and require expensive management whenever human beings are affected. Food-borne infections like helminthiasis cause economic losses to humans in form of lost man-hours, treatment and condemnation of affected organs during meat inspection.

The County has large number of indigenous cattle breeds with low productivity mostly occasioned by in-breeding and poor husbandry. Breeding services are costly to the average farmer who resorts to use of communal bulls for breeding as opposed to use of artificial insemination using superior bull semen. Leather development activities in the County are hampered by lack of skilled flayers, inadequate number of flaying knives, poor curing and storage facilities. This affects quality and prices of leather

The directorate of veterinary services has four divisions through which veterinary services are rendered; these include disease surveillance and control, veterinary public health, breeding and extension services and leather development.

Fisheries

Kisumu County lies on the shores of the expansive Lake Victoria and thus provides the county with the unique potential as a major fishing market. The fishing industry is therefore considered a major economic activity and an income earner in the County.

The fish industry has been hampered by the use of traditional technologies (such as boats and rafts), inadequate cooling storage facilities and a processing plant within the county which leads to losses. The fish stock in the lake has also been dwindling due to overfishing, disposal of both liquid and solid waste, use of illegal fishing gears and bad fishing methods. Water hyacinth and hippo grass remains a major hindrance and has hampered fishing and use of modern fishing methods in the lake. Fish processing companies have also scaled down their operations due to low fish stocks from the lake and instead opting to import fish. There are 19 gazetted Beach Management Units (BMUs) in the County which are responsible for the day to day running of the fisheries activities. BMUs are meant to eliminate the illegal fishing methods, collection of revenue on behalf of the local government, actively participating in the fisheries decision-making processes and regulating fisheries with a focus on poverty reduction among the fishing community. This involvement of the resource users has empowered them and improved their livelihood.

The fish pond project had been established by the National government under the Economic Stimulus Programme (ESP), but failed to achieve the intended objective due to lack of training of fish farmers.

Tourism, Culture, Creative Arts and Sports

Tourism

The tourism sector is well known for its multiplier effect, and its ability to stimulate growth in other sectors of the economy such as trade, transport, manufacturing and agriculture. The sector remains vital for the continued growth of the county's economy. However, the county government has not fully responded to global changes in the sector which require incentives to attract the private sector strategic leadership and local community participation. The growth of the sector largely depends on proper security, reliable roads infrastructure and a clean environment which Kisumu prides in.

Sports

This sub-sector is vital for promoting talent among the youth and can serve as a major source of employment and income earning opportunities for the youth.

Currently, there is only one standard pitch, i.e. Moi Stadium that has the basic facilities required for holding high profile tournaments but not all sporting activities like swimming. Other small pitches include; Ogada in Nyahera, Nanga in Nyalenda B, Pap Kadundo in Muhoroni and Kasule Pitch in Manyatta Community pitches, Muhoroni and Chemelil Stadia in Muhoroni and Jomo Kenyatta Sports Ground in Kisumu Central.

Challenges in this sub-sector have been inadequacy of sports facilities and infrastructure, lack of credible sports institutions and inadequate talent identification mechanisms.

Culture

Positive and effective promotion of cultural diversity, preservation and promotion of natural heritage is critical to the social economic and cultural development of the County. Policies are being put in place to ensure that the museums and the artefacts are safeguarded to preserve the County's cultural heritage. The Luo Community who are the main inhabitants of the County present opportunities for tourist and culture development related to music, dances and drama. The county intends to set up digitized cultural centers and documents to increase online access and break the barrier of time and space

Arts

The sub sector's role is to promote, protect and patent artists' innovation and to position it as a major source of employment and income earning opportunities for players within the sector. The County has a comparative and competitive advantage in pottery, weaving, drawing, poetry and music.

Business, Energy and Industry.

The trade sector has been identified as one of the key engines of the economy due to its immense contribution to the Kenya's GDP and employment creation through trade and investments. Most of the Micro, Small and Medium Entrepreneurs within the County face various challenges that impede their growth and development. These include: inability of small firms to enjoy economies of scale; limited access to credit facilities; small talent pool and inadequate marketing structures/infrastructure. Majority of MSMEs operate from temporary business premises/work sites.

Under MTP II of Kenya Vision 2030, Kisumu County was identified to benefit from the following projects: development of Special Economic Zones (SEZs) - consultations to identify suitable land for the proposed Kisumu SEZ is still ongoing; development of Small and Medium Enterprises (SME) Parks- development of master plans and structural designs are in progress for SME industrial parks in Nairobi, Nakuru, Mombasa, Eldoret and Kisumu. Specific objectives of the projects were to: Attract both local and foreign investments; Expansion and diversification of produce of goods and services for domestic and export markets; Promotion of value addition; Promotion of local entrepreneurship through SMEs; Enhance technology development by industrial parks and innovation and promotion of rural and regional industrialization. All the 47 Counties were to benefit from development of SME and Industrial Parks. The parks were to offer infrastructure and shared resources such as power supply exploiting, comparative advantages of local resources, telecommunication hubs, management offices and internal transportation, all of which were not implemented.

Energy: The overall objective of this sector is to increase availability, reliability and affordability of energy for both domestic and industrial use through supply, installation and maintenance of floodlights at market centers. The main sources of energy are electricity and thermal (firewood, charcoal, kerosene, LPG, biogas and solar). The County has not fully tapped into the potential of

solar power and renewable energy. Currently, the growth of urban areas requires the installation of floodlights to promote the 24-hour economy and improve on security.

Solar Energy Access

Kisumu County receives an estimated 5 kWh/m² per day of solar energy throughout the year. This has made it possible to use solar energy in the County's energy mix. Access to solar energy within the County is mainly segmented into three tiers: commercial application solar systems (which make up three quarters of the current installed capacity), off-grid solar power systems (powering markets, health centers and other social amenities) and solar house systems (distributed to schools and community social organizations).

Biogas Energy Access

Wood fuel, as the key source of energy for rural households, has a major impact on the sustainable development of the County and the Country at large hence the need for biogas as an alternative source of energy. The County Government of Kisumu, during the implementation of the first CIDP (2013-2017) embarked on a programme to promote the use of biogas as a source of fuel for use in ECDE schools. The programme realized the installation of five biogas plants as pilot projects.

Table 1: Renewable Energy Projects in the Seven Sub-counties

CATEGORY OF RENEWABLE ENERGY	SUB-COUNTY						
	Muhoroni	Nyakac h	Kisumu Central	Kisumu West	Kisum u East	Seme	Nyando
Solar Street Lights Centers (Markets, schools and health facilities)	6	2	7	5	4	4	4
Integrated solar power box	0	0	0	1	0	0	0
Solar powered water distribution	0	0	0	1	0	0	0
Off-grid solar power solutions	0	0	0	1	0	0	0
Solar power coolers	1	0	0	1	0	1	2
Domestic biogas plants	1	0	0	1	0	1	2
School hub solar equipment	1	1	1	1	1	0	0

Water, Irrigation, Environment and natural resources

Environment

The sector coordinates management and conservation that targets Solid Waste Management, Biodiversity Conservation, Landscape restoration, Forest resource management, Noise and air pollution control, parks and recreation areas, and environmental policy implementation.

Solid Waste: Kisumu County generates about 5,720 tons of solid waste per day out of which only about 25 % is collected for open disposal at Kachok dumpsite. Opportunities in solid waste management exist in the collection, transportation, material recovery and waste to energy systems. It is also worth noting that about two third of generated waste from the county is organic.

Forest Resources: Less than 1 percent tree cover exists in Kisumu County which is short of the constitutional requirement of at least 10% of land cover. The County has two gazetted Forest lands; Koguta and Karateng' which measure approximately 400 and 25 hectares respectively. Farm forestry and commercial forestry are lowly adopted in Kisumu County.

Degradation of natural resources: Amongst the threatened natural resources in Kisumu County are the wetlands. Only one wetland in the county, Ombeyi wetland, has a management plan which has not been fully implemented. Other threatened resources include land (murrum, sand, soils and ballast), flora and fauna. Water sources are also increasingly under threat from deforestation, point and non-point source of pollution.

Noise and air pollution: Particulate air pollution from industrial process exists in the County. Increased production activities introduce carbon compounds and green house gases which contribute to climate change. Increased noise pollution from entertainment spots, outdoor advertising and community social and religious gatherings are in the County, threatening the peaceful and ambient environment.

Irrigation

There are two irrigation systems in the County namely; pump fed systems in National Irrigation Board schemes covering 4,162 Ha and gravity fed systems in small holder farmer owned schemes covering 6,042 Ha against the potential of 14,309 Ha in rice growing areas only. attached to it, yet the County is well endowed with water bodies such as Lake Victoria and permanent rivers such as Sondu/Miriu, Awach-Kano, Nyando, Oroba/Ombeyi, Kibos, Awach-Seme, Kisian, and Mugru

which can be harnessed for gravity fed irrigation purposes to enhance self-employment and economic development.

However, relying on these natural water sources alone without conserving excess water volumes during heavy storms in dams would otherwise impede irrigation expansion as planned in this County.

Water

The water coverage for the county currently stands at 58 percent. Some Sub-county has the lowest water coverage at 29 percent against Kisumu central Sub-county which has the highest water coverage at 72 percent. In terms of wards Nyalenda “A” has the highest share of residents using improved sources of water at 88 per cent as opposed to South West Nyakach with the least coverage at 22 percent. The county has gazetted water supplies covering a total area of 956 Km² with an average water production of 38,308.8m³/ day. The gazetted water supply include: Kisumu rural, Nyakach, Muhoroni, Ahero, Dunga, Kajulu, Koru Mnara, Tamu, Kibigori and Awasi. The key component of each water source supply scheme includes; Raw water intake sourced by either river or spring or lake; Treatment plants either full or partial; Storage reservoirs for both raw and potable water and Pipeline network with requisite communal water points.

Currently the county has an estimated water storage capacity of 36,296M³ spread across its sub counties as follows:

Table 2 Water Coverage and storage capacity

Sub-County	Current Storage Capacity available in M³	Required Storage Capacity M³/ Day	Deficit/Surplus storage capacity in M³/ Day
A) Urban			
Kisumu East	30,454	5,328.25	-
Kisumu Central	-	5,994.35	-19,131.4
<i>Sub total (Urban)</i>	30,454	11,322.6	-19,131.4
B) Rural			
Seme	850	3,506.8	2,656.80
Kisumu West	975	4,658.2	3,683.20
Muhoroni	197	5,173.45	4,976.45
Nyando	120	5,005.71	4,885.71
Nyakach	3,700	4,721.91	1,021.91
Sub-total (Rural)	5842	23,066.13	17,224.07
TOTAL	36,296	34,388.273	17,224.07

Health and Sanitation

The Constitution of Kenya 2010 through the Bill of Rights puts a heavy responsibility on the health sector to ensure realization of the right to health. The goal for health sector is to provide equitable, affordable and quality health care to all citizens. Access to basic Primary Health Care (PHC) and referral services are Governor's top priority in his manifesto. His commitment to remuneration of the Community Health Volunteers serves to strengthen the level-one health-care structure. Significant disparities in service availability exist between rural and urban areas and in hard to reach areas.

Disease Burden of Kisumu County

Malaria remains the leading cause of morbidity in all age groups despite interventions put in place such as testing (microscopy and RDTs) and provision of LLINs. The top 5 causes of morbidity in Kisumu in all age groups are malaria, upper respiratory tract infection, diarrhea, diseases of the skin and other diseases of the respiratory system. Similar causes of morbidity are noted at the national level over the same period for the age groups. Table 4 provides the top ten causes of morbidity in Kisumu County for population below and above 5 years.

HIV and AIDS

HIV and AIDS still remains a burden to the County with the prevalence rate increasing from 19.3 percent in 2013 to 19.9 percent in 2016 (Kenya HIV estimates, 2015). There has been a slight decline in the rate of new HIV infections from 12,645 in 2013 to 9,699 in 2015, Kisumu County is still classified among the nine high incidence Counties in the Country. Major concern is the high incidence among the youth, adolescent and young people aged (15-24 years) that contribute to 52 percent of all new HIV infections in the County (Kenya HIV estimates, 2015).

HIV and AIDS programmes in the County are essentially donor-supported but with the recent elevation of the country into a middle-income bracket, donor funding has gradually reduced hence the need for a deliberate and strategic mechanism for domestic HIV response financing.

The Community Units

The community strategy's main goal is to increase community access to healthcare so as to improve community productivity, decrease poverty as well as child and maternal deaths. Investment in community strategy has yielded 193 community units, of which 158 are fully functional. The community health services are designed for each Community Unit (CU) to be attached to a link facility. This is in order for the Community Health Volunteers (CHVs) to seek technical guidance from trained health professionals and also refer their community members to a health facility for ailments that cannot be managed at home. Each community unit serves a population of approximately 5,000 people although households and area of coverage informs the distribution of CUs. Each CU is covered by not less than 10 community health volunteers (CHVs). Currently partners cater for stipends for 30% of the CHVs. In the Kisumu County Health Sector

Strategic Investment Plan II (KCHSSIP) (2018-2023), the County has committed to provide stipends and National Health Insurance Fund (NHIF) cover to all CHVs. Legislation on the CHVs compensation needs to be considered for sustainability. Table 7 below, provides the distribution of community units by sub-county and their functionality.

Table 2: Distribution of community units by Sub-County in Kisumu County

Sub-county	Estimated population Density (2018)	Expected Community Units	Established Community Units	Functional Community Units	Gaps
Nyakach	160,440	45	39	32	6
Nyando	170,082	41	36	30	5
Muhoroni	169,925	38	26	18	12
Kisumu Central	204,028	25	19	14	6
Kisumu East	181,356	29	21	18	8
Kisumu West	158,275	30	24	22	6
Seme	119,153	32	28	24	4
Total	1,163,260	240	193	158	47

Human Resource for Health

The Human Resources for Health (HRH) investment area relates to availability of appropriate and equitably distributed health care workers, quality training relevant for the market requirements, safe and secure working environment for attraction and retention of required health workers, improving of institutional and health worker performance.

A National HRH staffing norm has been defined for each level, to outline the minimum health workers, by cadre, needed to assure provision of health care. The norms only define the minimum

that the sector will work towards ensuring equitable distribution of human resources for health. The optimum staffing shall be defined for each facility, based on its actual workload.

In Kisumu County, the Doctor to population ratio is 1: 44,634 and Nurse to population ratio is 1: 2,383 against the recommended WHO standard Doctor or nurse Population ratio of 1:435. A comprehensive approach, supported by strong County and national leadership, governance and information systems, is needed to ensure skilled and motivated health care workers are deployed in the right place. Performance needs and training needs assessments need to be conducted to address imbalances.

Table 4: Available Health Workforce by Cadres in the Public Sector within Kisumu County

S/No	Cadre	In post	Required	100% Variance/ Gap	30% variance/gap
1	Medical Officers/Specialists	117	964	847	254
2	Dentists	21	455	434	130
3	Community Oral Health Officers	0	316	316	95
4	Dental technologists	3	204	201	60
5	Pharmacists	36	171	135	41
6	Pharmaceutical Technologists	45	381	336	101
7	Clinical officers	174	1857	1683	505
8	Nurses	878	8230	7352	2206
9	Health information records officer	18	385	367	110
10	Nutritionists	8	977	969	291
11	Rehabilitative therapists	52	1009	957	287
12	Health Admin Officers	8	42	34	10
13	Health Record Mgmt. Officer/Asst.	3	42	39	12
14	Laboratory technologists/technician	80	1348	1268	380
15	Public Health Officers/Assts.	116	223	107	32
16	Diagnostic and imaging	18	249	231	69
17	Medical Engineers/technicians	44	235	191	57
18	Others (Mental Health Workers etc.)	227	4803	4576	1373
	TOTALS	1848	21891	20043	6013

Sanitation and Hygiene

Sanitation and hygiene has continuously suffered from low or no allocation of resources. This has jeopardized the overall objective of increasing sanitation coverage to help reduce the disease burden due to poor sanitation. If objectives of sanitation and hygiene are to be achieved, there must be a deliberate effort to allocate adequate budgetary resources towards the same function.

According to the Wash and Sanitation Programme (WSP) report of 2014, 30.4% of people in Kisumu use improved latrine, 31.3% use unimproved latrines while 25.9% use shared latrines and 12.4% practice Open Defecation (OD). Lack of access to improved sanitation coupled with poor hygiene practices result in huge burden of disease and the associated economic, human, social, health burden. Access to acceptable sanitation services is important to discourage open defecation which is detrimental to the environment and health of the general population. The costs incurred as a result of dealing with ailments related to poor sanitation are a major burden on the people of Kisumu County.

The low sanitation coverage is also a major challenge in schools especially primary and early Childhood Development Centers within Kisumu County. Most of the latrines in these institutions are dilapidated and in poor state of repair. Coverage for primary school sanitation facilities in functional condition is 85.83% due to of lack of maintenance. A School WASH analysis conducted by SANA/UNICEF in 2016 established the latrine ratio for girls in Kisumu County was 1:67 against the recommended ratio of 1:25 while the latrine ratio for boys was 1:73 against the recommended ratio of 1:30.

Health Products and Technologies

Despite the decentralization of procurement for essential drugs, the procurement and distribution of most pharmaceutical and commodities for routine immunizations, HIV, TB and malaria are managed by national level programs, i.e. Kenya Expanded Programme on Immunization (KEPI), Kenya National AIDS & STI Control Programme (NASCO), Kenya National Tuberculosis, Leprosy and Lung Disease Programme (NTLD) and the Kenya National Malaria Control Program (NMCP) respectively.

Delayed reimbursement of fund for free maternity by the national government is a potential threat which may cause consumable shortages to ensue in the maternal health care. The blood bank

constantly conducts blood drives to ensure optimum stock and proper storage of blood as an emergency preparedness function. In a bid to accurately project the figures of required pharmaceutical and medical supplies, a comprehensive needs assessment should be conducted.

Education, ICT and Human Resources Development

Early Childhood Development Education (ECDE)

The total number of children in Public and private schools in Kisumu County as at September 2017, stood at 57,893 and 58,803 respectively against a trained teacher establishment of 1,344 in public schools and 2,118 in private schools. Public schools have the highest total number of orphans at 7,138 distributed as 2,486 for total and 4,652 for partial orphans against the private schools' total number of 4,676 distributed as 1,923 for total and 2,753 for partial orphans. There is a total of 2,752 children with special needs (visual, hearing and speech) out of which 1,954 of these children are in public schools.

There are 483 ECDE public schools in the County. Out of this, 217 are on permanent building structures, 237 are on temporary structures while 29 falls under others. 187 of these schools have tap water connections, 136 have wells, 59 depend on water vendors while 60 schools use other water source. The County school feeding programme targets children in both private and public schools.

Table 14: The distribution of ECDE schools per Sub-County

Sub- County	Public	Private	Total	Feeding Programme (Public)	Feeding Programme (Private)
Kisumu Central	35	308	343	33	200
Kisumu East	49	204	253	31	95
Kisumu West	81	153	234	49	23
Muhoroni	130	110	240	107	34
Nyakach	145	116	261	118	34

Nyando	106	92	198	67	28
Seme	109	78	187	93	27
GRAND TOTAL	655	1,061	1,716	498	441

Vocational Training Centres

Education and Training (E&T) is the primary means of upward social mobility, national cohesion and socio-economic development. However, the key to success lies in proactive measures to ensure training of human resources in order to respond to the changes that are triggered by economic transformation. The mismatch between demand and supply must be corrected. Currently the county has a total of 19 operational vocational training centres / Village polytechnics, with a total enrollment of approximately 1500 students. The total number of instructors is 57 against the expected number of 184 instructors. This implies that there is a serious staff deficit of 127 instructors. Other Vocational Training Centres yet to be registered and operationalized include: Withur, Kochogo, Kandaria, Obwolo and Kiancha.

Table 3 The Distribution of the Vocational Training Centres

Sub-County	No. of VTC	Name of VTCs	No. of Staff	Staff deficit
Kisumu Central	1	Rotary	11	4
Kisumu East	1	Akado	4	6
Kisumu West	5	Karateng', Sianda, Wachara, Bar-Mathonye and Kadongo	14	29
Muhoroni	3	Koru, Nyang'oma, Kigoche	5	25
Nyakach	4	Alara, Achego, Obange and Katito	8	30
Nyando	1	Ahero	7	9
Seme	4	Chwa, Kitambo, Lunga and Mariwa	12	21

Human Resource Development

Human Resource Development is mandated to address the situation by imparting employable skills through conducting a County market scan, capacity building and training. Human Resources and Skills development and engagement of the youth in projects such as road and dam construction, disaster response, irrigation projects, environmental conservation and community service or volunteerism are among the sustainable interventions that will be employed towards reducing the youth unemployment.

Youth

The youth (15-35) years comprise 36 percent of the national population while the County's youth is estimated to account for approximately 40 percent of the total county's population. Alarming, 61 percent of them remain unemployed. About 92 percent of the unemployed youth lack vocational or professional skills demanded by the job market. The high unemployment levels have led to increased dependency levels, slow economic growth, increasing poverty levels and rising security challenge that negatively impacts on development. The unemployment challenge is further compounded by low transition to and completion rates in secondary education, as well as limited opportunities in technical and vocational skills training institutions for the youth.

Vulnerable Groups

The sector has been focusing on the improvement of livelihood of vulnerable groups specifically the orphans and vulnerable children, the elderly, and persons with disability. Various interventions have been initiated by both the National and County Governments to support these deserving vulnerable members of society. These include the establishment of Consolidated Social Protection Fund which established three cash transfer interventions (Cash Transfer to the Older Persons (CT-OP), Cash Transfer to the severely Disabled Persons and the Urban Food Subsidy) in addition to the Cash Transfer programme to Orphans and Vulnerable Children (CT-OVC) established in 2004 and National Fund for Persons with Disabilities (PWDs). The County on the other hand, established a Social Protection Fund with three major programmes; the Revolving Loan Fund targeting women, youth and People with Disability which as at January, 2018 disbursed Ksh. 25,790,000 to a total of 361 registered groups. The National Hospital Insurance Fund was meant to provide health access to the aged (above 65 years). A total of Ksh. 3,360,000 was allocated targeting 560 beneficiaries out of which 84 persons benefited from the programme utilizing Ksh.

2,863,367 as at August, 2017. Lastly, the Cash Transfer Fund was meant to support the elderly and People with Severe Disability, 66 beneficiaries per ward were identified but none has so far received the Ksh.1500 per month as intended in the programme.

Information, Communication Technologies (ICTs)

A vibrant Information and Communication Technology sector is critical to the development of a knowledge Based economy and hence lowering the cost of doing Business. ICT sector is dynamic and constantly emerging with new technologies, new ways of doing things, new products and new services in a new Information age – a new global economic order dominated by information and knowledge-based economies. It is also an enabler crosscutting, making it possible to “compress” time and space and delivering outcomes in many other departments.

Information is the blood life of Kisumu County. It focuses on the actualization of the vision and mission of the County. However, there is lack of a centralized platform for receiving, archiving and disseminating information both for internal and external Clients. This has impacted negatively on the progress of the county government.

Effective Communication serves as the foundation of every development in the County. It helps the management to inform, plan, make decisions, organize, motivate and control both internal and external audiences. The current communication platforms within Kisumu County are inadequate and not interactive. There is also lack of policy to inform the communication structures.

The Technology sector delivers its services based on a draft strategic plan and policy. Administratively, these services are offered to the end users based on the following fronts: Network and Infrastructure Component, Systems Development, Deployment and Integration Component, Help-Desk Support and User Training, Disaster recovery, Backups and Data Custody.

The directorate managed to roll out a structured Local Area Network (LAN) at the county headquarters, designed and developed the county’s website, implemented a tier 3 data centre in partnership with non-state actors and also conducted a digital literacy programme to more than 700 youths.

It is worth noting that this directorate has faced a myriad of challenges in implementing some of its flagship projects due to inadequate allocation of funds and the changing roles and norms emanating from the emergence of new ICT possibilities potentially presenting some more fundamental and far-reaching questions that are challenging and even undermining some of our pre planned projects.

Public works, Roads and Transport

Roads

Effective and reliable infrastructure is critical in lowering the cost of doing business and increasing the competitiveness in the County. The roads sub-sector is charged with the responsibility of policy formulation, monitoring and evaluation of standards including compliance with all environmental regulations during implementation of projects in construction, maintenance and rehabilitation of roads, drainage works and bridges within the County. It undertakes provision of appropriate education to the public on road safety, testing and advising on material usage and providing technical education to the general public and private sector.

The Kenya Roads Board (KRB) is mandated to coordinate the implementation of all policies relating to development, rehabilitation and maintenance of roads network, administers the funds derived from the fuel levy and any other funds that may accrue to it. Major players in the road sub-sector in the County include; Kenya National Highways Authority (KeNHA), Kenya Urban Roads Authority (KURA), Kenya Rural Roads Authority (KeRRA), Kenya Informal Settlement Improvement Projects (KISIP), Kenya Wildlife Services (KWS), Kenya Roads Board (KRB), Kisumu Urban Projects (KUP).

Kisumu County has a total of 286 km of tarmacked road, 726 km graveled roads and 957 km of earth-surfaced roads.

The sub-sector faces challenges including inadequate road maintenance, pavement overloading, huge maintenance backlog of the road network, low contracting and supervision capacity, encroachment on road reserves and inadequate research on alternative low-cost materials for construction of roads.

Public works

The sub-sector comprises of architectural, quantity surveys and contracts, structural, electrical and mechanical sections. Its mandate is to facilitate provision and maintenance of buildings and other public works within the County. It is charged with the responsibility of planning, designing, construction and maintenance of government assets in built environment which include hospitals, schools, colleges, technical institutes, prisons and courts. Assets in infrastructure development include foot bridges, piers, breakwaters and jetties.

Transport

The function of this sub-sector includes; provision of road construction and maintenance of equipment and plant, inspection and identification of private garages suitable for repairing government vehicles, plant and equipment, valuation of vehicles, plant and equipment for the following purposes, offering of loans to public servants desiring to purchase used vehicles, suitability/occupational testing of drivers, motorcyclist and plant operators for employment and promotion within the County government, inspection of imported second hand vehicles for conformity with Kenya Bureau of Standards KEBS 1515-2000 specifications for road worthiness; inspection of government vehicles and equipment maintenance; repairs and disposal of vehicles, plant and equipment, manufacture and repair of safes, cash boxes, strong room doors and other fabrications, preparation of technical and tender documents for tools, equipment and machinery and other related materials; pre-delivery inspections of vehicles, plant, tools, equipment and machinery to ensure adherence to client's technical specifications.

The department has plants and equipment which are leased out to contractors and private developers.

Kisumu City

The City of Kisumu is an independent entity within the County Government of Kisumu under the management of the City Manager who is answerable to the City Board who further reports directly to the Governor. Unlike the other two Cities in Kenya where the whole city is the County, The City of Kisumu covers only fourteen of the thirty-five wards of the County.

DEPARTMENT	FUNCTIONS
Administration	Policy Implementation, Coordination & Administration
City Finance	Financial Advice, Revenue Collection, Debt and Financial Services
City Engineer's	Maintenance Of Roads, Road Markings, Street Lighting, Floodlights and Traffic Lights
City Planning	Coordination & Supervision Of Urban Development in the City
City Education	Coordination & Implementation Of School Curricula, Education Policies & Evaluation
Public Health	Promotive & Preventive Health Care Services
Environment	Environmental Protection & Management of a Clean Urban Environment
Social Services & Gender	Delivery Of Social Welfare Services & Rehabilitation of Street Children
City Inspectorate	Enforcement of County Laws & Provision of Security To County Property & Institutions
Human Resource Management	H.R. Procurement, Induction, Training & Development, Discipline & Employee Relations, Appraisal, Compensation & Retirements
Housing Development	Coordination of Low Cost Housing Projects & Site & Service Schemes and Maintenance of Institutional Houses
Audit	Set Up of Internal Controls
Procurement	Facilitating in the Procurement Of Goods and Services
Information & Communication Technology	Development & Maintenance of ICT Services
HIV/AIDS Desk	

County Public Service Board

Kisumu County Public Service Board (CPSB) is an independent institution established in terms of Article 235(1) of the Kenyan constitution. The CPSB is charged with the responsibility of developing and implementing human resource policies and framework for the County government

in line with the relevant laws. The CPSB handles all human resource issues in the County and consists of a Chairperson and other members nominated by the Governor and approved by the County Assembly. The secretary to the board is a Certified Public Secretary (CPS K) nominated by the governor and approved by the County Assembly.

The board has the responsibility of ensuring that the County Public Service has adequate skilled and competent personnel; its functions include establishment and abolition of offices and appointing persons to act or hold office in the Public Service and in the boards of cities. It also plays a disciplinary role in the Public Service as well as reporting to the County Assembly with regards to the public service.

Whereas the Kisumu PSB is independent, it has heavily relied on the Governors' budget allocation to run its activities. It has faced challenges including operating without adequate office accommodation; a secretariat to support its activities; inadequate transport and emerging conflict in working cultures, discrepancy in salary structures and a negative staff working attitude.

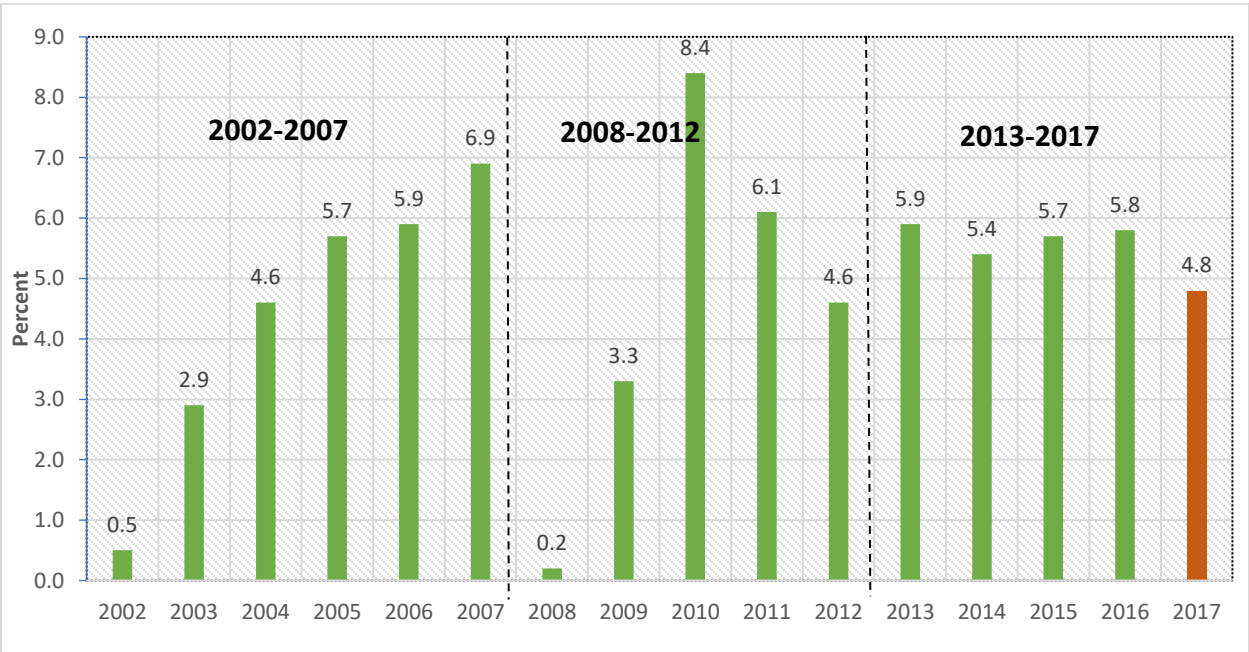
CHAPTER THREE

RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

Domestic Economic Developments

Growth of the Kenyan economy remained resilient; broad based and registered strong performance in the past 5 years supported by strong public and private sector investment and appropriate economic and financial policies. The economy, specifically, grew at an average of 5.5 percent per year in the five years (2013 - 2017) out-performing the average growth rate of 4.7 percent in the period 2008 to 2012. The value of goods and services produced therefore raised the per capita income from Ksh 104,700 in 2013 to an estimated Ksh 174,200 in 2017. The economy generated an average of 817.0 thousand new jobs per year in the period 2013 - 2017 up from 656.5 thousand jobs per year in the period 2008-2012. However, uncertainty associated with elections coupled with the effects of adverse weather conditions slowed down the performance of the economy in 2017. As a result, the economy is estimated to grow by 4.8 percent in 2017, which is a slowdown from the estimated growth of 5.1 percent in the 2017 Budget Review and Outlook Paper (BROP).

Chart 1.1: Trends in Kenya’s Economic Growth Rates



Source of data: Kenya National Bureau of Statistics

In 2017, the economy grew by 4.4 percent in Quarter 3, 5.0 percent in Quarter 2, and 4.7 percent in Quarter 1, largely supported by robust activities in the service sectors particularly; accommodation and restaurant; real estate and information and communication. The growth was

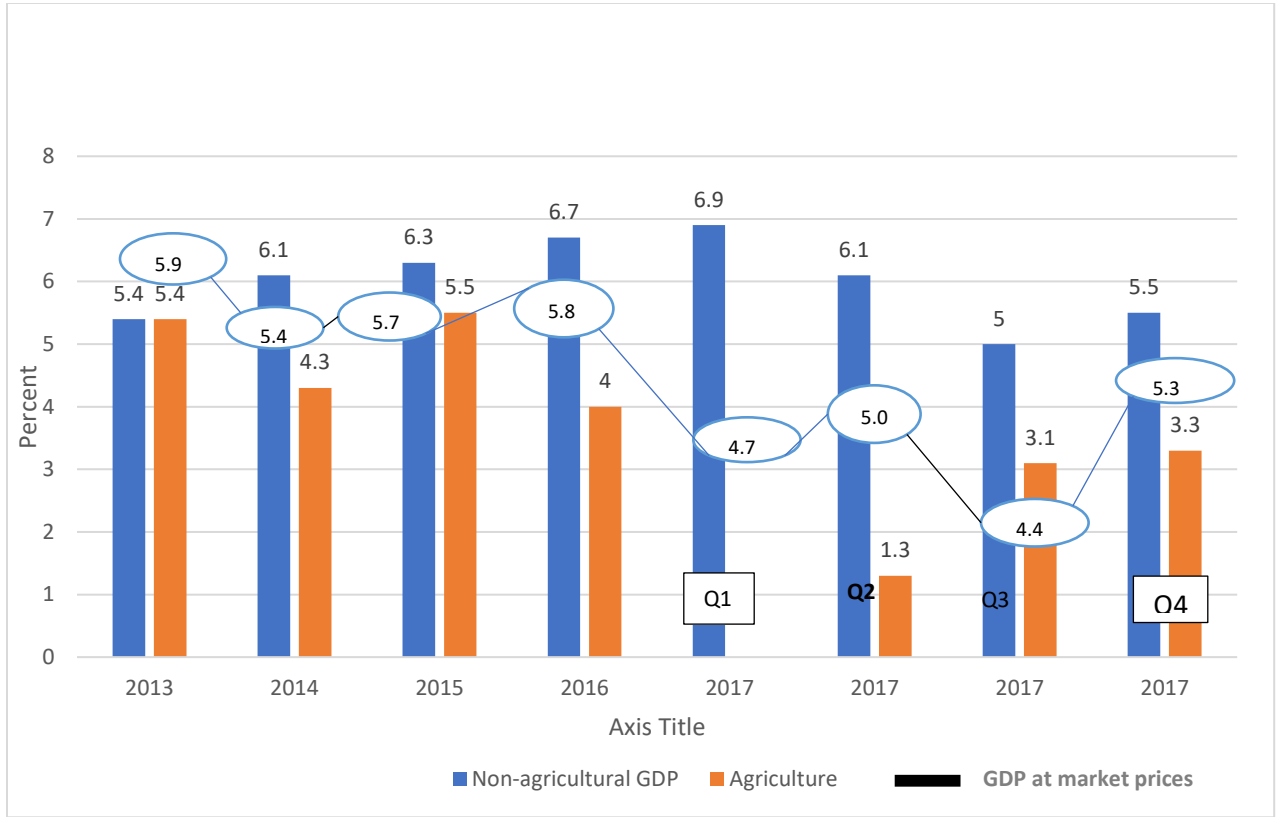
somewhat constrained by subdued performances in agriculture forestry and fishing, manufacturing, electricity and financial intermediation sectors.

The resilient strong growth of the economy over the past five years reflects the broad-based nature of our economy that has been largely driven by growth in the non-agriculture sectors (Chart 1.2a and Chart 1.2b). The non-agricultural sector has remained vibrant growing at 6.7 percent in 2016 from 5.4 percent in 2013 and continues to be the main source of growth. Services remain the main source of growth, the sector grew from 5.0 percent in 2012 to 6.8 percent in 2016 supported by favourable performance of ICT, real estate, wholesale and Retail Trade, Transport and Storage and Accommodation and Restaurants. Accommodation and restaurants has been the fastest growing sector. It grew from 3.1 percent in 2012 to 13.3 percent in 2016 supported by the improved security situation that led to removal of travel alerts from major tourist originating countries.

The growth of the financial and insurance sector accelerated from 6.0 percent in 2012 to 9.4 percent in 2015 supported by reforms aimed at creating a conducive business environment. However, the sector slowed down to 6.9 percent in 2016 and is estimated at 3.2 percent in 2017 partly due low domestic credit to the private sector and a decline in the growth of interest income.

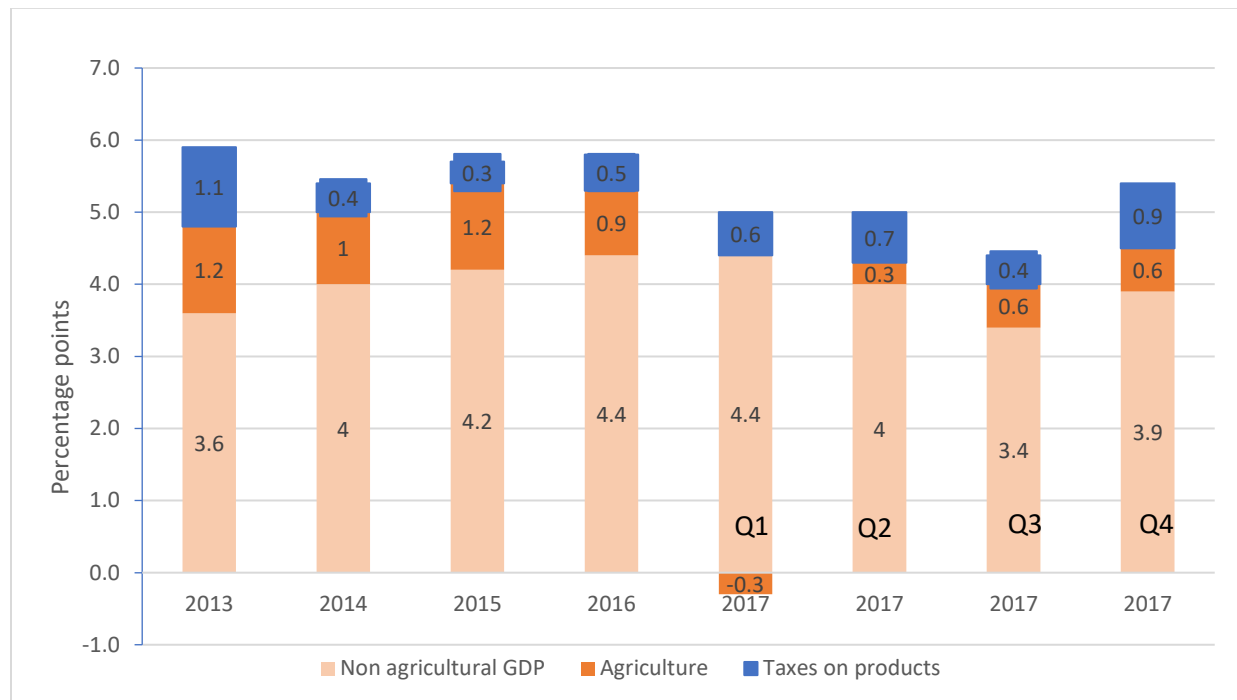
The industry sector grew from 3.5 percent in 2012 to 7.0 percent in 2015 supported by the construction sector as a result of public infrastructural development. The sector slowed down in 2016 and 2017 following subdued performance of the Manufacturing and Electricity and Water Supply sectors. Meanwhile, growth of the agricultural sector rose from 2.8 percent in 2012 to 5.5 percent in 2015 but contracted to (-1.3) percent in first quarter of 2017 due to the prolonged drought that started in the fourth quarter of 2016. Growth in the sector recovered to 3.1 percent as weather conditions improved.

Chart 1.2a: Economic Performance (Percent Growth Rate)



Source of data: Kenya National Bureau of Statistics

Chart 1.2b: Sectoral contribution to GDP Growth Rates



Source of data: Kenya National Bureau of Statistics

Inflation Rate

Inflation rate has been low, stable and within the Government target range of 5+/-2.5 percent in the period 2013 to 2017 as a result of prudent monetary and fiscal policies. Inflation averaged 6.7 percent in the period (2013-2017) compared with 7.4 percent in the period (2002-2007), 10.6 percent in the period (2008-2012)

Inflation during the period 2008 to 2012 was highly volatile following a steep depreciation of the Kenya shilling exchange rate and policy responses. However, inflation increased to above target in the first half of 2017 due to drought that affected food prices. Inflationary pressures started to ease in the second half of 2017 as the weather situation improved and earlier measures taken by the Government to address the food shortages took effect. These measures included: allowing duty free imports of major food items (maize, wheat, sugar, and milk) and introducing a temporary subsidy on maize meal prices. As a result, overall month on month inflation was 4.5 percent in December 2017 from 6.4 percent in December 2016, and was within the Government’s target range.

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate remained broadly stable against major international currencies. As at December 2017, the shilling exchange rate against the Dollar was at Ksh 103.1 from Ksh 102.1 in December 2016. Against the Euro and the Sterling pound, the Shilling weakened to Ksh 122.0 and KSh 138.2 in December 2017 from Ksh 107.7 and Ksh 127.7 in December 2016, respectively.

The Kenya Shilling exchange rate as compared to most sub-Saharan African currencies, has continued to display relatively less volatility. This stability reflected resilient receipts from tea and horticulture despite lower export volumes due to adverse weather conditions in the first quarter of 2017. Additionally, receipts from tourism, coffee exports and Diaspora remittances remained strong

Interest Rates

Interest rates remained stable and low in the period 2013-2017 except June – December 2015 when world currencies were under pressure. During the period, the policy rate (Central Bank Rate) was adjusted appropriately to anchor inflation expectations. The rate is currently (January 2017) at 10.0 percent since August 2016. The interbank rate has remained low at 7.7 percent in December 2017 from 5.9 percent in December 2016 due to ample liquidity in the money market (Chart 1.6), while the 91-day Treasury bill rate declined to 8.0 percent from 8.4 percent over the same period. The 182 day and the 364 day Treasury bills averaged 10.6 percent and 11.1 percent in December 2017 from 10.5 percent and 11.0 percent in December 2016, respectively.

CHAPTER FOUR

FISCAL POLICY AND BUDGET FRAMEWORK

The 2018/19 Kisumu CFSP will be implemented under the Transformation Agenda with priorities targeting creation of conducive business environment for investment and job creation; investing in infrastructure to unlock growth potential; investing in sectoral transformation for food security and broad based sustainable economic growth; investing in quality and accessible social services (health, education, water and social safety net); consolidating gains in devolution for services delivery and enhanced rural development. Improved road network, Provision of clean and safe water (Water); establishment of village councils (Governance and administration); Promotion of primary health care through strengthening of Community Units through structured support to Community Health Volunteers (Health and Sanitation); and the Grass-root Support Development Programme (Economic Planning and development) will be the County's priorities in addressing the above thematic areas and promotion of the realization of full potential of devolution to the people of Kisumu County.

- 30.24 percent of the total budget has been allocated to development expenditure maintaining the at least 30 percent as per PFM Act, 2012
- The PE ratio which is at 44.17 percent, has been occasioned by a reduction of the County's resource envelope emerging from the non-disbursement of the following Conditional allocations- other loans and grants, development of youth polytechnics and for leasing of medical equipment (County's share of the National allocation) to the CRF account.
- The County's resource envelope has reduced from Ksh 9,658,109,102 in the Approved Budget for 2017/18 to Ksh. 9,214,720,064 in the revised budgets for 2017/18 to Ksh. 8,719,615,416 for 2018/19 FY.
- In line with PFM regulations 2014 borrowing will be restricted to fund development expenditure. The County government of Kisumu since inception has not resorted to short term borrowing to fund its recurrent expenditure and this shall be maintained.
- Increased engagement with the donor community to fund some programs and also fast track development of PPP policy.
- Prudent fiscal risk management. The government will continuously make reference to the national macro-economic forecasts and projections to gauge its implications to the budget.
- Strict adherence to the CRA, SRC and Controller of budget guide lines

Fiscal Structural Reforms

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

- (1) Enhancing revenue mobilization; through expansion of e-revenue scope and enhancing enforcement, identification of new revenue streams and improvement of services.
- (2) Expenditure rationalization; implementing staff rationalization report.
- (3) Expenditure efficiency and effective implementation of budget programs; Continuous implementation of e-procurement, embrace internet banking and preparation budget through IFMIS.
- (4) Training, roll out and use of financial operations process manual.

SECTOR PRIORITIES

Agriculture, Livestock and Fisheries

The sector has the third largest allocation on PE vote at 5.81 percent this is mainly attributed to the extension services staff all over the county. The Development vote increased marginally from 5.31 percent to 5.80 percent to promote adoption and roll-out cage-farming whereby the fish are contained in an artificial enclosure that is placed in the natural waters of L. Victoria among other

Finance

The sector's allocation on Development vote has drastically reduced from 23.71 percent in 2017/18 to 4.73 percent. This has been occasioned by the removal of the Opening Balance to the CRF Account from being considered as part of the resource envelope. The operations and maintenance vote has equally decreased from 20.48 percent to 5 percent, this is also attributed to the division of the department into two.

Business, Energy and Industry

The Sector's PE vote has been maintained at 0.65 percent implying no recruitment of new staff apart from replacements. The Operation and Maintenance vote has slightly increased from 2.91 percent to 3.0 percent this is to ensure that the earlier installed floodlights are maintained and operational. The Development vote stands at 5.34 percent towards completion of construction of modern markets, trade fund and co-operative development Fund.

Physical planning, Lands, Housing and Urban Development

The sector's PE vote has been maintained at 0.35 percent implying no recruitment of new staff apart from replacements. Development vote has been increased from 4.67 percent to 6.10 percent. The increase has been occasioned by the need for the County to have a 3D IT-enabled County Spatial plan among others. The O&M allocation has also increased from 0.52 to 1.0 percent.

Water, Irrigation, Environment and Natural resources

The sector's development vote account is the third highest at 7.93 percent from a low of 4.81 percent. This has been necessitated by the Governor's commitment to provide clean piped water to all homesteads. The County's mean water coverage stands at 58 percent, with Seme Sub-County being the least covered at 28 percent and S. W Nyakach being the least covered ward. The sector is to ensure that the allocation goes towards increasing the least covered wards to 35 percent. The development vote will also initiate the process for expansion of Mboha and Nyamthoe irrigation projects. The O&M has also been increased from 3.58 percent to 4.00 percent. The environment's allocation will go towards increasing forest cover which currently stands at less than 1.0 percent.

Health and Sanitation

The sector's vote on Personal Emoluments has been retained at 56.02 percent implying no increase of staff unless occasioned by transfers, retirement and/or natural attrition. Operation and maintenance has been increased from 24.08 percent to 30 percent to facilitate the payment of Community Health Volunteers monthly stipend and NHIF cover. Development vote has marginally increased from 5.15 percent to 6.10 percent. The sector's total allocation is the highest at Ksh 3,600, 286, 299 accounting for 34.48 percent of the total budget.

Education, Human Resources Development and ICT

The Governor's manifesto places great emphasis on the link between Education and Training and the labour market, the need to create entrepreneurial skills and competencies, mainstreaming natural values in Education and Training and strong public and private partnerships. The need to address issues related to access, equity, quality, relevance, curriculum, teacher development and management as well as trainers in the areas of technology and entrepreneurial skill development is important. The Vocational Training Centres (VTCs) have an allocation of 30 million as conditional grant towards development of youth polytechnics, a key contribution to the

Development Vote of the sector making it at 7.61 percent. The PE vote has been retained at 4.68 percent implying no recruitment of new staff in the sector.

The school feeding programme for the ECDE still remains a priority for the County.

Economic Planning and Development

The sector's priority will be development of the e-CIMES and completion of the Sub Counties Planning and Documentation Centres. The Sector's Development vote is the highest at 16.97 with 13.46 percent going towards addressing critical specific service delivery gaps, social injustice and enhancing equitable distribution of resources across the thirty-five wards of the county of as Grass-root support Development Programme. The PE vote has been retained at 0.43 percent and Operation and Maintenance has been increased from 1.24 percent to 3 percent.

Public works, Roads and Transport

The sector's PE vote has been maintained at 1.59 percent, O&M has been increased from 4.42 percent to 5 percent to facilitate the operationalization of the already purchased equipment and machineries. The Development vote has been reduced from 14.13 to 12.98 percent. This will be shared among the three directorates with the Roads and Public Works taking the largest shares towards routine roads maintenance of rural access roads and construction of the Governor's residence respectively.

Tourism, Culture, Arts and Sports

The PE Vote has been maintained at 0.37 percent implying that there will be no new recruitment except replacements. The development vote has been reduced from 4.73 percent to 3.05 percent while the Operations and Maintenance vote has been increased from 1.04 percent to 2.0 percent. This is to facilitate the implementation of flagship projects in the sector which basically require PPP.

Governance and Administration

The sector has maintained the PE vote at 5.77 percent, with an increase in the Development vote from 2.96 percent to 11.40 percent. The Governor's office is hosted at the Huduma Centre and the need to initiate the construction of the County administrative unit is long overdue. Other allocations will go towards construction of the governor's residence and the Lake Region Economic Block, special programmes, emergencies and co-ordination of development.

The Operations and Maintenance has also risen from 8.04 percent to 13 percent. This will go towards strengthening devolution up to the village level through the formation and operationalization of the village councils. This will entail playing a major role in coordination and implementation of all policies at the grass-root level.

County Assembly

The sector has an allocation of 7.71 percent of the development Vote. This will go towards purchase of land within the city and construction of the ultra-modern County Assembly and the Speaker's residence. The 22 percent of the Operation and Maintenance allocation to the assembly has remained within the ceilings provided by the Office of the Controller Budget. The allocation is to facilitate the operations of various house committees in their role of oversight, legislature and representative of the people among others.

City of Kisumu

The sector has the second highest allocation at 15.84 percent of the PE vote this is due to the large number of staff inherited from the defunct local authority (City Council). The City also operates as an independent entity with quite a number of directorates as stipulated in the Urban and Cities Act, 2011 thus the third highest recipient in the County's total revenue allocation at 9.29 per cent.

County Public Service Board

The sector consumes the smallest share of the total budget at 0.52 percent. The O&M has increased from 0.56 percent to 1 percent. The PE vote has remained at 0.56 per cent implying no recruitment of new staff.

CHAPTER FIVE

RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

Determination of Resource Envelope

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

- ✓ Share of National Revenue, which finances over 80 per cent of the budgeted expenditure; consists of equitable share and conditional grants.
- ✓ Locally Collected revenue including property rates, entertainment taxes, levies, fees and charges.

The County's share of the National revenue is projected at **Kshs.7,521,790,093** billion in FY2018/19, reduction by 8.26 percent and 7.11 per cent of the FY 2017/18 Approved Budget and Revised budget Revenue estimates respectively. Allocation for the equitable share of National Revenue has been increased by 6.5 percent at Ksh. 131,068,000 Million from **Kshs. 6,553,400,000 billion** FY 2017/18 to **Kshs. 6,684 468,000 billion** in FY 2018/19.

COUNTY GOVERNMENT OF KISUMU
RESOURCE ENVELOPE FOR FY 2018/2019

ITEM	APPROVED BUDGET FY 2017/2018	REVISED BUDGET FY 2017/2018	PROPOSED BUDGET FY 2018/2019
Opening Balance to CRF A/C	747,840,670	550,888,446	-
Equitable Share	6,553,400,000	6,553,400,000	6,684,468,000
DANIDA	16,403,019	16,403,019	16,403,019
World Bank (Kenya Devolution Support Programme KDSP)	46,361,941	46,361,941	46,361,941
Conditional allocations - other loans & Grants	30,073,021	30,073,021	-
Conditional allocation - Development of Youth Polytechnics	28,472,587	28,472,587	30,000,000
World Bank Grant for transforming health system	46,312,993	46,312,993	46,312,993
EU Grant for Devolution Advice	66,000,000	66,000,000	66,000,000
Level 5 conditional Grant (reducing)	369,017,341	369,017,341	369,017,341
Conditional allocations for compensation for user fees forgone	21,165,550	21,165,550	21,165,550
Conditional allocations for leasing of medical equipment	95,744,681	95,744,681	-
Conditional allocations for road maintenance fuel levy Fund	242,061,249	242,061,249	242,061,249
Total Share of National Revenue	8,262,853,052	8,065,900,828	7,521,790,093
Locally collected Revenue			
Main Revenue Streams			
Market Fees	106,890,323	87,427,504	94,063,484
Parking Fees	106,684,436	87,259,106	93,882,304
Bus Park Fees	153,195,258	125,301,137	134,811,827
Boda Boda self-regulation fees	25,000,000	20,447,946	22,000,000
Rents	49,524,583	40,507,040	43,581,633
Land Rates	185,231,425	159,118,486	163,003,654
Single Business Permits	133,500,389	109,192,352	117,480,342
Building Plans	23,431,689	19,165,197	20,619,886
Liquor Licenses	22,195,755	18,154,304	19,532,264
Sign Board promotion etc.	76,256,227	62,371,330	67,105,480

ITEM	APPROVED BUDGET FY 2017/2018	REVISED BUDGET FY 2017/2018	PROPOSED BUDGET FY 2018/2019
Public Health and Others	3,155,937	2,581,298	2,777,225
Cesses – Others	61,998,607	50,709,768	54,558,774
Subtotal for main revenue streams	947,064,629	782,235,469	833,416,873
Revenue from other sources			
Health	346,122,359	283,099,658	304,587,676
Agriculture Mechanization & Training	15,853,705	12,967,028	13,951,260
Commerce, Tourism & Heritage	1,888,653	1,544,763	1,662,015
Industrialization / Cooperatives	74,256	60,736	65,345
Educ.Sports, Social services etc.	2,468,752	2,019,237	2,172,502
Physical planning & Survey	3,283,696	2,685,794	2,889,652
Water	9,000,000	7,361,261	7,920,000
Roads, Public Works Equipment Hire & Supervision	60,000,000	49,075,071	52,800,000
Energy and Mining	2,500,000	2,044,795	2,200,000
Green Energy and Mining	5,000,000	4,089,589	4,400,000
Environment Pollution Administrative & Restoration charges	2,000,000	1,635,836	1,760,000
Total Revenue from other sources	448,191,421	366,583,767	394,408,450
Gross Locally Collected Revenue	1,395,256,050	1,148,819,236	1,227,825,323
GRAND TOTAL	9,658,109,102	9,214,720,064	8,749,615,416

The reduction of the County's resource envelope has been occasioned by the following:

- Not factoring the Opening balance to the CRF Account as has been the norm, because it is an already budgeted for allocation in the previous financial year 2017/18.
- The Closing Balance for 2017/18 or the Opening Balance for 2018/19 is automatically retained by the Finance Department to offset the pending bills

- Conditional allocations- other loans and grants and for leasing of medical equipment have been removed as no disbursements have ever been done to the Counties since inception of devolution (2013/14) financial years.

The performance of the County's own source revenue FY 2017/18 has drastically dropped by 32.24 percent of the targeted amount over the same period in 2016/17 FY which may be attributed to the electioneering and post elections events.

Criteria for Resource Sharing

- i. **Non – discretionary expenditure:** In the recurrent expenditure category, non-discretionary expenditures take the first charge and include statutory obligations such as salaries, gratuity and pension that are financed by the Kisumu County government. These expenditures are projected at **44.17** per cent of the total revenue.
- ii. **Development expenditures** are shared out on the basis of CIDP priorities as well as strategic interventions to boost revenue base and stimulate the economic growth as outlined in the Governor's Manifesto. The Development expenditures are estimated at **30.24** percent
 - **On-going projects:** emphasis is given to completion of on-going projects with high impact on poverty reduction, social injustices, employment and wealth creation.
 - **Infrastructure projects:** with the County government's commitment to improve infrastructure, construction of roads, development of water and sanitation network, energy and construction of offices will be given priority.
- iii. **Operations and maintenance:** It accounts for **25.59** per cent of the total estimated revenue. The Health and Sanitation Sector is the highest at 30 percent.

COUNTY GOVERNMENT OF KISUMU									
PROPOSED BUDGET DEPARTMENTAL CEILINGS									
FOR FY 2018/2019									
	Departments/County Entities	PERSONEL EMOLUMENT FY 2018/2019	PE % FY 2018/2019	DVPT FY 2018/2019	DVPT % FY 2018/2019	O & M FY 2018/2019	O&M % FY 2018/2019	TOTAL FY 2018/2019	% of Total Allocation FY 2018/2019
1	Agriculture & Food	225,262,069	5.81%	153,930,390	5.80%	58,700,552	3%	437,893,011	4.99%
	Livestock & Fisheries							-	0.00%
2	Finance	72,758,914	1.88%	125,574,792	4.73%	114,199,257	5%	312,532,963	3.56%
3	Business, Energy & Industry	25,122,672	0.65%	141,777,991	5.34%	58,700,552	3%	225,601,216	2.57%
4	Physical Planning and Lands	13,409,563	0.35%	162,031,990	6.10%	24,547,504	1%	199,989,056	2.28%
	Housing and Urban Development							-	0.00%
5	Environment & Natural Resources	67,977,757	1.75%	210,641,586	7.93%	82,180,773	4%	360,800,117	4.11%
	Water & Irrigation							-	0.00%
6	Public Health	2,172,187,070	56.02%	162,031,990	6.10%	678,349,240	30%	3,012,568,299	34.31%
	Medical & Biomedical Services							-	0.00%
7	Education, Human Resource Development and ICT	181,481,848	4.68%	202,158,989	7.61%	102,459,146	5%	486,099,983	5.54%
	Women, Youth Affairs and Social Services							-	0.00%
8	Economic Planning and Development	16,686,000	0.43%	93,168,394	3.51%	64,036,966	3%	173,891,360	1.98%
9	Public Works and Roads	61,463,970	1.59%	344,601,236	12.98%	122,737,519	5%	528,802,725	6.02%

		Transport						-	0.00%	
10		Tourism, Culture, Arts and Sports	14,333,062	0.37%	81,015,995	3.05%	41,624,028	2%	136,973,085	1.56%
11		Governance, Public Service, Security & Disaster Management	223,591,452	5.77%	302,539,987	11.40%	300,422,662	13%	826,554,101	9.41%
		Policy Delivery, Strategic Planning & Public Communication							-	0.00%
12		City of Kisumu	614,428,687	15.84%	115,447,793	4.35%	85,382,622	4%	815,259,102	9.29%
13		Kisumu County Public Service Board	21,522,597	0.56%	0	0.00%	24,547,504	1%	46,070,101	0.52%
14		County Assembly	167,528,612	4.32%	202,539,987	7.63%	489,088,192	22%	859,156,791	9.79%
15		Grass root Support Development Prog		0.00%	357,423,506	13.46%	-	0%	357,423,506	4.07%
		TOTAL	3,877,754,274	100.00%	2,654,884,625	100%	2,246,976,517	100%	8,779,615,416	100%
		% Allocation for FY 2018/2019	44.17%		30.24%		25.59%		100%	

**FY2017/2018 REVENUE PERFORMANCE FOR 1ST AND 2ND QUARTER
REPORT AS AT 31ST DECEMBER, 2017**

Revenue Stream	Annual Targeted Revenue	Actual Revenue
Main Revenue Streams		
Land Rates	185,231,425	13,005,403
Rents	49,524,583	9,282,221
Boda boda self-regulating fees	25,000,000	-
Trade License Fees	133,500,389	1,175,675
Bus Park Fees	153,195,258	47,818,640
Parking Fees	106,684,436	36,878,600
Market Fees	106,890,323	29,043,652
Building Plans	23,431,689	6,036,467
Sign Board promotion etc	76,256,227	11,208,436
Sundry revenue	61,998,607	4,824,447
Public Health and Others	3,155,937	881,200
Sub-total	924,868,874	160,154,741
Revenue from Departments		
Health	346,122,359	64,222,083
Agriculture, Livestock and Fisheries	15,853,705	8,475,377
Tourism, Trade and Heritage	1,888,653	456,450
Water	9,000,000	-
Lands, Housing and Physical Planning	3,283,696	1,277,560
Education, Youth, Culture and Sports	2,468,752	3,543,343
Industrialization / Cooperatives	74,256	10,500
Liquor Licenses	22,195,755	5,251,292
Green Energy	5,000,000	-
Energy & Mining	2,500,000	55,000
Roads, Transport and Public Works	60,000,000	-
Environment	2,000,000	253,250
Sub-Total	470,387,176	83,544,855
Total	1,395,256,050	243,699,596

FY2016/2017 THE COUNTY'S OWN SOURCE REVENUE PERFORMANCE REPORT

Revenue Stream	Annual Targeted Revenue	Actual Revenue
Main Revenue Streams		
Land Rates	256,433,380	144,518,414
Rents	40,000,000	44,127,419
Boda boda self-regulating fees	25,000,000	-
Trade License Fees	115,000,000	96,901,530
Bus Park Fees	136,848,485	115,147,530
Parking Fees	91,239,061	91,741,120
Market Fees	113,000,000	74,838,150
Building Plans	52,000,000	42,727,457
Sign Board promotion etc.	100,000,000	60,772,871
Sundry revenue	111,597,354	17,799,512
Over Payment of Bulk Revenues	-	22,460,955
Public Health and Others	14,000,000	9,501,800
Sub-total	1,055,118,280	720,536,758
Revenue from Departments		
Health	345,698,546	236,963,858
Agriculture, Livestock and Fisheries	20,000,000	16,215,232
Tourism, Trade and Heritage	2,400,000	1,600,760
Water	36,000,000	5,586,980
Lands, Housing and Physical Planning	20,000,000	3,358,413
Education, Youth, Culture and Sports	5,000,000	7,210,958
Industrialisation / Cooperatives	1,500,000	113,650
Liquor Licenses	30,570,293	10,912,848
Green Energy	5,000,000	-
Energy & Mining	2,500,000	65,000
Roads, Transport and Public Works	60,000,000	-
Environment	1,200,000	1,479,450
Sub-Total	529,868,839	283,507,148
Gross Locally Collected Revenue	1,584,987,119	1,004,043,906

