

REPUBLIC OF KENYA



LAMU COUNTY FISCAL STRATEGY PAPER 2018

VISION

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

FEBRUARY 2018

©County Fiscal Strategy Paper (CFSP) 2018

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LEGAL BASIS FOR THE PUBLICATION OF COUNTY FISCAL STRATEGY PAPER

The County Fiscal Strategy Paper is published in accordance with section 117 of the Public Finance and Management Act, 2012. The law states 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—

(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.

(6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may

FISCAL RESPONSIBILITY PRINCIPLES FOR THE

NATIONAL AND COUNTY GOVERNMENTS

In line with the Constitution, the new 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:

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

- (a) The county government's recurrent expenditure shall not exceed the county government's total revenue;
- (b) Over the medium term, a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
- (c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
- (d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- (e) The county debt shall be maintained at a sustainable level as approved by county assembly;
- (f) The fiscal risks shall be managed prudently; and
- (g) A reasonable degree of predictability with respect to the level of tax

Foreword

This is the First County fiscal strategy paper (CFSP 2018) to be prepared by the new regime of the Lamu County Government. The document has been prepared by the department of Finance and Economic Planning and takes into account the changed priorities which have different financial objectives from the first term of the government. The County Integrated Development Plan 2018-2022 has been prepared to capture areas of priority for the next five years. It sets out the County priority programs to be implemented in the Medium Term expenditure Framework (MTEF) in the FY 2018/2019-2020/21 and is prepared in line with the requirements of Section 117 of the PFM Act, 2012.

Lamu County has recorded tremendous economic development as a result of improved infrastructure, revitalized agricultural sector and the significant investments in education and health sectors since the inception of county governments. In addition, development of market infrastructure is expected to boost the volume of trade which has a multiplier effect in job creation, increasing incomes and opening up of opportunities for entrepreneurial growth in the County.

Despite the progress made, there are challenges that continue to hold the County back from achieving its full potential. They include inadequate financial resources, high unemployment rates, inadequate human resource capacity and political related issues. Strategies to address these challenges have been highlighted in this Fiscal strategy paper.

The strategy for economic success targets the following core areas:

Transforming the Agricultural Sector
Infrastructure Development
County Health Services:
County Education Services
Water service provision
County Governance
Information, Communication and Technology
Trade development
Youth and women empowerment.

This fiscal strategy paper gives parameters for the 2018/19 budget and the Medium-Term Expenditure Framework which is consistent with both County and National Government priority programs, strategies and policies. It is prepared taking into consideration equitable shareable revenue from the national government, in addition to County's own source of revenue.

AHMED HEMED

**EXECUTIVE MEMBER FOR FINANCE, STRATEGY AND ECONOMIC
PLANNING**

ACKNOWLEDGMENT

This is the first County Fiscal Strategy Paper (CFSP) to be prepared for tabling in the County Assembly under the new county regime. It outlines the broad strategic issues and fiscal framework together with summary of government revenues and spending, as a basis for 2018/19 budget and in the medium term. It is expected that this document will create and improve the understanding of the public finances. It is also expected it will inform and guide the public debate on the county development matters.

The preparation of the 2018 CFSP has been collaborative. The information and data used to produce the report was obtained from the ministries and other government entities. We are very grateful for the support received by the Treasury in producing this Paper. We are particularly grateful for the views received from stakeholders during the public participation forum held on all wards and nine sectors in the county during the month of January 2018. We would like to register sincere gratitude to the Governor and the Deputy Governor for the direction and guidance they gave us in the process of putting

together this strategy. Special thanks go to the Executive Committee Members, Chief Officers, Directors, sub county administrators, ward administrators and other members of staff who participated.

A core team chaired by Treasury spent a significant amount of time putting this strategy together. We wish to express special thanks to the following members of the task force who worked tirelessly to prepare this document under my chairmanship and guidance: Since it would not be possible to list everybody individually in this page, I would like to take this opportunity to thank the entire staff of the Treasury for their dedication, sacrifice and commitment to public service

**AISHA MOHAMED
CHIEF OFFICER
FINANCE, STRATEGY AND ECONOMIC PLANNING**

OUTLINE OF THE 2018/19 COUNTY FISCAL STRATEGY

PAPER.

This paper contains six sections as summarized below;

Section I Provides the county strategic blueprint which is to have a wealthy and economically vibrant county and further explains how the county intends to transform its economy during its second tenure in office.

Section II Outlines the economic context in which the 2018/19 MTEF budget is prepared. It provides an overview of the recent economic developments and the macroeconomic outlook covering the national government and county level.

Section III outlines the fiscal framework that is supportive of growth over the medium term, while continuing to provide adequate resources to facilitate service delivery and execute the policy priorities of the county Government.

Section IV provides a framework of managing the county government's administrative units and the budgetary allocation of the county revenue among its departments.

Section V presents the resource envelope and spending priorities for the proposed 2018/19 MTEF Budget and the Medium Term. Sector achievements and priorities are also reviewed for the 2016/17 MTEF period.

Section VI gives the conclusion.

1.0 EXECUTIVE SUMMARY

This County fiscal strategy paper (CFSP) MTEF period 2018/2019-2021/2022 has been prepared as provided for in Section 117 of the Public Financial Management Act, 2012. In line with the law, the CFSP sets out County priority programs outlined in the next paragraphs to be implemented in FY 2018/19 and the Medium Term expenditure Framework (MTEF).

The implementation of the county priority programs over the medium term is expected to achieve the County mandate. This paper is the first to be prepared during the second term of the County government that came into office after the general election of August 2017. The priorities to be pursued are in line with Kenya Vision 2030, MTP III, Sustainable Development Goals (SDGs), the Governor's Manifesto and County Integrated Development Plan (2018-2022) among others. The strategic priority areas include infrastructure development, revitalization of agriculture for food security, provision of quality education, increasing access to water, provision of affordable quality health care and improving trading environment. These priority programmes are aimed at providing employment to youth and broaden social stability of the people hence improving their living conditions.

This CFSP also incorporates the national economic outlook updates to reflect changes in economic and financial trends. In the preparation of this document, the National Budget Policy Statement (BPS) was a key reference document in aligning the national economic policy principles to the County

1.1 Building a wealthy and prosperous County

The focus of the county to steer the county forward towards wealth creation and building an economically prosperous county through numerous strategies and a proper sustainable fiscal policy framework. Riding on the enormous resources and potential that the county has in Agriculture, Tourism, Sports, Energy, Minerals, Forestry, and favorable weather conditions present numerous opportunities for investors which will be key drivers of the economy.

The County is working towards strengthening the framework upon which a wealthy and economically prosperous county agenda would be built. This journey experiences several challenges that need to be addressed gradually. These challenges include the low level of local revenue and the uncertainties arising from national government own challenges in dealing with devolution of function and their accompanying resources. Expenditure pressures with respect to salary demands and operational costs have impacted negatively on the county development agenda.

The County's broad strategic priorities for attaining economic vibrancy include:

- a) Revitalize Agriculture sector and ensure food security and value addition
- b) Provision of safe, adequate and affordable water
- c) Development of key infrastructure including construction of road networks to spur economic growth.
- d) Promotion of health care through investing in quality and accessible health services
- e) Improvement and upgrading education standards.
- f) Improvement of County Governance
- g) Improvement of Information, Communication and Technology infrastructure
- h) Creating an enabling environment for trade, tourism & business activities

To achieve the above priority areas, the county government acknowledges that there is need to partner with other stakeholders in its implementation

This County fiscal strategy paper therefore articulates priority for economic policies and sectors expenditure programs to be implemented under the Medium

Term Expenditure Framework (MTEF) for 2018/19-2020/21 in order to achieve the County's sustainable development goals.

1.2 Programs for achieving a wealthy and vibrant County.

a) Strategic priority I: Revitalize Agriculture sector and ensure food security and value addition

Promote new technologies for agricultural production and crop husbandry practices which will improve yields and reduce costs of production;

Improve livestock breeding, nutrition and animal health in order to improve the quality of meat and milk production;

Enhance Agribusiness development focusing on: Commercialization of fruit and cotton farming, expansion of fish farming and fully operationalize the fish processing plant, Commercialization of indigenous poultry farming, indigenous vegetables, banana production and rice production

Commercialization of indigenous poultry farming, indigenous vegetables, banana production and rice production;

Strengthening of smallholder farmer organizations and developing market linkages for smallholder farmers including linkages to regional and international retail and wholesale value chains;

Expand irrigation to ensure all year round production of food crops

Strategic priority II: Development of key infrastructure including construction of road networks to spur economic growth.

Tarmacking of -----kms of roads over the medium term (MTEF);

Construction of ----- km of gravel roads throughout the county;

Implementing a continuous roads maintenance programme to ensure all year round mobility;

Construction of culverts and bridges to improve transport connectivity;

Constructing culverts on all roads to make them more durable;

Strategic priority III: Promotion of health care through investing in quality and accessible health services

Complete and equip the state-of-the-art King Fahad Hospital to offer specialised treatment;

Equip level four hospitals in all Sub Counties;

Revamp primary healthcare facilities;

Develop and implement effective community healthcare services;

Strengthen the County medical supply chain to ensure all health facilities have adequate supply of drugs and non-pharmaceutical products;

Ensure citizens access NHIF services;

Digitize health care service operations;

Strategic priority IV: Improvement and upgrading of education standards.

Implementation of Free ECDE Programme

Construct and equip all ECD and childcare centres;

Implementation of the ECDE feeding program ;

Provide high quality ECDE teaching and learning resources;

Construct and equip County Polytechnics;

Increase financial allocation for bursaries to improve access to education;

Increase employment of ECD teachers and Polytechnic instructors.

Strategy priority V: Creating an enabling environment for trade, tourism & business activities

Establish the Lamu County Investment and Development Corporation which will promote, support and attract public and private investment in various sectors in the County;

Establish the Lamu County Microfinance Company which will provide savings and loan products and services to the SMME sector.

Provide an enabling environment for business and industrial activities to thrive;

Construction of open air markets;

Identify and develop potential tourism sites in the County;

Strategic priority VI: Provision of safe, adequate and affordable water

Develop a water and sewerage Master Plan to guide the development of water and sewerage infrastructure in the county;

Extend water distribution lines from the main Water Supply Sources;

Sink boreholes to supplement water supply from the main water supply lines;

Promote adoption rain water harvesting technologies across the County;

Mobilise resources to construct sewerage lines in Amu,mokowe and mpeketoni Towns and other upcoming urban centres;

2.0 RECENT ECONOMIC DEVELOPMENT AND POLICY OUTLOOK IN 2018/19

2.1 Review of Recent Economic Performance

The County Government relies on the National Government statistics on economic indicators. This information is provided by the Kenya National Bureau of Statistics (KNBS).

According to the recent statistical data for 2017/18 economic survey 2017, the overall county economic performance 2016 was 5.8 percent as compared to revised growth of 5.7 percent in 2015. During the third quarter of 2017, the growth rate decelerated to 4.4 % as compared to the same period during 2016. This strong growth in 2016 was supported by improved performance in information and communication sector; real estate; and transport and storage. Other sectors which also contributed to this growth rate during this period in 2016 were construction; mining and quarrying; and financial and insurance sectors.

2.1.1 Growth in real GDP

Kenya's economic growth is estimated to have decelerated to 4.4 per cent in the third quarter of 2017 compared to 5.6 per cent in the same period of 2016. Although this was the case, KNBS quotes that during this quarter, the macroeconomic fundamentals remained largely stable and supportive of growth. However, uncertainty associated with political environment coupled with effects of adverse weather conditions slowed down the performance of the economy. As a result, most sectors of the economy posted slower growth during the quarter under review compared to the same quarter of 2016.

2.1.3 Inflation Rate

Inflation averaged 7.5 per cent during the third quarter of 2017 compared to an average of 6.3 per cent during the same period in 2016. The rise in inflation was mainly on account of a surge in prices of food and non-alcoholic beverages that started in the second quarter of 2017 and continued into the period under review.

The increase in food prices was evidenced by comparably high wholesale prices of key food crops. This was principally attributable to adverse weather conditions that prevailed in the second quarter and for the better part of the third quarter of 2017.

2.1.4 Interest Rate

Weighted interest rates on commercial banks loans and advances declined to an average of 13.84 per cent in the third quarter of 2017 from 16.54 per cent during a similar quarter in 2016. This was mainly attributable to the capping of interest rates that started in September 2016. The Central Bank Rate (CBR) was maintained at 10.0 per cent throughout the quarter. (KNBS-Quarterly Gross Domestic Product Report Third Quarter 2017).

2.1.4 Overall Growth environment in the County

There has been improved economic growth in the County. This has been due to increasing activities of the private sector. This is attributed to an enabling environment provided by the County and national government. Private sector contributes to the development of the economy of the county by partnering with the county in provision of goods and services. The key area that has experienced

tremendous growth is the construction industry, agriculture, retail trade and financial services.

2.1.5 The Economic Situation and Poverty Reduction

.

2.2 Update on fiscal performance and emerging challenges

2.2.1 County Revenue

The county implementation of the budget of 2017/18 FY started at a very slow pace due to prolonged election related factors and industrial unrest by health workers.

allocation from the shareable revenue for the County for FY 2017/18 was KES 2,452,916,512 and conditional grants of KES 298,192,212. Own source of revenue was forecasted at KES 90,000,000 and has been revised downward to KES 774 million.

By December 2017 the total amount of money received from the County Revenue Fund amounted to KES 1,231,243,837. This includes KES 102,495,349 being balance carried forward from the previous financial year of 2016/2017

Table 1 REVENUE SOURCES ANALYSIS AS AT 31ST DECEMBER, 2017

BALANCE B/F	NATIONAL REVENUE SHARE	LOCAL REVENUE- ACTUAL	CONDITIONAL GRANT	DANIDA TO SUPPLEMENT HEALTH FACILITIES	WORLD BANK TO SUPPLEMENT HEALTH FACILITIES	FREE MATERNAL HEALTH CARE	COMPENSATION FOR USER FEES FORGONE	AGRICULTURE SECTOR DEVELOPMENT (SWEDE N)	ROAD MAINTENANCE FUEL LEVY FUND	TOTAL
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REC	102,49 5,349	1,052,470 ,000	16,588,16 8	59,6 90,3 20	5,92 4,22 4	12,993, 407	0	0	0	40,772,68 9	1,231,24 3,837
ESTI M	10,000 ,000	2,452,916 ,512	90,000,00 0	146, 133, 994		33,892, 447	8,815, 513	2,451, 034	13,400,0 00	87,575,00 0	2,699,05 0,506
BAL	- 92,495 ,349	1,400,446 ,512	73,411,83 2	86,4 43,6 74	5,92 4,22 4	20,899, 040	8,815, 513	2,451, 034	13,400,0 00	46,802,31 1	1,467,80 6,669

2.2.2 Locally Collected Revenue

The county Treasury is responsible for local revenue collection. The county performance in collection of owns revenue has been declining hence unable to achieve its revenue target. This has been having an effect in our county budget.

Total revenue collection for the period 2014/2015, for FY 2015/16 and FY 2016/17 was KES 23 Million, 56 Million and 53 Million respectively showing a consistent upward trend and down trend. A collection of KES 12 M during the first half of the FY 2017/18 is an indication of continued downward trend in revenue collection as compared with the same half as indicated by the table below.

Table 2: Half Year (June-December) Fy 2016/17 / Fy 2017/18

LOCAL REVENUE COLLECTION FIRST HALF 2016/17		LOCAL REVENUE COLLECTION FIRST HALF 2017/18	
STREAMS	AMT(KSHS)	STREAMS	AMT(KSHS)
SBP	164,600	SBP	661,600.00
HOSP- KING FAHAD	2,417,772	FISHERIES LICENS	116,700.00
HOSP- MPEKETONI	1,569,922	HOSP- KING FAHAD	1,361,590.00
AGRI- EQUIPMENT & SERVICES	606,090	HOSP- MPEKETONI	1,158,208.80
LAKE KENYATTA	989,400	AGRI- EQUIPMENT & SERVICES	2,223,950.00
STALL REVENUE	475,900	LAKE KENYATTA	63,000.00
OPEN AIR MARKET	575,337	STALL REVENUE	631,900.00
PARKING & TRANSPORT	370,420	OPEN AIR MARKET	328,570.00
HOSP FAZA	180,580	PARKING & TRANSPORT	336,200.00
AGRICULTURAL PRODUCE	544,034	HOSP FAZA	685,477.00
ADVERTISMENT	48,000	AGRICULTURAL PRODUCE	468,420.00
MEAT INSPECTION	294,480	ADVERTISMENT	60,000.00
SLAUGHTER HOUSE	312,400	MEAT INSPECTION	384,162.00

FISHERIES DAILY REVENUE	275,230	SLAUGHTER HOUSE	187,100.00
SALES OF VACCINES	26,905	FISHERIES DAILY REVENUE	91,760.00
HOSPITALS	43,765	SALES OF VACCINES	95,825.00
ANIMAL MOVT	67,260	HOSPITALS	52,960.00
LIVESTOCK AUCTION FEES	45,600	ANIMAL MOVT	98,160.00
ARTIFICIAL INSEMATIION	12,050	LIVESTOCK AUCTION FEES	17,350.00
AGRICULTURE	21,200	ARTIFICIAL INSEMATIION	25,250.00
HIDES AND SKIN	5,000	AGRICULTURE	-
GRAZING FEES	1,500	HIDES AND SKIN	2,500.00
HEALTH CERTIFICATION	800	HEALTH CERTIFICATION	-
STALLS	0	GRAZING FEES	-
VETENIRY	0	STALLS	-
PUBLIC HEALTH	40,750	VETENARY	-
MISCELLANEOUS	0	PUBLIC HEALTH	166,500.00
MARKET SERVICE CEES	1,518,178	MISCELLANEOUS	-
LAND REVENUE	403,145	MARKET SERVICE CEES	1,320,655.00
LAND RATES	4,678,242	LAND REVENUE	472,910.00
FISHERIES LICENS	270,200	LAND RATES	1,487,601.98
TOTAL	14,280,035		12,498,349.78

However, there is great potential with the establishment of a Revenue Agency, automation of revenue collection processes, legislative framework policy reforms and industrial harmony.

Table 3: revenue analysis (2012/13-2017/18)

Local Revenue	2012/2013	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Budgeted	0	86,124,909	86,124,909	107,000,000	84,000,000	90,000,000	70,000,000
Actual	12,834,971	23,749,560	56,185,990	53,143,417	68,984,579	12,498,350	
Deviation	12,834,971	(62,375,349)	(29,938,919)	(53,856,583)	(15,015,421)	(77,501,650)	
% Deviation	0	-72%	-35%	-50%	-18%	-86%	
% Increase/decrease	0	85%	137%	-5%	30%	-82%	

2.3.2 County programmes and projects implemented in FY 2016/17 and 2first half of 2017/18

2.3.2.1 County assembly

- 1.
- 2.
- 3.
- 4.
- 5.

Impact

2.3.2.2 Office of the governor/public service management

Impact

2.3.2.3 Finance, strategy and economic planning

Initiated Revenue automation system

Established the County Audit Committee;

Impact

2.3.2.4 Agriculture and irrigation

2.3.2.5 LANDS

2.3.2.6 Education

2.3.2.7 Health

2.3.2.8 Trade and Tourism

2.3.2.9 ICT

2.3.2.10 Fisheries, Livestock and Cooperative

2.3.2.11 Public Service Board

3.0 FISCAL POLICY AND BUDGET FRAMEWORK

3.1 Overview

The 2018/19 Medium-Term Fiscal Policy aims at supporting a sustainably wealthy and vibrant county providing high quality services to improve the livelihoods of its citizens. The county will pursue prudent fiscal policies to ensure economic growth and development. In addition, these policies will provide support to economic activities while allowing for sustainable implementation of the projects and programs. Adhering to these policies will also enhance local revenue collection which will ensure there are adequate resources for capital investments.

In respect to local revenue generation, the county is striving to institute corrective measures to reduce revenue leakages from local sources. This include operationalization of the County Revenue Agency that has been formed to solely be responsible for efficient and effective revenue collections, enforcement of local revenue laws and regulations, automation of revenue collection systems and speedy implementation of collection of other revenue streams. It also has responsibility to undertake sensitization and education of the public on revenue matters.

For efficient and effective service delivery, there is need to increase the County human resource capacity especially the technical staff.

3.1.1 Adherence to Fiscal Responsibility Principles

These policies will aim at rationalizing allocation of more resources from recurrent to capital and development programmes so as to promote sustainable and inclusive growth. Some of the fiscal responsibility principles to be observed include:

Over the medium term, a minimum of 30% of the county budget shall be allocated to development expenditure. The County Government is committed to spend more in the development expenditure as compared to the recurrent expenditures.

The County Government's expenditure on wages and benefits for public officers shall not exceed 35 percent of the County Government revenue as prescribed by the Public Financial Management Act (PFMA 2012). This a challenging fiscal principle as the county is faced with huge wage bill without equivalent corresponding revenue that support cash flow to meet this requirement.

The County government will prepare balanced budget where the expenditure estimates will be equal to the total revenue resource. This will help in avoiding instances of deficit financing thus eliminating the occurrence of pending bills at the end of each financial year.

Borrowing shall be used for capital and development estimates only. While the county desire o borrow in future to fund its development agenda, this will be determined by the frame work developed between the National Government and the County Governments

3.2. Fiscal structural reforms

The County Government aims to widen the tax base by reviewing the relevant revenue legislations in order to improve revenue raising measures and efficiency. Over the medium term, the county government will rationalize its expenditure with an aim to reduce wastages. This will be done by ensuring there is improved accountability and transparency among the accounting officers who are in charge of public finances. The on-going fiscal structural reforms will eliminate duplications.

The county will strive to ensure that there is efficient and effective execution of the budget. This will be made possible through expenditure tracking and taking corrective measures on any deviations and instilling strong internal controls on expenditure. To achieve value for money there is need to strengthen audit function, through continuous review of audit risks and periodic monitoring and evaluation of projects and programmes.

3.2.1 Deficit Financing Policy

The county has not yet envisaged borrowing from domestic sources for capital investments. However the county may consider in future to borrow for capital investment upon the completion of a framework to be developed by the National Treasury. Borrowing will be undertaken upon careful and critical analysis of financial position and capability of the county in repaying its debts.

3.3 Revenue projections

The 2018/19 budget estimates will target total revenue of KES 4.6 B which has both the CRA shareable revenue, conditional grants and own source of revenue. Out of this, the County expects to receive Equitable Shareable Revenue of KES 3.5 billion and conditional grants totaling to KES 0.146 billion. Local revenue

source target is **KES 70 Million** and the expected balance brought forward of KES

3.3.1 Expenditure Forecasts

The County expects overall expenditure estimates to increase slightly from the revised budget of FY 2017/18. This is due to an increase in Equitable shareable revenue by an average of 0.1 percent. The expenditure estimates for the FY 2018/19 is KES 4.6 billion.

Expenditure ceilings on goods and services for the County sectors/departments are based on the County priorities extracted from the CIDP 2018-2022. The ceilings are also adjusted based on expenditure trends and the County change of priority programs within the spending units. Inflation which affects the expenditure trends has been put into consideration.

An emergency fund of **KES 6 million** will be set aside to cater for any emergency issues that might arise during the financial year 2018/2019.

3.3.2 Overall Budget financing

The county government target to have a balanced budget. **However, a debt strategy paper will be prepared that will outline the various strategies to manage county future borrowing of debts.**

The Fiscal policy outlined in this CFSP aims at improving revenue collection efforts as well as effectively managing total expenditures. This will be achieved through continued administrative and legislative reforms aimed at enhancing resource mobilization, improving efficiency in government spending. The fiscal space created will avail resources to scale up investments in human capital including; health services, education and infrastructure while at the same time providing sufficient resources to improve service delivery in the county.

3.4 The 2018/19 Budget framework

The 2018/19 budget framework is prepared in consideration of the macro-fiscal framework set by budget policy statement of January 2018 where real GDP is expected to grow by 6.0 percent in 2018/2019 and by 6.2 percent in FY 2019/20. Inflation rate is expected to remain low and stable below 8 percent.

4.0 INSTITUTIONAL IMPLEMENTATION FRAMEWORK

4.1 Legal Framework

The achievements that have been realized since devolution are an indication that the county is moving in the right direction. This has taken place despite challenges emanating from factors related to capacity, intergovernmental relations, fiscal responsibility principles and pressures from the public on service delivery. The success of county government requires collaboration with all stakeholders as provided by relevant laws of Kenya that include Constitution of Kenya, County Government Act, 2012, Intergovernmental Relations Act, 2012, Urban Areas and Cities Act, 2012, Public Finance Management Act, 2012, Public procurement and Asset Disposal Act, 2015 and the Independent Offices Act 2011. These laws ensure harmony in the operation of the county governments and also boost the inter and intra government relations.

The County acknowledges the contribution by the national government in ensuring that county governments succeed in provision of devolved functions. However there is still more to be done that includes transfer of assets by responsible authority, legal framework for borrowing, clear classification and transfer of county roads and other unbundled functions.

The national government also implemented programmes that have assisted the County to effectively and efficiently manage public finances. Some of the initiatives include Continuous training of County staff on IFMIS and the internet banking platforms and other support related to other areas of financial management such as preparing guidelines and providing way forward in those matters.

4.2 Challenges faced in the implementation of the County Budget and other plans

Some of the notable challenges faced in the implementation of the County Projects and programmes include;

Insecurity being experienced in some parts of the county making it hard for contractors and even county employees to undertake projects and programs in those areas

High expectation from the Public – Because of pressure for development expenditure and wage bill, the development plans are usually ambitious in nature;

Delays in disbursement of funds – Delays in release of funds from the exchequer has resulted in delays in the County meeting its development aspirations;

Inadequate financial allocation – The financial resources the County is allocated through the equitable share of the national revenue, and other grants and payments is inadequate to meet the development goals;

Low domestic revenue collection – The County government has not been able to realize its targets in collecting local revenue;

Inadequate policy and legal framework – Inadequate policies and legal framework undermines the ability of the County government to adequately execute its mandates;

Inadequate technical staff– The County government implements projects up to the grass root level but has no adequate technical staff like engineers, land valuers, extension officers among others especially at ward level which derails project implementation;

Increase Operation Cost –Due to the dilapidated d infrastructure (roads) and also transport through the sea makes the operation cost in the county expensive. This has also effect on the development as the cost of transporting inputs is high meaning that the cost of development projects becomes also expensive.

4.3 Equitable shares

Article 202 of the Constitution provides for the sharing of the Country resources between the National and the county government. As per the 2018 Budget Policy Statement (2018), the County allocation is estimated to be KES 3.5 billion. This allocation is an increase of 42 % which is the highest increase from the previous year’s allocations.

Table 4: Equitable share from 2012/13-2018/19

FY	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Equitable Share	138,852,590	1,438,769,749	1,790,321,875	2,051,883,746	2,214,008,743	2,476,400,000	3,548,200,000
Deference	0	1,299,917,159	351,552,126	261,561,871	162,124,997	262,391,257	

Percentage Increase	0	936% ¹	24%	15%	8%	12%	42%
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4.4 Additional resources

In addition to equitable shareable allocations, Counties are also allocated resources in form of grants from development partners and Loans granted to the National government which are then provided to the Counties as conditional grants.

The additional revenue includes KES.70 Million own source of revenue and conditional grant of KES.893 Million. This comprises of KES 427 Million for level 5 hospital, KES.37 million for compensation for user fees foregone, KES.162 million for free maternal health care and KES 266 million for road maintenance levy fund.

FY	2016/17	2017/18	2018/19
Conditional Grant-Free Maternal Healthcare	15,372,820		
Conditional Grant- Conditional for User Fee Foregone	2,481,810		
Conditional Grant-Free Maternal Healthcare	15,372,820		
Special Purpose Grant Supporting Emergency Medical Services	100,000,000		
Conditional Grant-Leasing of Medical Equipment	95,744,681	95,744,681	
Conditional Grant- Road Maintenance Fuel '	34,018,227	87,424,448	
World Bank Loan to Supplement financing of County Health facilities	14,528,378		
DANIDA supplement financing of County Health facilities	3,820,000		
Supplement for construction of county headquarters			

¹ The big increase was due to the fact that the county received funds for only for 3 months in that year

Conditional Allocation for Development of Youth Polytechnics		31,780,441.	
Additional allocations grant to supplement financing for county health facilities			
Additional allocations loans and grant to supplement financing for county functions			

4.5 Fiscal Discipline

The County Government must ensure that county resources are used in a prudent and responsible way as required under Article 201(d) of the Constitution. In addition, the county must comply with the fiscal responsibility principles as stipulated in Section 107 of the PFM Act 2012.

County treasury will ensure compliance with the set fiscal targets. In this regard, the county will ensure that recurrent expenditure does not exceed annual revenue resources. Finally, the county will ensure that the development budget does not fall below 30 percent of the total budget over the medium term.

4.6 Capacity Building of County Staff

The County government in collaboration with the national government and other stakeholders such as World Bank (KDSP), USAID (AHADI), continues to enhance the capacity of its staff through trainings on budget preparation, accounting, reporting, monitoring & evaluation and procurement among others. So far these training have helped the county to improve service delivery to the public.

4.7 County Asset Management

Prudent management of County assets is critical for effective and efficient service delivery including enhanced revenue generation. However, management of these assets is facing challenges such as development of a reliable and accurate asset register. To address this challenge, the Intergovernmental

Relations Technical Committee formed a County Assets and Liabilities Committee to identify and ascertain the status of County assets and liabilities. The committee will then provide a report that will form the basis for the valuation of the County Assets and updating of the valuation roll.

4.8 Performance Contracting

The county should establish and implement performance contracting and performance management framework to improve service delivery. This will ensure that results are achieved efficiently and effectively leading to successful implementation of the County budget.

4.9 Summary

Devolution has proved to be effective in strengthening governance through provision of government services and resources up to the grass root level. This has led to economic empowerment and improved livelihoods of the people.

The established legal and institutional frameworks have been instrumental in making devolution successful.

The share of National Government revenue allocated to this County has grown steadily for the first three years from KES 1.599. Billion in 2013/14 to KES 1.88 billion in 2014/2015, KES 2.192 billion for 2015/2016, KES 2.461 for FY 2016/2017 and KES 9.935 billion for FY 2017/18 which is expected to increase slightly to 3.5billion in 2018/19

5.1 Resource Envelope

The resource envelope available for allocation among the spending entities is based on the updated medium term fiscal framework which is outlined in Section III.

In view of the continued pressure that arise from wage bill and limited resources, MTEF budgeting will focus on adjusting non-priority expenditures to cater for the priority sectors. The County Integrated Development Plan 2018-2022 (CIDP) has been used in the resource allocation. The financing of county budget priorities revolve around two main financing sources namely; transfers from the National Government and county local revenue. The shareable revenue transfers will account for 92.56 percent of the expenditure priorities in the budget while 7.44 percent will be financed from locally collected revenue sources. This will comprise of KES 3,514,275,145 equitable shareable revenue, KES 1.141 billion conditional grants and KES 70 million as own sources. The unspent balance from FY 2017/2018 is estimated to be KES ----- which makes up the total resource envelope estimate to be KES -----billion.

Table 5 Revenue resource envelop

Revenues	KSHS
LOCAL REVENUE	70,000,000
Own sources	
Allocations from the National Government	3,548,200,000
TOTAL SHARABLE INCOME	3,618,200,000
Conditional GRANTS	
Compensation for user fees foregone	2,451,034
Rehabilitation of Village Polytechnics	30,358,936
Road Maintenance Levy	93,421,016
Fund Leasing of Medical Equipment Supplement for construction of county headquarters	121,000,000
Loans & Grants Total Allocation	292,096,059
GRAND TOTAL	4,157,527,04

	5

5.2 Spending Priorities for 2018/2019-2020/21 MTEF Budget

The county will focus on the following key priority areas;

- **Transforming the Agricultural Sector;**
- **Infrastructure Development;**
- **County Health Services;**
- **Water service provision;**
- **County Education Services;**
- **Trade development, Tourism and Industrialization;**
- **County Governance;**
- **Information, Communication and Technology;**
- **Youth and women Empowerment.**

5.3 Medium Term Expenditure Estimates

Table 6 below gives the ministerial total ceiling and gives guidance on resource allocation. Annex 3 and 4 provides provision for both recurrent and development estimates. This gives a window for departments to adjust their budget within their overall total ministerial ceiling given in table 6.

5.4 Baseline Ceilings

The baseline estimates reflect the current ministerial spending levels in sector Programmes. In development Programmes, adjustment has been made to take into consideration the new projects which are key to development of the county economy and also the governor's objectives as outlined in his manifesto.

The departmental ceilings in table 6 will form the indicative baseline for the FY 2018/2019 budget. In the recurrent expenditure category, non-discretionary expenditures take first charge. Compensation of employees for the county overall expenditure should account for a maximum of 35 % of budget estimates. Adhering to this principle may not be achieved as there are challenges which affect the county in realizing local revenue targets and continued recruitment to cover the gap on capacity which has continually led to increase in county wage bill. Going forward, the County will address the issue of low local revenue and staff rationalization.

In this document, the ceilings, employee cost for ministries are provided separately alongside the operation recurrent estimates and development estimates. The employee cost will be centralized in the department of Public Service and Administration for easier implementation. *This will be effected in the Appropriation Act of 2018 thus causing slight difference between the budget and the Appropriation Act.*

Development expenditures are undertaken on the basis of County Integrated Development Plan 2018-2022, Annual Development Plan (2018), the Governors Manifesto, Public participation report of 2018 as well as departmental strategic priorities. The Proposed capital projects will have to be evaluated in the context of the following elements:

- (a) Ongoing projects-emphasis on the completion and operationalization of the ongoing projects within the various departments;
- (b) Projects that are in full compliance with the County Government regulations and priorities as outlined in the County integrated development plan, Annual Development Plan and which are fully justified for financing;
- (c) Community needs identified through public participation;
- (d) Department/sector strategic needs that contribute greatly in addressing county's socio-economic needs.

The following were also taken in consideration in order of priorities.

- (a) Emerging issues which require much attention in provision of service delivery such as education support programmes;
- (b) Cross cutting issues and other special programmes of importance such as disaster management, youth development, gender, disability and HIV/AIDS;

5.5 Details of Sector/Department Priorities

The MTEF for 2018/2019 -2020/2021 period will ensure that there is continuous resource allocation based on programme priorities that are aligned to CIDP 2018-2022 and annual development plan of 2018/2019.

The medium term expenditure framework ensures continuity in resource allocation based on prioritized programmes aligned to the County Integrated Development Plan and Strategic Policy Initiatives of the county administration to accelerate growth, employment creation and poverty reduction. The recent achievements and key priority targets for each county department are based on the reports from the County Departments.

5.5.1 Agriculture, Livestock, Fisheries and Cooperative Development

This sector comprises of the following departments; Crop production, Livestock Production, Veterinary Services, Cooperative Development, Irrigation, Fisheries Development and Mpeketoni ATC.

The sector's vision is to be an innovative, commercially-oriented and modernized agriculture sector. The mission is to improve livelihoods of lamu county residents through promotion of competitive agriculture, sustainable livestock and fisheries production, quality and affordable veterinary services and growth of viable cooperatives through quality training in effective and efficient farming methods.

Agriculture accounts for over **65 percent** of the total earnings in the county employing over **80%** of residents. Multi-Sectorial strategies will be employed to increase the productivity and maximize earnings in this sector.

To achieve its objectives the department will implement the following programmes over the medium term.

Programme 1: Agriculture development	
Sub programme	Projects (Investment)
EXTENSION AND ADVISORY SERVICES	<ol style="list-style-type: none">1. Increase adoption of farming technologies2. Accommodation facility renovation (old hostel)3. Demonstration farm fund at the ATC

CROP PRODUCTION AND PRODUCTIVITY IMPROVEMENT	<ol style="list-style-type: none"> 1. Improvement of access to mechanization services by farmers 2. Expansion of land under irrigation(Capacity building of small-holder irrigation farmers 3. Development of Small holder irrigation and drainage schemes; 4. Equipping farmers with irrigation equipment 5. Soil sampling and testing 6. Procurement and distribution of certified maize seeds, NERICA seeds, cow peas and green grams 7. Purchase and distribution of subsidized fertilizer to resource poor farmers 8. Purchase and distribution of Cotton seeds 9. Purchase and distribution of coconut seedlings 10. Trainings on effective use of farm inputs 11. Construction of grain storage facilities 12. Mitigating effects of climate change on crop farming 13. Cashew value chain strengthening
VALUE ADDITION AND MARKETING	<ol style="list-style-type: none"> 1. Construction of fruit processing plant 2. Capacity building of CIGs/VMGs for cottage establishment 3. Construction of rural roads from production areas to the market centres 4. Construction of farm produce collection centres
Programme 2: Livestock development	
	<p>One Cow initiative Breeding (AI) Development of Smart Dairy units</p>
Poultry development	Supply Poultry to farmers
Other livestock development	<ol style="list-style-type: none"> 1. Rabbit farming promotion 2. Dairy Goat farming promotion 3. Apiculture (Bee Farming)
Livestock disease and pest prevention	<ol style="list-style-type: none"> 1. Vaccination programme 2. Cattle dip rehabilitation 3. Tick and pest control 4. Construction of spray race

Veterinary public health	<ol style="list-style-type: none"> 1. Rehabilitation of slaughter slabs 2. Construction of slaughter houses
Programme 5: Cooperatives development	
Governance of cooperatives	<ol style="list-style-type: none"> 1. Revamping of collapsed and strengthening of existing of Cooperatives 2. Promotion of new strategic cooperative i.e women and bodaboda sacco amongst others 3. Undertake Cooperatives audit 4. Capacity Building of Cooperative Societies
Support to Cooperatives	<ol style="list-style-type: none"> 1. Establish Cooperative enterprise development fund 2. Grants To Small Cooperative Societies
Programme 6: Fish Farming Productivity	
	<ol style="list-style-type: none"> 1.

To undertake these programmes, the 2018/19 MTEF estimates for this sector are estimated to be Kes. ----- .This comprises of -----, ----- and Kes. ----- for Employee cost , Recurrent and Development respectively.

5.5.2 Transport, Infrastructure, Public Works and Energy

This sector comprises of Transport, Infrastructure, Public Works and Energy. The vision of the sector is to be a world class provider of cost-effective physical infrastructure, energy facilities and public works services. And the mission of the department is, provide efficient, affordable and reliable infrastructure and energy for sustainable economic growth and development through construction, modernization, rehabilitation and effective management of all infrastructure, provision of public works services and energy facilities.

The state of the County infrastructural network is crucial for the overall development of the county. Reliable, adequate and quality infrastructure increases economic productivity, lowers production costs, improves quality of life, raises county's regional and global competitiveness, attracts Foreign Direct Investment (FDI), Public Private Partnerships and including Public Partnerships and this has a direct impact in the modernizing the economy. The Multiplier effect created by the investment in this sector is critical to sustain all the other sectors of the county economy.

PROGRAMMES TO BE IMPLEMENTED

Programme 1: Transport Infrastructure Development	
Sub programme	Projects (Investment)
Road construction	<ol style="list-style-type: none">1. Bitumen road construction2. Gravel road construction
Road Maintenance	<ol style="list-style-type: none">1. Bitumen road construction2. Gravel road construction
Bridges and culverts Construction	<ol style="list-style-type: none">1. Bridges2. Box culverts

Road construction equipment	

To undertake these programmes, the 2018/19 MTEF estimates for this sector are estimated to be KES.----- This comprises of KES-----, KES. ----- and KES-----for Employee costs, Recurrent and Development respectively. Development estimates in this sector also includes a provision for the estimates for ward based road civil works in all the 10 wards.

5.5.3 Trade, Tourism and Industry

This sector comprises of the following sub-sectors: Trade, Tourism, Industry, Weights and Measures.

The vision of the sector is to be a leader in investment, trade, tourism and industrialization for a globally competitive economy. The mission is to facilitate orderly Growth and Development of Investment, Trade, Standardization and Tourism in Lamu County.

PROGRAMMES TO BE IMPLEMENTED

Programme 1: Trade Development and Investment	
Sub programme	Projects (Investment)

Market infrastructure Development	<ol style="list-style-type: none"> 1. Construction of Open air markets 2. Refurbishments and maintenance of markets 3. Construction of ablution blocks 4. Construction and maintenance of stock rings
Micro and small enterprises development	<ol style="list-style-type: none"> 1. Provision Of Loans To Msmes 2. Provision Of Equipments To Juakali Artisans
Programmed 2: Tourism Development	
	1.
Sub programme	Projects (Investment)
Cultural and heritage tourism development	<ol style="list-style-type: none"> 1. Developing and preserving tourist sites 2. Tourist information centre 3. Establishing home stays
Conserved tourism activities	<ol style="list-style-type: none"> 1. Tourism sites mapping 2. Training practitioners on tourism and hospitality
Programmed 3: County Marketing, promotion and branding	

Quality assurance protection	-Lamu Maulid festival
	-Lamu triathlon
	Participating in local Tourism fairs and exhibition
	-promotion of festivals at wards level
	Media Publicity and promotion of the brand "island of festivals"

To undertake these programmes, the 2018/19 MTEF estimates for this sector are estimated to be KES ----- comprising of KES. ----- , KES. ----- and KES. ----- for Employee costs ,Recurrent and Development expenditure respectively.

al in order to fund the expected priority expenditures in all the sectors.

5.5.4 Health Services

The Sector comprise of two departments namely; Public Health and Medical Services. The County has ----- health facilities including ----- County General hospital, ----- County hospitals, ----- mission hospitals, one ----- private hospital, ----- nursing homes, ----- public health centers, one ----- private health center, ----- public dispensaries, ----- private dispensaries and ----- private clinics

This sector comprises the Public Health and Medical Services sub sectors. Its vision is to provide *Quality health services for all*". Its mission is *dedicated to delivering accessible, equitable, efficient and respectful, promotive, preventive, curative and rehabilitative health services to all*

Access to affordable and quality health care by county residents will enhance their economic productivity and investment.

Programme 1: Promotion of Curative health services	
Sub programme	Projects (Investment)
Health Infrastructure Development	<ol style="list-style-type: none"> 1. Upgrading of Witu health centre to a level 4 health facility-Phase 1 2. Construction of new medical laboratory at Lamu County Hospital 3. Construction and * quipping of Hongwe dispensary and Staff house-Phase 2 4. Construction of perimeter fence at Tewe Disp 5. Construction and equipping of Mavuno dispensary and staff house(Phase 2) 6. Construction of delivery unit at Mapenya dispensary 7. Upgrading of Muhamarani dispensary to a level 3 health facility-Phase 1 8. Upgrading of Kizingitini dispensary to a level 3 health facility-Phase 2 9. Renovation of staff houses at Mokowe H/C-phase 1 10. Renovation of Lamu County Hosp (Phase 2) 11. Completion of the Mbwajumwali dispensary 12. Renovation of staff quarters and facelift of OPD at Kiunga H/C-Phase 1 13. Construction of VIP latrines at Kiunga H/C 14. Digging shallow well ,Procurement and installation of 10,000L water tank for Kiar 15. Procurement and installation of 10,000L water tanks at primary health facilities
Quality health products and Technology	<p>Purchase and distribution of drugs</p> <p>b) Construction of storage facilities</p>
Programme 2: Preventive and Promotive Health care services	
Disease prevalence controls	<ol style="list-style-type: none"> 1. Malaria control 2. TB treatment and control 3. HIV/AIDS control
Maternal and child healthcare	<ol style="list-style-type: none"> 1. Facilitating deliveries in hospitals 2.

promotion	
Family Planning	<ol style="list-style-type: none"> 1. Promotion of family planning initiatives 2.
Nutrition services	<ol style="list-style-type: none"> 1. Promotion of child and mother nutrition 2.
Community Health strategies	<ol style="list-style-type: none"> 1. Disease surveillance 2. Hygiene promotion 3. Jigger control and prevention 4. Alcohol and drug abuse prevention 5. Training/sensitization and awareness creation

To undertake these programmes, the 2018/19 MTEF estimates for this sector are to be KES.-----, comprising of Ksh.-----, KES.-----, and KES-----for Employee cost, Recurrent and Development respectively.

5.5.5 Education, Youth Empowerment, Sports and Social Services

Education

This sector covers the following sub-sectors: ECDE, County Polytechnics and Education Support, Gender, sports,culture and youth Programmes.

The sector vision is to be globally competitive in education, training, research and innovation for sustainable development. The mission is to provide, promote and coordinate quality education and training, integration of science and technology, and innovation for sustainable socio-economic development process.

Programme 1: Polytechnic Improvement	
Sub programme	Projects (Investment)
Polytechnic Tuition Subsidy	<ol style="list-style-type: none"> 1. Provision of subsidized polytechnic tuition

Polytechnic Infrastructure Development	<ol style="list-style-type: none"> 1. Construction and equipping of new polytechnics 2. Polytechnic grants from NG 3. Construction of workshops 4. Equipping polytechnics 5. Provision of teaching materials
Programme 2: Early Childhood Development Education	
ECDE Infrastructure Development	<ol style="list-style-type: none"> 1. Equip ECD Centers 2. Construction and equipping ECDE Centers 3. Construct model ECDE Center
County ECDE support programmes	<ol style="list-style-type: none"> 1. Provide learning materials 2. School feeding programmes 3. Tuition fees subsidies for ECDE pupils
Education support	<ol style="list-style-type: none"> 1. Provision of County Education Scholarship and bursary 2. Common exam programme
Programme 3: Culture and Arts Development	
Cultural and heritage tourism development	<ol style="list-style-type: none"> 1. Construction of cultural centres 2. Rehabilitate culture centers 3. Culture practioners support programmes 4. Culture exchange programmes
Conserved tourism activities	<ol style="list-style-type: none"> 3. Tourism sites mapping 4. Training practitioners on tourism and hospitality
Programmed 4: Management and Development of Sports	
Development and promotion of sports and talents	<ol style="list-style-type: none"> 1. Promotion Sports talent events and tournaments 2. Provision of sport equipment and materials 3. Development of talent academies 4. Promotion of beach soccer
Sports infrastructure development	<ol style="list-style-type: none"> 1. Phase I Hindi stadium 2. Develop and construct other sports facilities (seven aside)
Programme 5: Youth & Gender Development and Promotion Services	
Youth Empowerment, disability and Gender mainstreaming	<ol style="list-style-type: none"> 1. Provision of disability support gears and equipments 2. Training and sentisization of people with

	disabilities, youth and women 3. Women empowerment 4. Nurturing of youth talent programmes 5. Provision of grants to youth, women and people living with disabilities
Programme 5: Social Development and Promotions	
	1. Gender based violence rescue centre 2. Children rescue center 3. Support social welfare organizations
Programme 5: Development of Library services	
Library infrastructure development Quality	Construction of and equipping of Faza and Mpeketoni libraries

To undertake these programmes, the 2018/19 MTEF estimates for this sector are estimated to be KES. ----- comprising of KES.----- . KES. ----- and Kes.----- for Employee Costs, Recurrent and Development respectively.

5.5.6 Office of the Governor

This includes Governor’s Office, Deputy Governor’s Office, Cabinet Secretariat, County Secretary Office, Internal Audit, Liaison, Security and Enforcement, Protocol, Service Delivery Unit, Advisory Unit, Press Unit and Legal Unit.

The office of the Governor is the central administrative unit for the county. Its overall function is to ensure effective and efficient leadership, accountability and administration of justice. This is achieved through Civic education, fairness to all and dissemination of government policies to communities.

The department vision is “to provide a conducive environment for a competitive and prosperous County.”

The department mission is “to ensure effective and accountable leadership, promote a just, democratic environment and establish strong governance institutions to empower citizens for the achievement of socio-economic and political development”.

PROGRAMMES TO BE IMPLEMENTED

Programme 1: Office of the Governor	
Sub programme	Projects (Investment)
Infrastructure development	<ol style="list-style-type: none"> 1. Completion of Governor's residence 2. Construction of deputy governor's residence 3. Completion of command center
Support, Coordination and Advisory Services	<ol style="list-style-type: none"> 1. Gender mainstreaming 2. Legal services
	3.
	4.
	5.
	6.

To undertake these programmes, the 2018/19 MTEF estimates for this sector are estimated to be KES.----- comprising of KES. ----- ,KES.----- ----- and KES. ----- for Employee Cost, Recurrent and Development respectively

5.5.7 Public Service and Administration

The sector comprises of the following sub-sectors; County Administration, Human Resource Management, Public participation and Civic Education, Records Management and Performance Management.

The vision is to be the leading department in the provision of excellent human resource and administrative services in the county and beyond.’ The mission is ‘To provide quality and timely human resource and administrative services for sustainable environmental, social and economic development of Lamu County.

Programme 2: County Administration	
County administration infrastructure Development	<ol style="list-style-type: none"> 1. Construction of County HQ block 2. Completion and Construction of sub county, ward offices 3. Refurbishment of County, Sub county and ward offices 4. Establishment of a record center
Disaster response and mitigation	<ol style="list-style-type: none"> 1. Construction of disaster Operation Centers 2. Purchase disaster specialized equipment
	<ol style="list-style-type: none"> 3. 4.

To undertake these programmes, the 2018/19 MTEF estimates for this sector are estimated to be KES.----- comprising of KES. -----,KES.----- and KES. ----- for Employee Cost, Recurrent and Development respectively.

5.5.8 Finance, strategy and Economic Planning

The Sector of Finance, Economic Planning & Investment is made up of the following units; Accounting, Revenue Agency, Budget, Procurement, Debt Management, Economic Planning and Investment.

The vision is to be the leading sector in formulation of economic policies and provision of prudent public financial management in Kenya. The mission is to

provide prudent financial management through effective Economic planning, robust resource mobilization, investment promotion, sustainable budgeting, transparent procurement, timely monitoring & evaluation and financial reporting.

PROGRAMMES TO BE IMPLEMENTED

Programme 1: Public Financial Management	
Sub programme	Projects (Investment)
Resource Mobilization	<ol style="list-style-type: none"> 1. Resource mapping 2. Purchase motor vehicles and motor cycles for revenue unit
Accounting and Financial services	<ol style="list-style-type: none"> 1. Asset tagging and valuation 2. Establish emergency fund
Programme 2: Debt management	
Public debt management	Establish debt management unit Develop risk management framework Develop compliance guidelines
Programme 3: Budget and Economic policy formulation and management	
Economic policy formulation	<ol style="list-style-type: none"> 1. Preparation of County development plans 2. Development of County project implementation guidelines 3. Monitoring and Evaluation policy 4. county monitoring and evaluation system 5. Macro-economic indicators baseline survey
Budget And Economic Forum	Establishing Of Budget And Economic Forum
Budget formulation	<ol style="list-style-type: none"> 1. Preparation Of CBROP 2. Preparation of CFSP 3. Preparation Of Annual And MTEF Budgets 4. Preparation of popular versions of all budget documents

Programme 4: County Investment

Investment Promotion

1. Investment in the Jumuiya ya pwani and frontier counties blocks
2. Prepare county investment profile
Organise County Investment forum
3. Initiate PPPs programmes

To undertake these programmes, the 2018/19 MTEF estimates for this sector is KES197, 625,839 comprising of KES.68, 942,953 KES78, 682,886 and KES. 50,000,000 for Employee costs, Recurrent and Development respectively. Emergency Fund of KES. 6,000,000 is included in development Expenditure estimates

5.5.10 Water, Environment & Natural Resources

The sector is composed of water, environment, forestry and natural resources sub-sectors. The sector vision is “Sustainable access to adequate clean and safe water in a clean and secure environment”.

The sector mission is “To promote, conserve and protect the environment and improve access to water for sustainable national development”.

In order to promote sustainable utilization of environmental resources, the county will promote investments in clean energy such as solar, wind, biogas and hydro-power. All the urban markets and centers will be required to establish a designated dumpsites and sewerage systems to ensure effective and reliable disposal of waste. Since the county faces an acute shortage of clean and safe drinking water, the sector will advocate for the construction of water treatment plants and boost the storage and supply lines. There is need to establish joint community-school water projects for the benefit of schools and the local communities.

PROGRAMMES TO BE IMPLEMENTED

Programme 1: Water and Urban Sanitation service provision and management

Sub programme	Projects (Investment)
Water Supply Services	<ol style="list-style-type: none"> 1. Rehabilitation, augmentation and construction of surface water supply schemes; 2. Drilling, equipping and rehabilitation of boreholes; 3. Construction of a water storage tank in 4. Extension of water distributionlines; 5. Rainwater harvesting 6. Rehabilitation, desilting and development of water pans and small dams; 7. Water service infrastructure equipment 8. Desalination Plants in ---- 9. Rehabilitation/construction of Djanbias
Urban Sanitation	<ol style="list-style-type: none"> 1. Establishment of sewerage system in Mkomani and Hindi ward 2. Development of County waste management plan 3.
Programme 2: Environmental Conservation	
Environmental Conservation	<ol style="list-style-type: none"> 1. County cleaning services 2. Establishment of a County Sanitary Landfill 3. Establishment of garbage transfer stations

	<ol style="list-style-type: none"> 4. Acquisition of waste handling equipment 5. Establishment of manure composting sites 6. Development of a Solid Waste Management Plan 7. Environmental education and awareness campaigns
Climate Change Management	<ol style="list-style-type: none"> 1. bRenewable energy installations (Solar, biogas, improved jikos,) 2. c) Capacity building workshops on climate change mitigation and adaptation
Mineral Resource management	<ol style="list-style-type: none"> 1. Development of policy framework on Sand, quarrying and Marram harvesting 2. Rehabilitation of degraded areas 3. Mapping of sand and stone harvesting sites
Afforestation and Re-afforestation	<ol style="list-style-type: none"> 1. Development of forest management bill 2. Development of green zones in urban centers 3. Protection of riparian areas 4. Afforestation project in Shella/Manda 5. Establishment of tree nurseries in Amu and Mokowe 6. Establishment of environmental demonstration Centre

Promotion of nature based enterprises	<ol style="list-style-type: none"> 1. Establishment of a wildlife Conservancy Centre 7. Empowerment of environmental conservation groups
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To undertake these programmes, the 2018/19 MTEF estimates for this sector is KES.----- comprising of KES. -----, KES. ----- --- and KES. ----- for Employee costs, Recurrent and Development respectively.

5.5.11 Lands, infrastructure, Physical Planning, Housing and Urban Development

The Department comprises of the following sub-departments: Lands, infrastructure Survey, Physical Planning, and Housing and Urban Development.

The Department vision is 'Sustainable and equitable access to land, quality housing and coordinated infrastructure and urban development.'

The sector mission is 'To facilitate improvement of the livelihood of county residents through efficient administration, Equitable access, secure tenure, and sustainable management of land resources, implementation of Housing policy, improvement of living conditions of the urban poor within the context of a well-planned urban and rural environment and infrastructure development .'

PROGRAMMES TO BE IMPLEMENTED

Programme 1: Land Management Services	
Sub programme	Projects (Investment)
Land use Planning	<ol style="list-style-type: none"> 1. Market planning; 2. Policy framework for land management

Land administration Services	<ol style="list-style-type: none"> 1. Purchase of land for development initiatives (Governor and Deputy Governors residents) 2. Land sensitization clinics 3. Develop County public and community land inventory 4. Update valuation roll 5. Digitization of lands records
Survey services	Establish accurate land boundaries
Programme 2: Housing Management Services	
Housing infrastructure development	<ol style="list-style-type: none"> 1. Renovation of government houses 2. Construct additional Housing units for civil servants.
Programme 3: Urban Management Services	
Urban Infrastructure Services	<ol style="list-style-type: none"> 1. Develop recreational parks 2. Renovation of markets in Lamu and Mpeketoni 3. Construct bus parks 4. Construct storm water drainage 5. Erect high mast lights 6. Construction of boda boda shades 7. Landscaping of open places

	8. Construction of non-motorized transport
Urban waste Management	<ol style="list-style-type: none"> 1. Purchase garbage collection truck 2. Provision of litter bins 3. Construct waste recycling plant 4. Fencing of cemetery 5. Provision of cleaning services
Housing	Rehabilitation Of Existing Government Houses Construction Of New Government Houses

To undertake these programmes, the 2018/19 MTEF estimates for this sector are estimated to be KES. ----- comprising of KES.-----, KES. - ----- and KES. ----- for Employee cost, Recurrent and Development respectively.

5.5.12 The County Assembly

The county Assembly's functions include oversight, Legislation and representation. The estimate for County Assembly programmes may change in the course of MTEF budgeting once the Commission of Revenue Allocation gives the ceilings for budget for FY 2018/2019.

PROGRAMMES TO BE IMPLEMENTED

Programme 1:	
Sub programme	Projects (Investment)
administration	car and mortgage
Programme 2:	
Subprogramme	
registration	Completion and equipping of county assembly headquarters

To undertake these programmes, the 2018/19 MTEF estimates for this sector are estimated to be Ksh.----- comprising of KES. ----- recurrent and Ksh.----- development expenditure.

5.5.13 County Public Service Board

Vision

A leading Board in providing human resource for high quality client-centered service

Mission

To build an optimal, efficient and effective human resource for quality service delivery to the people of Lamu County and beyond

Overall Goal

A Public Service Board that inculcates transparent and merit-based recruitment practices for competent personnel of appropriate skills mix into the service, development and enforcement of standards and ensuring continuing professional development and progression of public servants.

Flagship Programmes

- a. Automate the Human Resource function through establishing the Integrated Human Resource Management System (IHRMS).
- Refurbishment of offices that have sound proof conference halls.
- c. Build institutional capacity through the development of a skills inventory for the County.

PROGRAMMES TO BE IMPLEMENTED

Programme 1:	
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Sub programme	Projects (Investment)
Programme 2:	

To undertake these programmes, the MTEF estimates for this sector are Kes.

5.5.14 ICT, e-Government and Communication

The department consists of ICT, e-Government and Communication. It was established to facilitate, through the implementation of an e-Government Programme, the provision of County services electronically anytime anywhere for the greater convenience of the citizens.

The Vision is *'To be a leading county in providing of ICT, e-government and communication services in Kenya.'* The Mission is *'To provide efficient and robust innovative information systems and infrastructure as well as accessible communication services that enable the county meet its set goals, aspirations and targets for delivery of quality services to the citizens of Lamu County.'*

PROGRAMMES TO BE IMPLEMENTED

Programme 1: County Information Management	
Sub programme	Projects (Investment)
County Media Services	1. Production of county magazine
2. General Administration	3. ICT policy development

and planning	4. ICT infrastructure development framework 5. Shared services Policy
E-Government and digitalization	6. E - Citizen services and E-Pay. 7. E-administration 8. Upgrade of County Portal 9. Service center Portal 10. SMS Platform
	11.
Information and Communication Technology	12. Establish a Data managemtn service (Data Center) 13. LAN connectivity 14. WAN coverage 15. Establish Wi-Fi Hotspot 16. Establish a unified communication platform 17. Construction of ICT centers

To undertake these programmes, the 2018/19 MTEF estimates for this sector are estimated to be KES. ----- comprising of KES.----- KES. ----- and KES. ----- for Employee cost, Recurrent and Development respectively.

4.2 DEPARTMENTAL EXPENDITURE CEILINGS FOR 2018/19FY AND THE MEDIUM TERM

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

Table 6: Proposed Departmental Ceilings

VOTE TITLE	SUPPLEMENTARY ALLOCATION 2017/18				PROPOSED CEILINGS 2018/19					2019/2020	2020/21
	COMPENSATION TO EMPLOYEES	OPERATING & MAINTENANCE	DEVELOPMENT	GROSS ESTIMATES	COMPENSATION TO EMPLOYEES	OPERATING & MAINTENANCE	conditional grants	DEVELOPMENT	GROSS ESTIMATES	GROSS ESTIMATES	GROSS ESTIMATES
County Assembly	140,402,123	209,597,877	150,000,000	500,000,000	180,000,000	205,000,000 ²	-	150,000,000	535,000,000	481,500,000	433,350,000

² This figure includes kshs 35,000,000 for CAR AND MORTGAGE FOR MCAS

County Executive	160,695,857	170,204,358	233,800,000	564,700,215	161,719,317	185,446,623	121,000,000	130,000,000	598,165,940	538,349,346	484,514,411
Finance, Strategy & Economic Planning	62,381,690	72,955,424	7,100,000	142,437,114	68,942,953	78,682,886		50,000,000	197,625,839	217,388,423	195,649,581
Agriculture & Irrigation/WATER	44,436,739	19,689,996	58,556,015	122,682,750	56,262,965	33,673,889	80,000,000	300,000,000	469,936,854	516,930,540	568,623,594
Land, Physical Planning, Infrastructure, water	39,814,618	26,776,546	206,169,673	272,760,837	36,713,318	25,013,996	93,421,016	220,000,000	375,148,330	412,663,163	453,929,479
Education, Gender, Sports, Youth & Social services	60,325,881	72,930,000	83,780,441	217,036,322	60,679,296	138,686,806 ³	30,358,936	110,000,000	317,725,038	349,497,542	384,447,296
Health & Sanitation	544,324,338	217,394,862	174,539,864	936,259,064	617,859,845	260,208,676	214,547,093	150,000,000	1,264,615,614	1,391,077,176	1,530,184,893
Trade, Culture, Tourism & Investment Development	7,877,120	15,002,069	24,100,000	46,979,189	6,354,836	20,906,907		70,000,000	97,261,743	106,987,918	117,686,709
Information, Communication & Public Participation	12,019,196	17,995,000	11,696,166	41,710,362	13,416,541	20,024,962		30,000,000	63,441,503	69,785,653	76,764,219
Fisheries, Livestock, Veterinary & Cooperative Development	47,329,164	19,162,714	60,200,238	126,692,116	47,118,411	35,135,523		100,000,000	182,253,935	200,479,328	220,527,261
Public Service Board	34,918,586	12,881,414	0	47,800,000	36,354,705	19,997,544		0	56,352,248	61,987,473	68,186,221
TOTAL	1,154,525,312	854,590,260	1,009,942,397	3,019,057,969	1,285,422,187	1,022,777,813	539,327,045	1,310,000,000	4,157,527,045	4,573,279,750	5,030,607,725

4.3 Adherence to Fiscal Responsibility Principles Section 107 of the PFM Act, 2012 and regulation 25 of the PFM (County governments) Regulations, 2015 sets out the fiscal responsibility principles which the county governments have to observe and enforced by the County Treasury. These include the following:

- **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;**

³ The figure includes kshs 100,000,000 for bursary and scholarship fund and KSHS 15,000,000 grants to youth, women and people living with disabilities

- **The county public debt shall never exceed twenty percent of the County Governments' total revenue at any one time;**
- **The approved expenditures of a county assembly shall not exceed seven per cent of the total revenues of the county government or twice the personnel emoluments of that county assembly, whichever is lower;**
- **The county government actual expenditure on development shall be at least thirty percent**
- **over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;**
- **Fiscal risks shall be managed prudently; and**
- **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. In the 2018/19 FY and the medium term, the County Treasury will ensure that the budgets are prepared in a way that ensures strict adherence to these principles. Table 1 gives a summary of the indicators on the fiscal responsibility**

Table 7: Adherence to Fiscal Responsibility Principles for 2018/19 budget

INDICATORS	Requirement by PFMA 2012 and PFM Regulation	Amount in Kshs	% SHARE OF BUDGET	Remarks
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		2015			
County expenditure					
	Development	At least 30%	1,433,779,952	34%	Within the required limit
	Expenditure on wages & benefits	35 %	1,285,422,187	31%	Within the required limit
Expenditure by County Assembly	Recurrent	The approved expenditures of a County Assembly shall not exceed seven per cent of the total revenues of the county government or twice the personnel emoluments of that county	385,000,000	9%	
	Development		150,000,000	4%	
	Total		535,000,000	13%	Exceeded. The County Allocation of Revenue Act passed by the national assembly and senate after advise of the CRA sets the ceilings for assembly which are usually above the PFM regulations

		assembly, whichever is lower			
County Debt financing			0		

From the analysis presented in table 7, the extent of adherence to the fiscal responsibility principles is as follows:

I. 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 In 2018/19 FY, The County’s expenditure on wages and benefits will account for. 40.4 % of the total expenditure. The county government has recently rolled out the pension scheme for its employees previously not covered under any other scheme. Under this scheme, the county government will contribute 15% of the employee’s basic pay. In addition the county is implementing the third and last phase of hardship and housing allowances for its staff as per SRC circular. As a result, the provision of this implementation has increased the county’s expenditure on wages and benefits. The county is therefore above the set limit of 35 % of the county revenues as per the PFM regulation 2015.

II. The county public debt shall never exceed twenty percent of the county government’s total revenue at any one time in the 2018/19 FY and the medium term, the County will not consider debt financing either through internal or external borrowing to finance budget. The budgets will therefore be financed

by county own revenue from the equitable share, conditional grants and locally generated revenues. The county government will at the same time ensure that their entire obligations to the suppliers are met on a timely basis to avoid accumulation of pending bills.

III. The County Government actual expenditure on development shall be at least thirty percent. It is projected that the County Government will spend 30.02% of its budget on development in 2018/19 FY. This will be mostly on expenditure towards the completion of ongoing projects, flagship projects and other service delivery initiatives. This allocation will also be continued over the medium term.

IV. The approved expenditures of a County Assembly shall not exceed seven percent of the total revenues of the county government or twice the personnel emoluments of that county assembly, whichever is lower. The expenditure of the County Assembly will account for 14.5% of the total expenditure in 2018/19. Out of this, Kshs. 50 million has been allocated for the completion of the Assembly Chambers.

V. 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. The County Treasury in consultation with the County Assembly will hasten the enactment of specific legislation on raising revenue other than the County Finance Acts. These legislation on property rates, entertainment tax and produce cess will subsequently be amended through the Finance Acts depending on the fiscal strategy in a given year. The legislations will also contain clear justification for the fees and charges to be charged and the modalities for charging the same. The County Finance Acts will make reference to the substantive legislation, while proposing amendments to the

charges, fees and taxes hence maintain a degree of predictability.

VI. Fiscal risks shall be managed prudently The County Government will through implementation of the E-procurement module of the IFMIS apply prudent expenditure management on items and their pricing that should as much as possible reflect actual market prices.

Further, a provision of Kshs. 6 million has been factored to cater for urgent and unforeseen expenditure. This will ensure that emergencies can be handled without disorienting the plans and budgets.

6.0 CONCLUSION

The set of policies outlined in this CFSP aims at striking a balance between circumstances which keep changing and the emerging issues and are broadly in line with the CIDP and the fiscal responsibility principles outlined in the PFM law. They are also consistent with the national strategic objectives which set a basis for County Government allocation of public resources.

Details of these strategic objectives are contained in the County Integrated Development Plan (2018-2022). The policies and sector ceilings annexed herewith will guide the Sectors/departments in preparation of the 2018/19 MTEF budget.

Budgetary resources are usually limited, thus it is imperative that departments prioritize their programmes within the available resources to ensure that utilization of public funds are in line with county government priorities. Departments need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocating resources. There is also need to ensure that recurrent resources are being utilized efficiently and effectively before funding is considered for programmes.

Proper implementation of the budget is critical towards providing services that will promote sustainable growth. Sustainability requires greater effort from all the stakeholders including county government departments, civil societies, communities, County Assembly and development partners to get things done. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable County.