



LAMU COUNTY 2021 COUNTY FISCAL STRATEGY PAPER



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CFSP 2021 will be published on website at: www.lamu.go.ke within 7 days after adoption by the County Executive.

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List of Abbreviations and Acronyms

AiA	Appropriation in Aid
AMS	Agricultural Mechanisms Services
ATC	Agricultural Training Centre
BBI	Building Bridges Initiative
BOP	Balance of Payments
BPD	Budget Policy Document
BPS	Budget Policy Statement
C.I.D.P	County Integrated Development Plan
CBD	Central Business District
CBR	Central Bank Rate
CBROP	County Budget Review & Outlook Paper
CFSP	County Fiscal and Strategic Paper
CG	County Government
DANIDA	Danish International Development Agencies
IMF	International Monetary Fund
KDSP	Kenya Devolution Support Programme
KRA's	Key Result Area
LAN	Local Area network
MTEF	Medium Term Expenditure Framework
PFM	Public Finance Management Act
PPP	Public Private Partnership
PWD	Persons with Disability
SDG's	Sustainable Development Goals
SWG's	Sector Working Group
UNDP	United Nation Development Programme

FOREWORD

The County Fiscal Strategy Paper (CFSP 2021) is the fourth to be prepared under the current administration. The CFSP is prepared as provided under Section 117 of PFM Act of 2012. The CFSP 2021 has been prepared against the backdrop of the three year in the implementation of the CIDP 2018-2022 and the Governor agenda for transformation espoused in the Governors Manifesto, and the National Big Four Agenda in MTP III (2018-2022). Kenya's economic growth has remained strong and resilient even under emerging global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. According to the National Treasury Economic update the economy grew by 6.3 percent in 2018 up from a growth of 4.9 percent in 2017. In the year 2019, the economy is estimated to have expanded by 5.6 it is projected that the economy will expand by above 6.1 percent in 2020 and 7.0 percent over the medium term. During the period under review the County Government of Lamu made major gains in the implementation of the CIDP 2018-2022 as well as operationalized Lamu Municipal Boards and the Audit Committee. During the FY 2019/20, there was a major improvement in own source revenue performance compared a similar period in FY 2017/18 with the recorded figure of 108 million surpassing the set target of Kshs 100 million.

To achieve the County's vision and the broad economic transformation, the CFSP 2021 will focus on five strategic areas which are aligned to the 'Big four' agenda as articulated in the BPS 2021.

In the FY 2021/22 budget estimates, the total targeted revenue is projected at Ksh 3,652,471,455. This comprises of equitable share of revenue projected at Ksh 3,106,649,643 as provided in 2021 BPS.

Loans and grants are projected to stand at Ksh. 387 million. Own source revenue is projected to increase marginally to Ksh. 120 Million in 2021/2022

The County Government will adopt measures aimed at improving own source revenue. This includes implementation of the Revenue Enhancement Strategy,

improving technical capacity of staff in Revenue Directorate and legislative review of the current revenue related Laws through the Finance Act 2021 which is aimed at strengthening local revenue performance.

The County Government has projected that overall expenditure will equal the forecasted County receipts for FY2021/2022. In this regard, the County Government's total expenditure will reach Ksh 3,652,471,455 in the FY 2021/2022. The County allocation for development expenditure (inclusive of conditional grants to County Government) in FY 2021/2022 will amount to Ksh 1,167,321,812 amounting to 32 percent of the Development expenditure. An Emergency allocation of Ksh 5 Million has been provided in the Finance department to cater for County unforeseen expenditure pursuant to Section 110 of the PFM Act 2012. The preparation of the CFSP 2021 was consultative as the County held public participation forums and valuable inputs came from stakeholders and the general public prior to compilation.

FAHIMA ARAFAT

CEC Member – Finance, Budget and Economic Planning

LAMU COUNTY

ACKNOWLEDGEMENT

The CFSP 2021 is a statutory document prepared in line with the PFM Act, 2012. It provides a highlight of the broad strategic macroeconomic issues and medium-term fiscal framework. It also outlines the spending plans that form the basis for FY 2021/22 budget and the medium term and give indicative ceilings in line with the priorities as outlined during the presentation of the Sector Reports.

There was wide consultation in the preparation process of the CFSP 2021.

May I take this opportunity to sincerely thank ward administrators who spearheaded ward public participation forums and the general public, stakeholders and interested groups who participated in the public participation meetings held in February 2021. Your valuable contributions enabled the finalization of this document.

Special thanks go to the County Executive Committee Members (CECM), CPSB Secretary, Chief Officers in charge of various County Government Departments and Municipal Manager for their contribution and support through the process. Special acknowledgement goes to the Outgoing County Executive Committee Member for Finance and Economic Planning for his leadership and guidance Mr Ahmed Hemed. Special acknowledgment also to the incoming County Executive Committee Member for Finance and Economic Planning Ms Fahima Arafat for showing great leadership immediately she was appointed in the docket and helping to finalize the document.

Special thanks to staff in the Budget and Economic Planning Directorate led by Ag. Director Mr. Andrew waweru, Salim Ali, Husna Abdalla and Ahmed Oloo for their dedication, sacrifice and commitment to ensure timely finalization of the CFSP 2021.

FATMA BASIBA

Chief Officer – FINANCE, BUDGET AND ECONOMIC PLANNING
LAMU COUNTY

Legal Basis for the Publication of the County Fiscal Strategy Paper

The County fiscal strategy paper is prepared in accordance with Section 117 of the Public Financial 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 adopt it with or without amendments.

Responsibility Principles in the Public Financial Management Law

In line with the Constitution, the new Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 107(b)) states that:

other interested persons or groups.

I. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

1.1 Overview

In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which disrupted economic activities. As a result, our economy contracted by 5.5 percent in the second quarter of 2020 from a growth of 5.2 percent in the first quarter in 2020. Nonetheless, the economy has demonstrated signs of recovery in the third quarter of 2020 contracting by only 1.1 percent following the reopening of the economy. Economic growth is therefore estimated to slow down to around 0.6 percent in 2020 from the earlier projection of 2.6 percent in the 2020 Budget Review and Outlook Paper (BROP). The economic growth is projected to rebound from 3.8 percent in the FY 2020/21 to 6.1 percent over the medium term supported by the recovery in the services sector.

The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that supports exports. Year on-year overall inflation remained within the Government target range of 5 ± 2.5 percent in January 2021 at 5.7 percent from 5.8 percent in January 2020. The low inflation was mainly supported by a reduction in food prices and muted demand pressures. The reversal of tax measures in January 2021 are expected to have modest impact on overall inflation.

The foreign exchange market has largely remained stable but partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 Pandemic. Despite this, the current account deficit, in percent of GDP, is estimated to improve to 4.9 percent in 2020 from 5.8 percent in 2019 and projected at 5.1 percent in 2021 mainly supported by an improvement in the trade balance partly reflecting expected pickup in imports.

1.2 Recent Economic Developments and Outlook *Global and Regional Economic Developments*

The outbreak and spread of the Covid-19 Pandemic and the ensuing containment measures devastated global economies. As a result, the global economy is estimated to have contracted by 3.5 percent in 2020 from a growth of 2.8 percent in 2019 (Table 1). This economic slowdown is worse than the growth reported during the 2008 - 2009 global financial crisis.

Advanced economies are estimated to have contracted by 4.9 percent in 2020 from a growth of 1.6 percent in 2019. Significant contraction of the economy was in the United States (3.4 percent), Japan (5.1 percent), Canada (5.5) and the United Kingdom (10.0 percent). Growth in the Euro area is estimated to have contracted by 7.2 percent in 2020 from a growth of 1.3 percent in 2019.

The emerging markets and developing economies also contracted by 2.4 percent from a growth of 3.6 percent in 2019. All major economies contracted in 2020 except China which is estimated to have grown by 2.3 percent, a slowdown from a growth of 6.0 percent in 2019.

Table 1: Global Economic Growth, Percent

Economy	2019	2020*	2021**	2022**
World	2.8	(3.5)	5.5	4.2
Advanced Economies	1.6	(4.9)	4.3	3.1
Of which: USA	2.2	(3.4)	5.1	2.5
Emerging and Developing Economies	3.6	(2.4)	6.3	5.0
Of which: China	6.0	2.3	8.1	5.6
India	4.2	(8.0)	11.5	6.8
Sub-Saharan Africa	3.2	(2.6)	3.2	3.9
Of which: South Africa	0.2	(7.5)	2.8	1.4
Nigeria	2.2	(3.2)	1.5	2.5
EAC-5	6.0	0.3	4.5	5.5
Of which: Kenya***	5.4	0.6	6.4	5.5
<i>* Estimate ** Projected</i>				
<i>EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda</i>				

Source of Data: January 2021 WEO; ***Projections by the National Treasury

The Sub-Saharan African region has not been spared by the negative impact of the pandemic with the region estimated to have contracted by 2.6 percent in 2020 from a growth of 3.2 percent in 2019. The largest impact of the crisis on growth has been for tourism-dependent economies, while commodity-exporting countries have also been hit hard. Growth in more diversified economies slowed significantly, but in many cases was still positive in 2020.

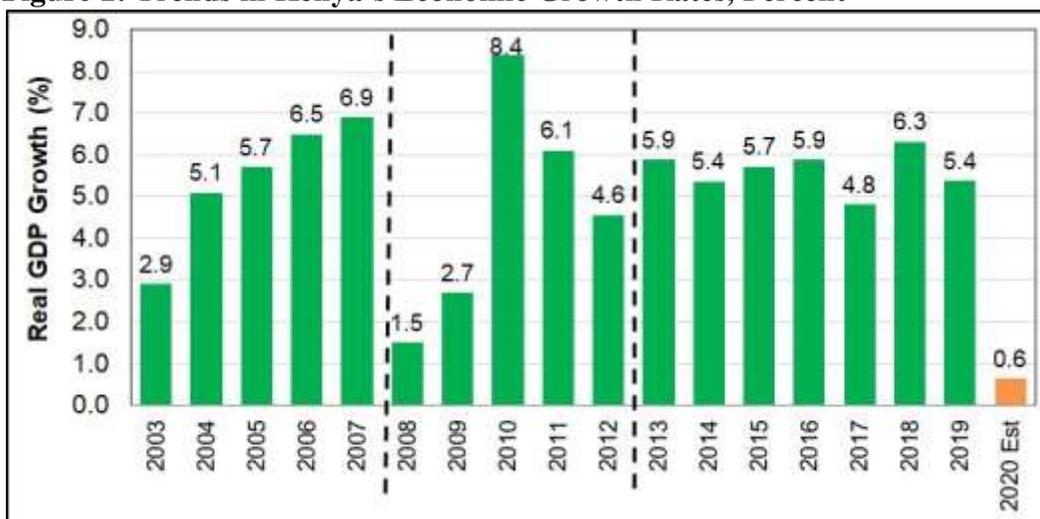
Growth in the East African Community (EAC) region is estimated to slow down to 0.3 percent in 2020 compared to a growth of 6.0 percent in 2019. This growth was supported by positive growths in Kenya, Tanzania and Rwanda. Economic activities in Burundi and Uganda contracted in 2020.

Domestic Economic Developments

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

In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities. As a result, our economy is estimated to slow down to around 0.6 percent in 2020 from a growth of 5.4 percent in 2019. Looking ahead, the economy is projected to recover and grow by above 6.0 percent over the medium term.

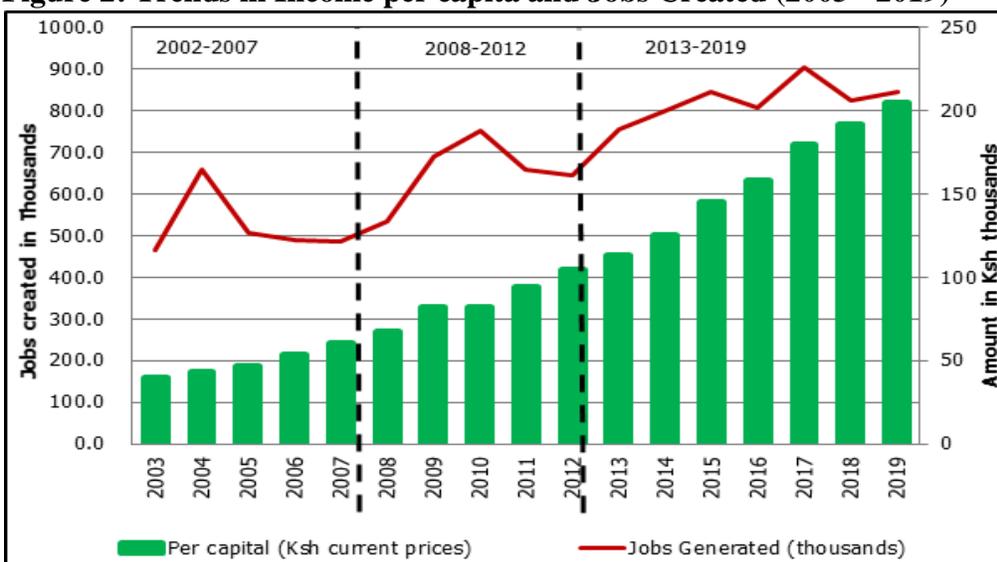
Figure 1: Trends in Kenya's Economic Growth Rates, Percent



Source of Data: Kenya National Bureau of Statistics

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

Figure 2: Trends in Income per capita and Jobs Created (2003 - 2019)



Source of Data: Kenya National Bureau of Statistics

Quarterly GDP growth of 2020

The economy grew by 5.2 percent in the first quarter of 2020 same as the growth recorded in the first quarter of 2019 mainly supported by the agricultural sector as a result of above average rainfall. However, the service sector was hampered by the decline in economic activities in most of the country's major trading partners due to the uncertainties associated with Covid-19 pandemic (Table 2).

In the second quarter of 2020, the economy contracted by 5.5 percent from a growth of 5.1 percent in the same quarter in 2019. The poor performance in the second quarter of 2020 was to a large extent negatively affected by measures aimed at containing the spread of Covid-19 Pandemic. As a result, the performance of most sectors of the economy contracted. However, the economy was supported by improved performance of Agriculture, Forestry and Fishing activities, Health Services and Mining and Quarrying activities.

The economy demonstrated signs of recovery in the third quarter of 2020 following reopening of the economy, but the pickup is weak. The economy contracted by 1.1 percent in the third quarter of 2020, which is an improvement compared to the contraction of 5.5 percent in the second quarter of 2020. However, this was a slowdown compared to a growth of 5.8 percent in the third quarter of 2019.

Table 1: Sectoral Real GDP Growth Rates, Percent

Sectors	Sector Growth (%)											
	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Primary Industry	6.7	5.9	6.5	3.5	3.9	2.2	4.9	3.4	5.9	7.4	6.9	
Agriculture, Forestry and Fishing	6.9	6.0	6.7	3.6	4.0	2.0	5.0	3.6	5.8	7.3	6.3	
Mining and Quarrying	3.1	3.5	3.2	1.2	1.4	5.0	3.4	0.3	9.5	10.0	18.2	
Secondary Sector (Industry)	5.1	5.4	6.1	5.9	4.2	5.5	5.1	4.2	4.1	(1.0)	4.2	
Manufacturing	4.1	4.6	4.8	3.8	2.3	4.1	3.9	2.6	2.9	(3.9)	(3.2)	
Electricity and Water supply	6.1	8.3	8.1	9.5	7.8	7.3	6.4	6.4	6.3	(0.6)	4.7	
Construction	6.7	5.6	7.3	7.7	6.1	7.2	6.6	5.7	5.3	3.9	16.2	
Tertiary sector (Services)	6.2	6.0	6.6	7.9	6.3	6.8	6.7	6.7	5.5	(11.0)	(4.7)	
Wholesale and Retail trade	5.6	6.5	7.3	7.9	6.3	7.8	6.1	6.4	6.4	(7.0)	(2.5)	
Accommodation and Restaurant	13.3	15.1	15.5	21.5	11.0	12.1	9.9	9.0	(9.3)	(83.2)	(57.9)	
Transport and Storage	6.5	6.6	8.5	11.8	6.4	7.6	7.6	9.2	6.1	(11.4)	2.9	
Information and Communication	13.2	11.7	9.8	10.6	10.0	7.5	8.0	9.1	9.8	4.6	7.3	
Financial and Insurance	4.0	3.5	5.1	8.5	6.3	5.2	8.1	6.6	6.2	4.2	5.3	
Public Administration	5.5	6.1	7.1	8.1	8.9	8.7	8.4	6.2	6.7	5.7	9.6	
Others	5.1	5.0	4.9	4.7	4.8	5.8	5.6	5.2	4.7	(19.2)	(13.0)	
of which Real Estate	5.2	4.5	3.8	3.1	4.7	6.0	5.5	5.1	4.4	2.3	5.3	
Education	5.3	5.2	5.5	7.0	4.3	6.0	6.0	5.5	5.3	(56.2)	(41.9)	
Health	4.1	3.4	5.3	4.5	5.4	6.2	5.5	6.2	5.8	10.3	5.6	
Taxes less subsidies	6.1	6.0	6.2	4.3	4.7	4.0	4.2	4.5	3.4	(14.2)	(4.2)	
Real GDP	6.3	6.1	6.5	6.3	5.2	5.1	5.8	5.4	5.2	(5.5)	(1.1)	
of which Non-Agriculture	6.2	6.1	6.5	7.3	5.7	6.4	6.3	6.0	5.2	(8.4)	(2.5)	

Source of Data: Kenya National Bureau of Statistics

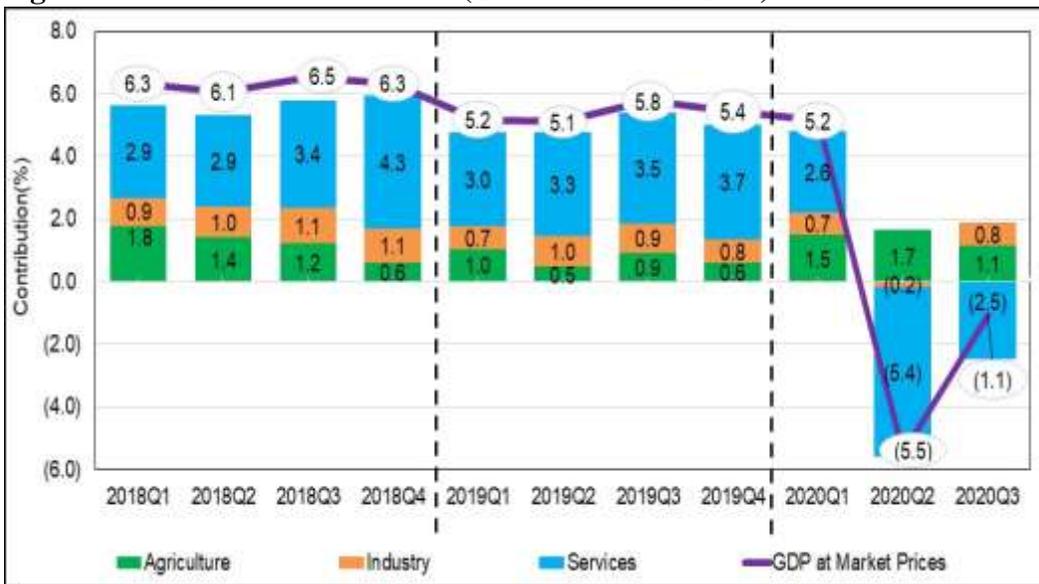
The agriculture sector recorded an improved growth of 6.3 percent in the third quarter of 2020 compared to a growth of 5.0 percent in the corresponding quarter of 2019. The sector's performance was supported by a notable increase in tea production, exports of fruits and sugarcane production. The sector's contribution to GDP growth was 1.1 percentage points in the third quarter of 2020 compared to 0.9 percentage points over the same period in 2019 (Figure 3).

The non-agriculture (service and industry) sectors were adversely affected by the Covid-19 pandemic. As a result, the sectors contracted by 2.5 percent in the third quarter of 2020 from a growth of 6.3 percent in a similar quarter in 2019.

However, this was an improvement compared to the contraction of 8.4 percent in the second quarter of 2020 demonstrating economic recovery. The sector's

contribution to real GDP was -1.7 percentage points in the third quarter of 2020 compared to a contribution of 4.3 percentage points in the same quarter in 2019. Services sub sector contracted by 4.7 percent in the third quarter of 2020 compared to a growth of 6.7 percent in the same quarter in 2019. The decline was largely characterized by substantial contractions in accommodation and food services (57.9 percent), education (41.9 percent), and wholesale and retail trade (2.5 percent). However, the service sub sector was cushioned from a deeper slump by positive growths in public administration (9.6 percent), health (5.6 percent), real estate (5.3 percent) and transport and storage (2.9 percent). The services sub-sector contributed -2.5 percentage points to real GDP growth in the third quarter of 2020 compared to the 3.5 percentage points contribution in the same quarter of 2019.

Figure 3: Economic Performance (Contribution to GDP)

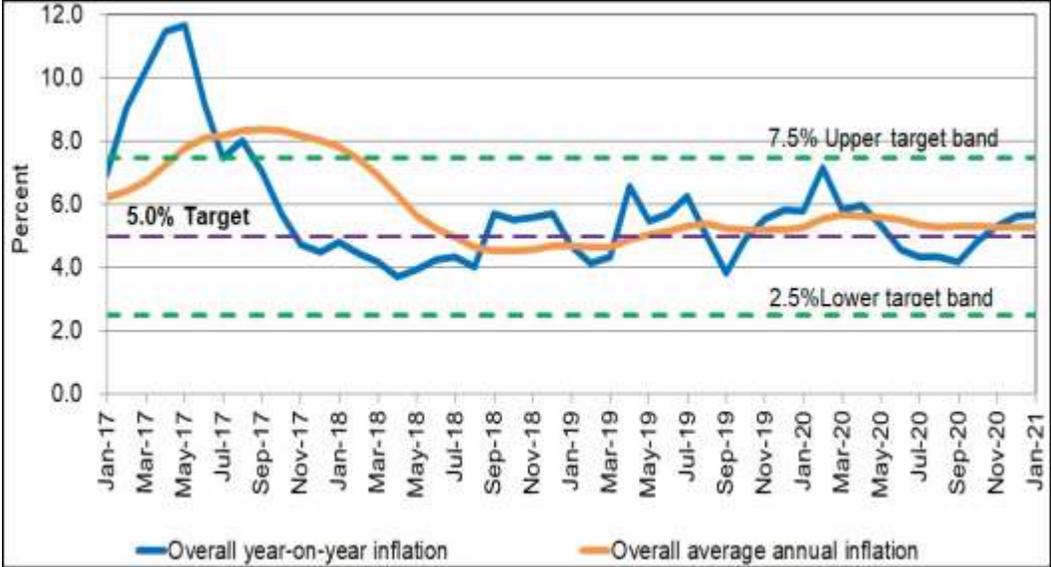


Source of Data: Kenya National Bureau of Statistics

The industry sub sector grew by 4.2 percent in the third quarter of 2020, a slowdown compared to a growth of 5.1 percent in the same quarter of 2019. This was mainly due to a decline in activities in Electricity and Water supply and

Manufacturing sub-sectors. The industry sub sector was however supported by the Construction sector which grew by 16.2 percent in the third quarter of 2020 compared to a growth of 6.6 percent in the same quarter in 2019. The industry sub sector accounted for 0.8 percentage points of growth in the third quarter of 2020 compared to 0.9 percentage point contribution to GDP in 2019. Inflation Rate Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent since end 2017 demonstrating prudent monetary policies. The inflation rate stood at 5.7 percent in January 2021 from 5.8 percent in January 2020. The low inflation was supported by a reduction in food prices and muted demand pressures (Figure 4).

Figure 4: Inflation Rate, Percent



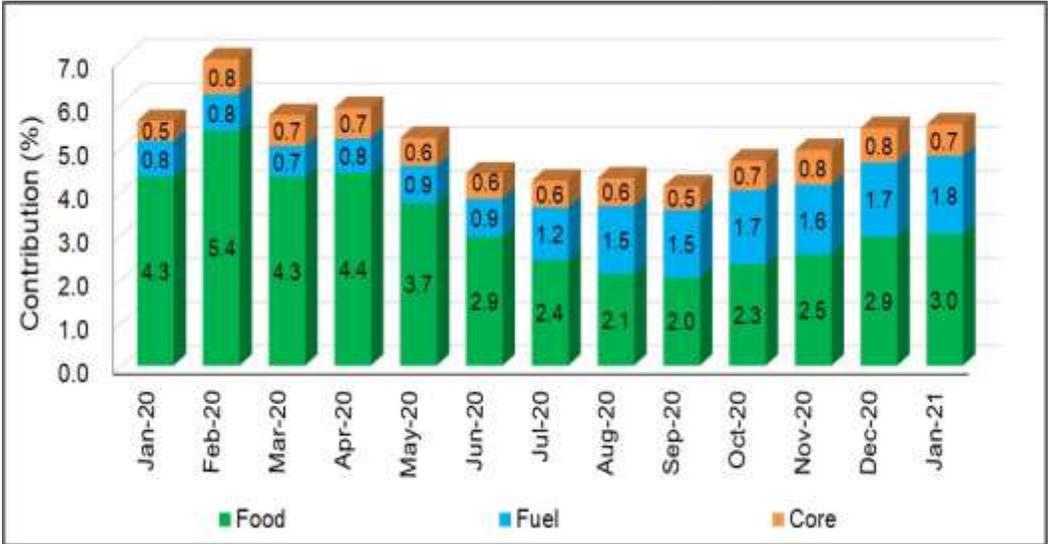
Source of Data: Kenya National Bureau of Statistics

Core inflation (Non-Food-Non-Fuel) contribution to inflation remained low at 0.7 percentage points in January 2021 from 0.5 percentage points in January 2020 reflecting muted demand pressures in the economy on account of prudent monetary policies. However, the contribution of fuel inflation to overall year-on-year inflation rose to 1.8 percentage points in January 2021 compared to 0.8

percentage points in January 2020 on account of increasing electricity prices (Figure 5).

The major driver of the overall inflation has been food inflation, but its contribution to overall inflation declined from 4.3 percentage points in January 2020 to 3.0 percentage points in January 2021 on account of a reduction in food prices particularly tomatoes and fortified maize flour.

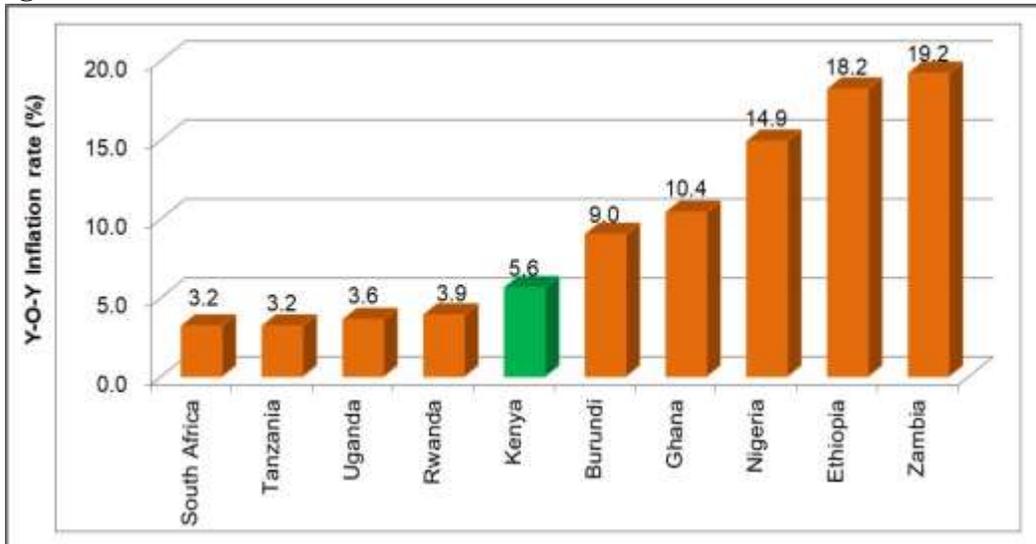
Figure 5: Contribution to Overall Inflation, Percentage Points



Source of Data: Kenya National Bureau of Statistics

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

Figure 6: Inflation Rates in selected African Countries (December 2020)

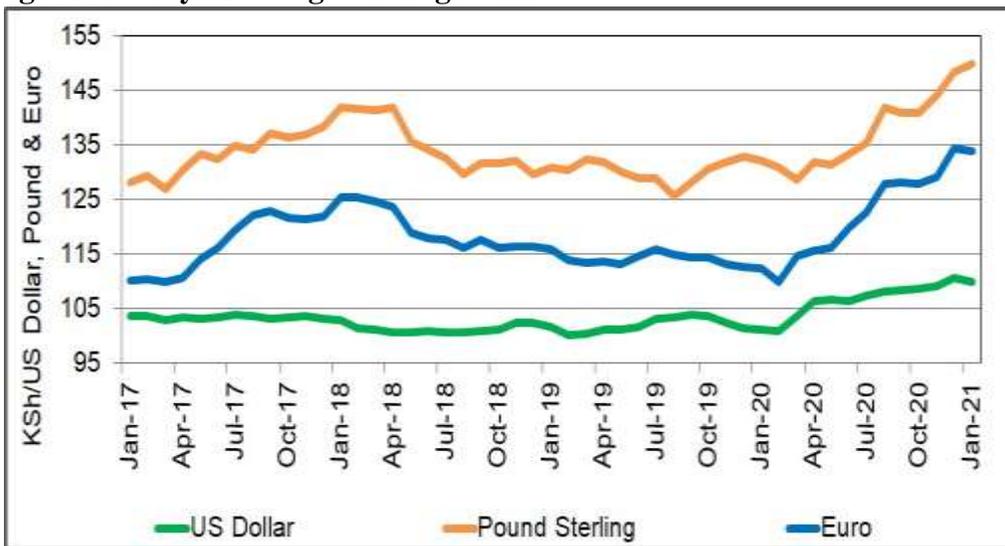


Source of Data: Various National Central Banks

Kenya Shilling Exchange Rate

23. The foreign exchange market has largely remained stable but was partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 Pandemic. In this regard, the Kenya Shilling to the dollar exchanged at Ksh 109.8 in January 2021 compared to Ksh 101.1 in January 2020 (Figure 7).

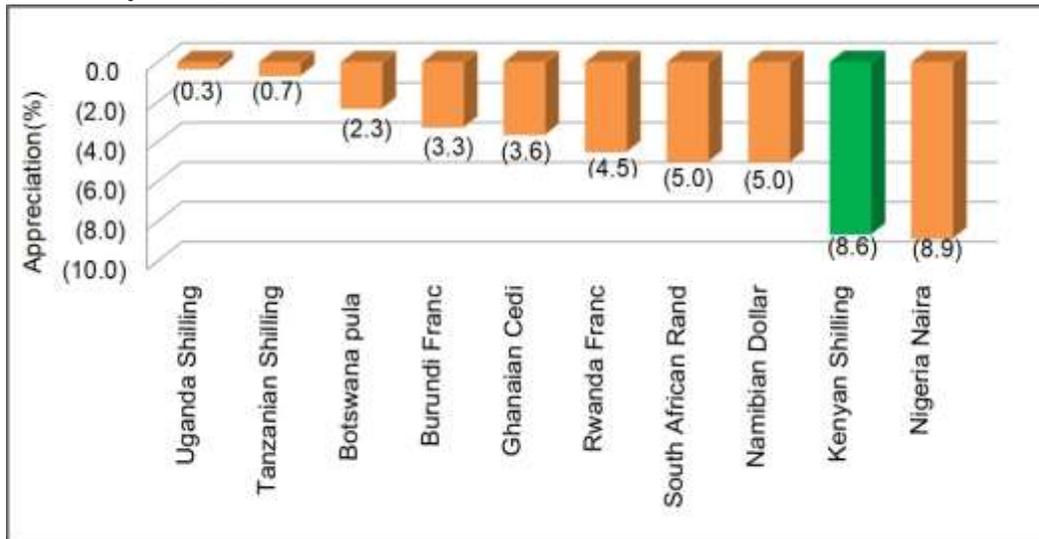
Figure 7: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

24. Like most Sub-Saharan African currencies, the Kenya Shilling has remained relatively stable weakening by only 8.6 percent against the US Dollar in the year to January 2021 (**Figure 8**). This stability in the Kenya Shilling was supported by increased remittances and adequate foreign exchange reserves.

Figure 8: Performance of selected currencies against the US Dollar (January 2020 to January 2021)

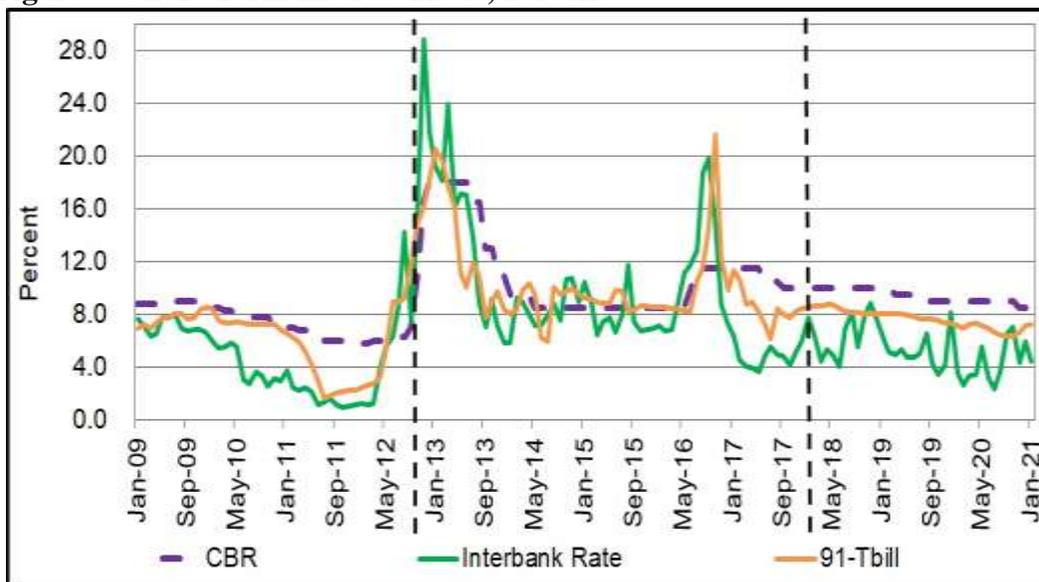


Source of Data: Various National Central Banks

Interest Rates

25. Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.00 percent on January 27, 2021 same as in April 2020 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises, distressed by Covid-19 Pandemic. The interbank rate remained low at 5.2 percent in January 2021 from 4.4 percent in January 2020 in line with the easing of the monetary policy and adequate liquidity in the money market (**Figure 9**).

Figure 9: Short-Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

26. The 91-day Treasury Bills rate was at 6.9 percent in January 2021 from 7.2 percent in January 2020. Over the same period, the 182-day Treasury Bills rate declined to 7.5 percent from 8.2 percent while the 364-day decreased to 8.5 percent from 9.9 percent in January 2020.

Money and Credit

27. Growth in broad money supply, M3, improved to 13.2 percent in the year to December 2020 compared to a growth of 5.6 percent in the year to December 2019 (**Table 3**). The improved growth in M3 was attributed to an increase in the Net Domestic Assets (NDA) particularly improvement in net credit flows to the government and the private sector.

28. The primary source of growth in M3 in the year to December 2020 was the Net Domestic Assets (NDA) of the banking system, which improved to register a growth of 19.3 percent from a growth of 3.7 percent over a similar period in 2019. This is largely due to an improvement in net credit flows to both the Government and the private sector.

29. Private sector credit grew by 8.4 percent in the 12 months to December 2020 compared to a growth of 7.1 percent in the year to December 2019. This was supported by a recovery in demand with the improved economic activities following the easing of COVID-19 containment measures, and accommodative monetary policy. Strong credit growth was observed in the following sectors: manufacturing (12.0 percent), transport and communications (13.6 percent),

agriculture (15.3 percent), real estate (8.7 percent) and consumer durables (18.1 percent). The operationalisation of the Credit Guarantee Scheme for the vulnerable Micro Small and Medium sized Enterprises (MSMEs), will de-risk lending by commercial banks, and is critical to increasing credit to the private sector.

Table 3: Money Supply and Credit, Ksh billion

				Change		Percent Change	
	2018 December	2019 December	2020 December	2018-2019 December	2019-2020 December	2018-2019 December	2019-2020 December
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,477.5	1,525.2	1,720.3	47.7	195.1	3.2	12.8
1.1 currency outside banks (M0)	230.3	198.6	233.7	(31.7)	35.1	(13.8)	17.7
1.2 Demand deposits	1,175.5	1,253.3	1,395.0	77.8	141.8	6.6	11.3
1.3 Other deposits at CBK	71.7	73.4	91.6	1.7	18.3	2.3	24.9
2. Money supply, M2 (1+2.1)	2,756.0	2,904.4	3,250.2	148.4	345.9	5.4	11.9
2.1 Time and savings deposits	1,278.4	1,379.1	1,529.9	100.7	150.8	7.9	10.9
Money supply, M3 (2+3.1)	3,337.8	3,524.0	3,990.9	186.2	466.9	5.6	13.2
3.1 Foreign currency deposits	581.9	619.7	740.7	37.8	121.0	6.5	19.5
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	714.1	804.5	746.4	90.4	(58.1)	12.7	(7.2)
1.1 Central Bank	739.5	833.3	738.5	93.8	(94.8)	12.7	(11.4)
1.2 Banking Institutions	(25.4)	(28.8)	7.9	(3.5)	36.8	(13.6)	127.4
2. Net domestic assets (2.1+2.2)	2,623.7	2,719.6	3,244.5	95.8	524.9	3.7	19.3
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,381.1	3,628.1	4,245.3	247.0	617.2	7.3	17.0
2.1.1 Government (net)	858.2	941.2	1,341.0	83.1	399.8	9.7	42.5
2.1.2 Other public sector	100.9	92.3	91.2	(8.7)	(1.1)	(8.6)	(1.2)
2.1.3 Private sector	2,422.0	2,594.6	2,813.1	172.6	218.5	7.1	8.4
2.2 Other assets net	(757.3)	(908.5)	(1,000.8)	(151.2)	(92.3)	(20.0)	(10.2)

Source of Data: Central Bank of Kenya

30. Net Foreign Assets (NFA) of the banking system in the year to December 2020 contracted by 7.2 percent, compared to a growth of 12.7 percent in the year to December 2019. The contraction in the growth of NFA was mainly reflected in the decline of the foreign currency reserves by the Central Bank. The NFA of commercial banks improved during the review period as a result of an increase in the commercial banks' deposits with the non-resident banks.

Balance of Payments

31. The overall balance of payments position improved to a surplus of USD 1,434 million (1.5 percent of GDP) in the year to December 2020 from a deficit of USD 1,059 million (1.1 percent of GDP) in the year to December 2019 (**Table 4 and Figure 10**). This was mainly due to an improvement in the current account balance.

32. The current account deficit was USD 4,744 million (4.9 percent of GDP) in December 2020 from USD 5,541 million (5.8 percent of GDP) in December 2019. The improvement in the current account balance was mainly due to the

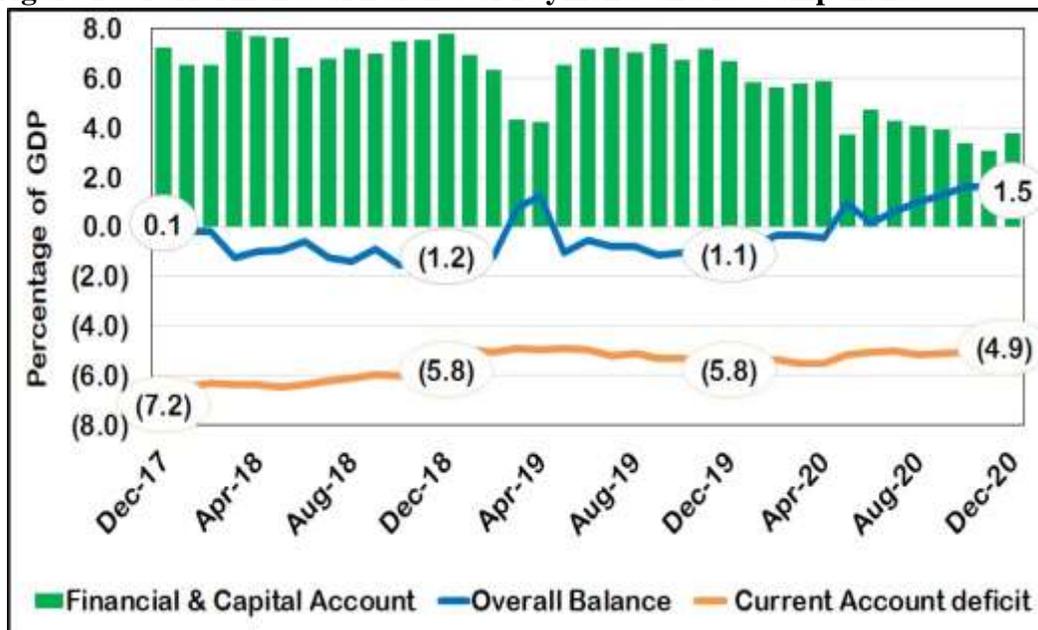
improvement in the merchandise account balance and the net primary income balance.

33. The balance in the merchandise account improved by USD 2,302 million to a deficit of USD 8,377 million in the year to December 2020 on account of a decline in imports and a marginal increase in exports. In the year to December 2020, exports grew by 3.3 percent primarily driven by tea exports, on account of increased production. On the other hand, imports declined by 12.5 percent in the year to December 2020 mainly reflecting lower imports of oil products due to relatively low international oil prices. **Table 4: Balance of Payments (USD Million)**

							Year to December 2020		Percent of GDP	
	Dec-18	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Change	Percent Change	Dec-19	Dec-20
Overall Balance	(1,030.2)	(1,059.4)	(340.7)	179.3	1,264.5	1,434.0	2,493.4	(235.4)	(1.1)	1.5
A) Current Account	(5,047.8)	(5,541.2)	(5,635.7)	(5,066.9)	(5,032.8)	(4,744.0)	797.2	(14.4)	(5.8)	(4.9)
<i>Merchandise Account (a-b)</i>	(10,201.0)	(10,679.5)	(10,442.8)	(9,460.0)	(8,940.4)	(8,377.0)	2,302.4	(21.6)	(11.1)	(8.6)
a) Goods: exports	6,087.6	5,871.9	6,070.1	5,923.6	6,015.9	6,034.8	162.9	2.8	6.1	6.2
b) Goods: imports	16,288.5	16,551.4	16,512.8	15,383.6	14,956.3	14,411.9	(2,139.5)	(12.9)	17.2	14.7
<i>Net Services (c-d)</i>	1,596.3	1,767.4	1,352.7	1,028.1	605.2	238.5	(1,528.8)	(86.5)	1.8	0.2
c) Services: credit	5,477.5	5,621.5	5,333.0	4,783.4	4,288.8	3,834.0	(1,787.5)	(31.8)	5.8	3.9
d) Services: debit	3,881.2	3,854.1	3,980.3	3,755.3	3,683.6	3,595.5	(258.6)	(6.7)	4.0	3.7
<i>Net Primary Income (e-f)</i>	(1,449.2)	(1,914.1)	(1,778.2)	(1,647.6)	(1,685.0)	(1,578.5)	335.6	(17.5)	(2.0)	(1.6)
e) Primary income: credit	198.9	229.6	226.6	198.2	21.8	(2.5)	(232.1)	(101.1)	0.2	(0.0)
f) Primary income: debit	1,648.0	2,143.7	2,004.8	1,845.8	1,706.8	1,576.0	(567.7)	(26.5)	2.2	1.6
<i>Net Secondary Income</i>	5,006.0	5,285.0	5,232.6	5,012.6	4,987.5	4,973.1	(312.0)	(5.9)	5.5	5.1
g) Secondary income: credit	5,053.9	5,339.7	5,286.8	5,064.1	5,042.4	5,024.5	(315.2)	(5.9)	5.6	5.1
h) Secondary income: debit	47.9	54.7	54.2	51.5	55.0	51.5	(3.2)	(5.9)	0.1	0.1
B) Capital Account	-262.6	207.7	189.6	146.1	155.1	130.4	(77.3)	(37.2)	0.2	0.1
C) Financial Account	(6,535.4)	(6,238.9)	(5,720.5)	(4,597.6)	(3,726.2)	(3,535.0)	2,703.8	(43.3)	(6.5)	(3.6)

Source of Data: Central Bank of Kenya

Figure 10: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

34. Net services declined by 86.5 percent in the year to December 2020 mainly due to a significant decline in transport services and travel receipts as a result of the uncertainty associated with the Covid-19 pandemic and the resultant containment measures. Cargo throughput performed well during the review period and provided a buffer in terms of transport receipts.

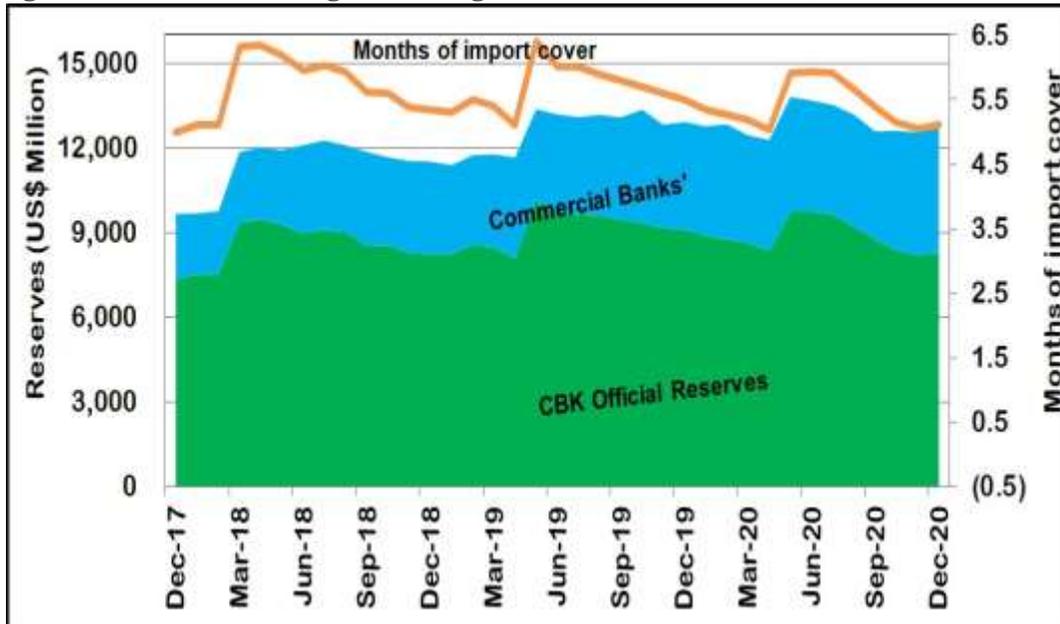
35. The capital account balance registered a surplus of USD 130.4 million in the year to December 2020. However, this was a USD 77.3 million decline compared to the balance witnessed in December 2019. Net Financial Inflows declined to USD 3,535 million from USD 6,239 million in the year to December 2019 (**Table 4**). The financial inflows were mainly in the form of direct investments, financial derivatives and other investments which stood at USD 243.7 million, USD 9.1 million and USD 4,671.6 million, respectively in December 2020. The Net Portfolio investments outflows stood at USD 1,389.3 million.

Foreign Exchange Reserves

36. The banking system’s foreign exchange holdings remained strong at USD 12,991.9 million in December 2020 up from USD 12,919.2 million in December 2019. The official foreign exchange reserves held by the Central Bank was at USD 8,297.3 million (5.1 months of import cover) in December 2020 compared with USD 9,115.8 million (5.5 months of import cover) in December 2019 (**Figure 11**).

37. This fulfils the requirement to maintain reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to USD 4,694.6 in December 2020 from USD 3,803.4 million in December 2019.

Figure 11: Official Foreign Exchange Reserves (USD million)

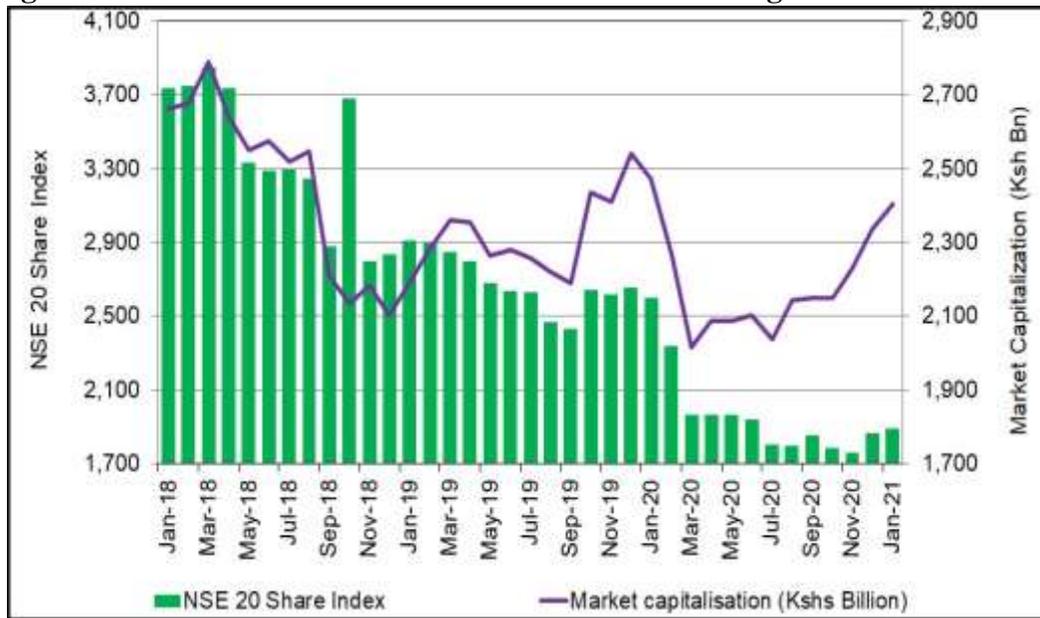


Source of Data: Central Bank of Kenya

Nairobi Securities Exchange

38. Activity in the capital markets declined in January 2021 compared to January 2020, with equity share prices declining as shown by the NSE 20 Share Index. The decline reflects the volatility in the financial markets as a result of the uncertainty surrounding the Covid-19 Pandemic. The NSE 20 Share Index stood at 1,889 points by end of January 2021 compared to 2,600 points by end January 2020. Consequently, market capitalization declined from Ksh 2,474 billion to Ksh 2,405 billion over the same period (Figure 12).

Figure 12: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

County Fiscal Performance

Budget execution was slow in the first quarter occasioned by a stalemate between the National Government and County Governments, on the vertical division of revenue to Counties which led to delays in finalisation of the Division of Revenue Act, 2020 and consequently the approval of the County Allocation of Revenue Act (CARA 2020).

There have been notable improvements in the 2nd quarter, with an amount of Ksh 56 Million being expended under the development expenditure.

County Receipts and Revenue Performance

The County receipts amounted to KshS 805,078,710, for the half year July-December 2020. Exchequer releases contributed to 81 percent of the receipts while Own Source Revenues stood at 3 percent. Transfers to other government entities included Conditional grant to hospital at Ksh 128.8 Million.

8.8M.

COUNTY RECEIPTS				
Source	Q1 (July-Sept 2020)	Q2 (Oct-Dec 2020)	Cumulative	% contribution to County Receipts
Exchequer Releases/ Equitable Share	223,195,800	428,224,500	651,420,300	81%
Grants (DANIDA	0	3,690,000	3,690,000	0.5%
Transfers to Other Government Entities	0	125,164,849	125,164,849	16%
Own Source Revenues	13,972,830	10,830,731	24,803,561	3%
Total Receipts	237,168,630	567,910,080	805,078,710	100

Source: Lamu County Financial Statement, December 2020

Own Source Revenue by Departments for the First Half FY 2020/21

Cumulative OSR for the first half amounted to Kshs 24,803,561, against an annual target of Kshs 100 M representing a cumulative performance of 24.8 percent.

Local sources excluding

HALF YEAR REVENUE SUMMARY REPORT 2020/2021.

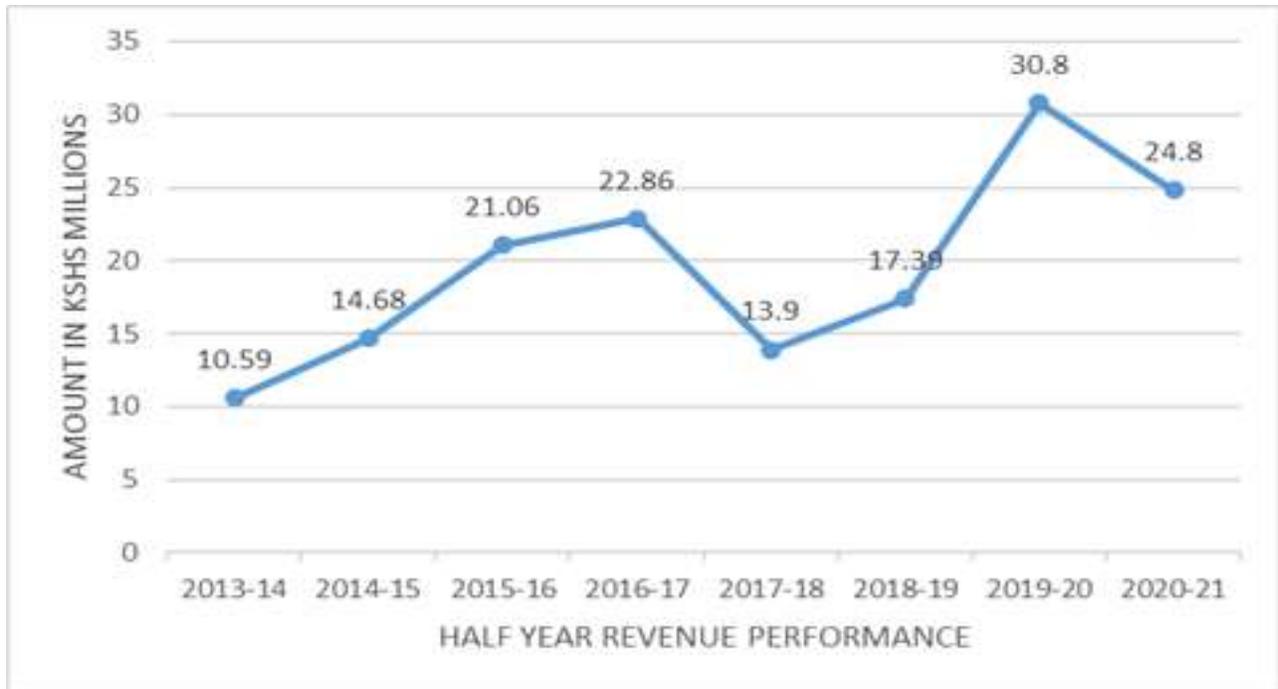
REVENUE STREAMS	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
BUSINESS PERMIT CURRENT YEAR	967,000	828,000	317,400	235,800	223,200	113,300	2,684,700
HEALTH CENTRES	672,270	608,455	786,373	834,737	668,417	399,120	3,969,372
TRAINING/LEARNING CENTRES (ATC)	121,800	12,000	3,000	10,200	48,600	3,000	198,600
MARKET STALLS RENT	20,600	-	2,400	2,200	2,900	-	28,100

FRUITS & VEGETABLES/PRODUCE CESS	212,050	220,700	241,160	245,850	97,650	51,300	1,068,710
MEAT INSPECTION FEES	-	1,920	5,800	5,000	2,150	1,700	16,570
COUNCIL VEHICLES HIRE (AMS TRACTORS)	503,500	471,050	529,175	740,750	113,750	48,501	2,406,726
OPEN AIR MARKET FEE	16,700	22,820	16,750	37,940	25,140	88,610	207,960
SLAUGHTERING FEE	39,840	9,780	13,420	45,270	42,750	23,430	174,490
LIVESTOCK CESS	200	1,200	7,700	12,250	6,300	11,800	39,450
FISH CESS	29,100	71,400	53,300	52,780	29,950	69,950	306,480
STREET PARKING FEE	64,100	88,600	80,050	85,050	165,740	77,750	561,290
SALES OFMIRAA,ETC	949,000	1,271,000	1,450,000	1,175,000	964,000	804,000	6,613,000
VETENARY	19,400	11,800	5,450	5,100	790	-	42,540
FOREST CESS	38,350	42,500	35,200	58,250	37,800	50,300	262,400
METAL SCRAP	3,100	3,800	3,700	8,400	19,800	7,100	45,900
SIGN BOARDS & ADVERTISEMENT FEE	67,000	459,300	-	71,000	500,000	6,500	1,103,800
PYSICAL PLANNING	32,500	38,946	64,900	12,700	44,000	16,700	209,746
SAND,GRAVEL,AND BALLAST	209,550	78,241	214,693	418,911	528,298	220,135	1,669,828
FISHERIES LICENCE	10,000	25,900	23,800	12,100	8,400	3,100	83,300
LAND RATES	46,689	42,725	59,091	47,257	25,690	21,224	242,677
PUBLIC HEALTH	16,100	17,200	9,900	10,900	39,100	72,270	165,470
SALARY COMMISSION	-	1,256,167	384,696	350,631	-	668,090	2,659,583
OTHERS MISCELLANEOUS	3,060	12,854	26,605	-	-	350	42,869
TOTAL COLLECTION	4,041,909	5,596,358	4,334,563	4,478,076	3,594,425	2,758,230	24,803,561

Top revenue performers were health and single business permits

Half Year Revenue performance for FY2020/21 vs FY2013/24-FY 2019-20

The was a 6 percent decline in collected local revenues in the first half of the current FY, compared to the previous FY as depicted below.



The underperformance of local revenue for Half FY 2020-21 as compared to the same period 2019/20 was due to late disbursement of capitation funds from the NHIF amounting to Kshs 13 M which was received in the month of January 2021.

Expenditure Performance

Execution of the Recurrent Expenditure (July-December 2019)

- **Compensation to Employees**

County Budgeted kshs for compensation to employees Kshs 1,430,035,915 Being kshs 173,412,145 for County Assembly and Kshs 1,256,623,770.00 for the county Executive. By the end of half year the county executive expenditure on compensation to employees stood at kshs 677,328,250.05 which was 54% of the total budget for the economic item. The department that had over expenditure on compensation to employees included Public service Management, Livestock, Medical services Public Health, Environment, Sanitation and Water Services which means the departments

have incurred more expenditure than was budgeted. The department risks the danger of not being able to pay their department salaries.

Half year salary analyses for FY 2020-21

Department	Compensation to Employees 2020-21	Compensation to Employees July-Dec 2020	% utilization	Remarks
County Assembly	173,412,145			
Public Service Management and Administration	163,684,123	100,895,740.66	62%	Over Expenditure on compensation
Finance	66,969,636	32,485,325.30	49%	Within the target
Agriculture	45,256,370	22,374,485.00	49%	Within the target
Livestock	30,182,308.00	16,214,009.00	54%	Off the target
Lands, Physical Planning and Urban Development	13,946,247.00	5,886,696.55	42%	Within the target
Education and Vocation training	66,766,690	32,841,711.64	49%	Within the target
Gender, Sports, Youth, Culture & Social services	11,107,400.00	3,530,639.00	32%	Within the target
Medical Services	680,000,000	380,397,001.65	56%	Off the target
Public Health, Environment, Sanitation and Water Services	53,315,296	28,681,706.95	54%	Off the target
Water	10,369,570	5,478,121.70	60%	Off the target
Trade, Enterprise Development, Tourism and Culture	9,938,306	4,591,196.90	46%	Within the target
Fisheries and Blue Economy	26,201,694	11,988,556.90	46%	Within the target
Roads, Transport, Infrastructure, Public Works and Energy	19,479,084.	8,849,019.60	45%	Within the target
Lamu municipality	25,397,378	8,771,216.10	35%	Within the target
Public Service Board	35,885,596	14,342,823.10	41%	Within the target
Grand TOTAL	1,430,035,915	677,328,250.05	54%	Off the target

Execution of the Development budget (July- December 2019);

The rate of execution in the development budget was only 3.7% of the annual budget. Spending was only executed in the second quarter of the financial year, due late budget and procurement plan approval.

Department /Entity	Expenditure July-Dec 2020	Approved Budget 2021	% Absorption
County Assembly	0	120,000,000	0%
County Executive	0	111,000,000	0%
Agriculture & Irrigation	2,632,147	260,582,998	1%
Land, Physical Planning	0	96,631,144	0%
Education, Gender, Sports, Youth, Culture & Social services	0	112,789,498	0%
Medical Services	51,007,628	295,442,576	17%
Trade, Tourism & Investment Development		17,500,000	0%
Livestock, Veterinary & Cooperative Development	2,998,800	14,992,582	20%
Water Management & Conservation	0	204,000,000	0%
Youth, Gender, Culture, Sports & Social Services	0	69,500,000	0%
Public Health Sanitation and Environment	0	6,000,000	0%
Fisheries Development	0	12,000,000	0%
Infrastructure and Energy	0	180,069,411	0%
Lamu Municipality	0	5,000,000	0%
GRAND TOTAL	56,638,575	1,505,508,209	3.7%

Livestock Department was the best spender of development expenditure at 20% followed closely by Health Services department at 17% and Agriculture at 1%. Nevertheless, all departments need to upscale their operational processes so as to improve the absorption rate of the development expenditure in this current half of the financial year.

Department	Recurrent expenditure 2020-21	Actual July-Dec 2020	% utilization
County Assembly	400,000,000.00	78,195,902.00	20%
County Executive	332,684,123.00	138,602,012.00	42%
Finance	118,119,636.00	47,631,848.00	40%
Agriculture & Irrigation	108,722,086.00	23,660,710.00	22%
Land, Physical Planning	26,138,961.00	8,462,038.00	32%
Education, Gender, Sports, Youth, Culture & Social services	211,416,690.00	97,395,057.00	46%
Medical Services	990,952,933.00	413,461,482.00	42%
Trade, Tourism & Investment Development	20,288,306.00	5,526,207.00	27%
Livestock, Veterinary & Cooperative Development	38,107,192.00	17,894,711.00	47%
Public Service Board	45,155,096.00	16,361,484.00	36%
Water Management & Conservation	24,834,570.00	15,370,016.00	62%
Youth, Gender, Culture, Sports & Social Services	23,757,400.00	6,051,049.00	25%
Public Health Sanitation and Environment	62,315,296.00	30,286,882.00	49%
Fisheries Development	32,882,174.00	10,621,733.00	32%
Infrastructure and Energy	34,116,205.00	12,406,894.00	36%
Lamu Municipality	32,077,858.00	9,981,076.00	31%
TOTAL	2,501,568,526.00	931,909,101.00	37%

2021 Lamu County Fiscal Strategy Paper

Fiscal Policy Outlook

The National government continues to undertake fiscal consolidation path so as to ensure debt sustainability and achieve a convergence with the East African Monetary Union's Protocol of 3.0 percent of the GDP. In the medium term the fiscal deficit is expected to decline from 7.7 percent of GDP in FY 2018/19 to 3.3 percent in FY 2023/24.

To achieve this, the government will continue limiting growth in recurrent expenditure and double efforts in domestic resource mobilization. The establishment of Public Investment Management (PIM) Unit at the National Treasury will play a great role in enhancing efficiency in identification and implementation of priority social and investment projects. This takes into account the Government's efforts to increase efficiency, effectiveness, transparency, and accountability of public spending. It will also curtail runaway project costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects.

The County Government takes cognisance of the fact that growth in equitable share revenues continues to dwindle. The county government will continue with the expenditure rationalisation approach, sustain the improvement in budget credibility through realistic OSR estimates and prudent financial management. Efforts to improve performance of the Own Source Revenues are underway, as contained in the Draft Lamu County Revenue Enhancement Strategy, 2019. Measures to improve the budget absorption rates and reduction of growth in pending bills are being instituted.

Economic Outlook

Growth in the emerging markets and developing economies is expected to pick up to 4.6 percent in 2020, from an estimated growth of 3.9 in 2019. Similarly, the sub-Saharan Africa region is expected to remain relatively robust growing by 3.6 percent in 2020 from 3.2 percent in 2019.

Despite the challenging environment, the Kenya's economy has remained resilient. The latest economic indicators in the third quarter of 2019 point to continued recovery that will culminate to an overall projected growth of about 5.9% in the FY 2019/20. Further projections indicate that economic growth will rise to 6.2% in FY 2020/21 and 6.9 percent by FY 2023/24.

The growth outlook for the FY 2019/20 and the medium term is supported by a stable macroeconomic environment, investments in the strategic areas under the “Big Four” Plan and their enablers, and existing business and consumer confidence in the economy. Further, the ongoing public investments in infrastructure projects, growth in tourism, resilient exports and the associated benefits from regional economic integration in the sub region will reinforce the projected growth.

The stability in the macroeconomic variables such as interest rates, exchange rate, inflation and GDP growth depict a conducive environment for economic performance both nationally and at the county level. In the medium term, the business environment at the County level is expected to stabilise, due to the stability in interest rates, inflation and exchange rates. This will lead to better revenue collection from trade licenses among other revenue sources. The good performance in the accommodation and tourism sector will also lead to improved collections in bed occupancy rates.

Risks to the Outlook

The Kenyan economy will continue to be exposed to risks arising from public expenditure pressures, particularly related to wage related recurrent expenditures and the inevitable climate change and variability which has enhanced the frequency of disaster such as landslides, droughts and destruction of physical infrastructure. Locust invasion witnessed in the country in late 2019 and early 2020 poses a risk to agricultural production and food security. These shocks are likely to have negative impact on energy generation and agricultural output leading to higher inflation that could slow down economic growth. At the County level, BBI Campaigns are likely to slow down County operations particularly performance of Own source revenues in the medium term.

The current outbreak of corona virus worldwide will also impact negatively on major tourist destinations across the country and Lamu County. This will affect the hospitality business with the expected decline in tourist arrivals hence adversely impacting employment and revenue generation within the County. The impact of the above outbreak therefore calls for additional allocation of funds to Health to cope with the imminent challenges associated with managing the outbreak.

II. INTERGOVERNMENTAL FISCAL RELATIONS AND DIVISION OF REVENUE

Introduction

Intergovernmental Relations a) PFM Institutions

The County has continuously worked closely with other PFM institutions. The National Treasury has continued to undertake capacity development of officers in the Lamu County Treasury on PFM related functions such as Accounting, Budgeting, Revenue Management and Intergovernmental Fiscal relations. The National Treasury continues to play a key role in budgetary implementation, through the management of the IFMIS modules as well providing advisory on the budget making process. Other PFM institutions such as the Controller of Budget (CoB), Commission on Revenue Allocation (CRA), Public Procurement Regulatory Authority (PPRA), Salaries and Remuneration Commission (SRC), Central Bank Kenya (CBK) and Office of the Auditor General (OAG) have had a close working interaction with the Lamu County Government. The County will continue working with these institutions to achieve improved budget outturns and strengthen financial processes.

b) Other Institutions

The Ministry of Devolution and ASAL continues to oversight the World Bank funded Kenya Devolution Support Programme (KDSP), which is performance for results grants whose objective is to improve capacities in PFM Systems, Planning Monitoring and Evaluation, Human Resource Management, Civic Education and Public Participation and Environmental and Social Safeguards.

The County Government has continued to implement projects under the 4-year Kenya Urban Support Programme (KUSP) grant by the World Bank whose goal is to support the establishment and strengthening of urban institutions & systems to deliver improved infrastructure and services in participating Counties, hosted by the Ministry of Transport Infrastructure Housing and Urban Development. The grant has seen the establishment of the one Municipal Boards i.e. Lamu municipal board and the implementation of the identified projects is on course. The County is also working closely with Technical and Vocational Education and Training Authority (TVETA) on Curriculum development to implement the Akira-ILO (International Labour Organization) Project, which seeks to train youth on identified skills to enable them meet requirements of the job market and increase employability.

Cash Disbursement and Expenditure by Lamu County Government

The share of funds received by Lamu County Government from the National Government has been increasing, but at a declining rate. In the FY 2018/2019 the County received a total of 15.8B as exchequer release compared to 12.9B in the FY 2017/18. The exchequer release comprised of Kshs 9.45B equitable share, Kshs 1.2B conditional grants and Kshs 6.7 Million donor grants. Expenditures by the County Government stood at 12.6B including debt repayment against a target of Kshs 18.5B (inclusive of rolled over resources) representing an under spending of Kshs.5.9B. The underutilization was attributed partly to a shortfall in local revenue of Kshs 142M, and delay by National Treasury in disbursing funds to the County Governments.

Revenue Allocation to the County Government for the Year 2021/2022

The Commission on Revenue Allocation has released the recommendation on the basis for equitable sharing of revenue between national and county governments for the financial year 2021/2022. The submission was delayed by 15 days to enable

the Commission build consensus with Parliament, the Council of Governors and the National Treasury.

Following the provisions of Article 216(1)(a) and Article 203(1) of the Constitution, and the projected revenue performance in 2021/22, the commission recommends that; out of projected shareable revenue of Kshs. 1,813.7 billion, and the projected Road Maintenance Levy Fund of Kshs. 65.13 billion, the national government be allocated Kshs. 1,443.7 billion and county governments Kshs. 370 billion.

The allocation of Kshs. 370 billion to county governments constitutes the following:

A baseline equitable share allocation of Kshs. 316.5 billion,

Unconditional allocation of Kshs. 17.02 billion to be shared by all counties. These allocations were previously allocated as conditional grants for health, roads and education, and

Transfer of Kshs. 36.48 billion to counties from Ministries, Departments and Agencies in the national government for performance of concurrent functions in the areas of health, crop development, livestock, fisheries, water, irrigation and sanitation.

Further, in accordance with the provision of the PFMA 2012 Section 190(b), the Commission presents the determination of each county's equitable share based on the Third Basis for revenue sharing approved by Parliament in September 2020.

The expected allocations to each county are as shown in Table 1:

Table 1: Allocations to Each county for FY 2020/21 and 2021/22

(Kshs. Millions)

No	County	2019/20 Allocation Index	2020/21 Allocation Kshs. Million	Third Basis Allocation Index	2021/22 Allocation Kshs. Million
1	Baringo	0.016	5,097	0.017	6,318



No	County	2019/20 Allocation Index	2020/21 Allocation Kshs. Million	Third Basis Allocation Index	2021/22 Allocation Kshs. Million
2	Bomet	0.017	5,499	0.018	6,655
3	Bungoma	0.028	8,900	0.029	10,630
4	Busia	0.019	6,015	0.019	7,155
5	Elgeyo-Marakwet	0.012	3,851	0.012	4,589
6	Embu	0.014	4,297	0.014	5,109
7	Garissa	0.022	7,023	0.022	7,962
8	Homa-Bay	0.021	6,745	0.021	7,817
9	Isiolo	0.013	4,250	0.013	4,747
10	Kajiado	0.020	6,419	0.021	7,895
11	Kakamega	0.033	10,418	0.033	12,365
12	Kericho	0.017	5,382	0.017	6,414
13	Kiambu	0.030	9,444	0.031	11,638
14	Kilifi	0.033	10,440	0.032	11,711
15	Kirinyaga	0.013	4,254	0.014	5,174
16	Kisii	0.025	7,772	0.024	8,912
17	Kisumu	0.022	6,836	0.022	8,022
18	Kitui	0.028	8,826	0.028	10,383
19	Kwale	0.025	7,787	0.023	8,372
20	Laikipia	0.013	4,166	0.014	5,097
21	Lamu	0.008	2,585	0.008	3,090
22	Machakos	0.024	7,753	0.025	9,149
23	Makueni	0.023	7,398	0.022	8,195

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No	County	2019/20 Allocation Index	2020/21 Allocation Kshs. Million	Third Basis Allocation Index	2021/22 Allocation Kshs. Million
24	Mandera	0.032	10,228	0.031	11,289
25	Marsabit	0.021	6,767	0.020	7,355
26	Meru	0.025	8,054	0.026	9,491
27	Migori	0.021	6,765	0.022	7,990
28	Mombasa	0.022	7,058	0.021	7,653
29	Murang'a	0.020	6,295	0.019	7,201
30	Nairobi City	0.050	15,921	0.052	19,169
31	Nakuru	0.033	10,473	0.035	12,926
32	Nandi	0.017	5,360	0.019	6,904
33	Narok	0.025	8,027	0.024	8,908
34	Nyamira	0.015	4,826	0.014	5,206
35	Nyandarua	0.015	4,880	0.015	5,677
36	Nyeri	0.017	5,409	0.017	6,239
37	Samburu	0.015	4,625	0.015	5,377
38	Siaya	0.018	5,807	0.019	6,951
39	Taita-Taveta	0.013	4,244	0.013	4,858
40	Tana-River	0.018	5,851	0.018	6,566
41	Tharaka-Nithi	0.012	3,938	0.012	4,269
42	Trans-Nzoia	0.018	5,751	0.019	7,124
43	Turkana	0.033	10,549	0.034	12,579
44	Uasin-Gishu	0.020	6,335	0.022	7,987
45	Vihiga	0.015	4,660	0.014	5,119

2021 Lamu County Fiscal Strategy Paper



No	County	2019/20 Allocation Index	2020/21 Allocation Kshs. Million	Third Basis Allocation Index	2021/22 Allocation Kshs. Million
46	Wajir	0.027	8,531	0.026	9,531
47	West Pokot	0.016	4,988	0.017	6,233
	Totals	1	316,500	1	370,000



Based on the recommendation of the CRA , intergovernmental Budget and Economic Council (IBEC) meeting where an equitable share allocation of Sh370 billion to devolved units was agreed. Counties will now receive a total of Sh409.88 billion in the next financial year.

The figure comprises of an equitable share of Sh370 billion, conditional allocations of Sh7.53 billion and proceeds of loans and grants from development partners of Sh32.34 billion.

The Commission had recommended in its vertical recommendation that the national government be allocated Kshs. 1,443.7 billion and county governments Kshs. 370 billion.

The BPS 2021 also affirmed the figures and shown in the table below

Table 3.3: Allocation of funds to County Governments

County	FY 2020/21		FY 2021/22				
	Equitable Share	Total Allocations	Equitable Share	Leasing of Medical Equipment	Supplement for construction of county headquarters	Loans & Grants	Total Allocations
Baringo	5,095,650,000	5,880,165,336	6,369,394,592	153,297,872	-	528,317,166	7,051,009,630
Bomet	5,507,100,000	6,339,448,706	6,691,099,118	153,297,872	-	653,181,658	7,497,578,649
Bungoma	8,893,650,000	9,833,542,420	10,659,435,192	153,297,872	-	542,772,196	11,355,505,261
Busia	6,013,500,000	6,954,326,086	7,172,162,009	153,297,872	-	447,133,112	7,772,592,993
Elgeyo/Marakwet	3,861,300,000	4,596,507,046	4,606,532,480	153,297,872	-	702,054,383	5,461,884,736
Embu	4,304,400,000	5,555,658,318	5,125,243,762	153,297,872	-	453,821,524	5,732,363,158
Garissa	7,026,300,000	8,678,125,728	7,927,212,254	153,297,872	-	1,087,727,785	9,168,237,911
Homa Bay	6,741,450,000	7,446,401,693	7,805,353,300	153,297,872	-	454,463,421	8,413,114,593
Isiolo	4,241,100,000	5,120,275,033	4,710,388,265	153,297,872	68,000,000	592,196,554	5,523,882,692
Kajiado	6,424,950,000	7,321,035,775	7,954,768,229	153,297,872	-	576,204,540	8,684,270,641
Kakamega	10,412,850,000	12,071,076,824	12,389,412,168	153,297,872	-	691,090,920	13,233,800,961
Kericho	5,380,500,000	6,223,833,520	6,430,664,924	153,297,872	-	569,054,323	7,153,017,119
Kiambu	9,431,700,000	11,261,306,292	11,717,525,720	153,297,872	-	589,239,254	12,460,062,846
Kilifi	10,444,500,000	12,409,990,143	11,641,592,941	153,297,872	-	2,154,008,617	13,948,899,430
Kirinyanga	4,241,100,000	4,865,340,074	5,196,177,952	153,297,872	-	573,638,600	5,923,114,424
Kisii	7,785,900,000	9,061,552,984	8,894,274,509	153,297,872	-	575,643,577	9,623,215,959
Kisumu	6,836,400,000	8,033,628,577	8,026,139,240	153,297,872	-	769,632,733	8,949,069,846
Kitui	8,830,350,000	9,695,879,359	10,393,970,413	153,297,872	-	505,225,111	11,052,493,396
Kwale	7,785,900,000	8,823,453,651	8,265,585,516	153,297,872	-	1,084,696,427	9,503,579,815
Laikipia	4,177,800,000	5,526,633,848	5,136,265,679	153,297,872	-	594,808,504	5,884,372,056

County	FY 2020/21		FY 2021/22				
	Equitable Share	Total Allocations	Equitable Share	Leasing of Medical Equipment	Supplement for construction of county headquarters	Loans & Grants	Total Allocations
Lamu	2,595,300,000	3,523,749,334	3,105,649,643	153,297,872	38,000,000	387,821,812	3,684,769,327
Machakos	7,754,250,000	9,287,150,405	9,162,304,232	153,297,872	-	563,831,924	9,879,434,029
Makueni	7,406,100,000	8,105,206,754	8,132,783,562	153,297,872	-	600,213,719	8,886,295,153
Mandera	10,222,950,000	11,381,399,554	11,190,382,598	153,297,872	-	607,418,422	11,951,098,893
Marsabit	6,773,100,000	7,839,021,408	7,277,004,032	153,297,872	-	753,314,489	8,183,616,394
Meru	8,039,100,000	9,260,297,120	9,493,857,338	153,297,872	-	778,344,871	10,425,500,081
Migori	6,773,100,000	7,595,254,316	8,005,020,448	153,297,872	-	391,091,244	8,549,409,564
Mombasa	7,057,950,000	9,514,152,602	7,567,354,061	153,297,872	-	1,313,902,680	9,034,554,613
Muranga	6,298,350,000	7,322,433,496	7,180,155,855	153,297,872	-	454,929,372	7,788,383,100
Nairobi	15,919,950,000	16,821,211,333	19,249,677,414	153,297,872	-	866,791,349	20,269,766,635
Nakuru	10,476,150,000	10,977,135,117	13,026,116,323	153,297,872	-	819,285,259	13,998,699,455
Nandi	5,348,850,000	6,152,668,439	6,990,869,041	153,297,872	-	524,798,208	7,668,965,121
Narok	8,039,100,000	7,906,596,496	8,844,789,456	153,297,872	-	645,965,988	9,644,053,316
Nyamira	4,810,800,000	5,806,733,915	5,135,340,036	153,297,872	-	563,367,518	5,852,005,426
Nyandarua	4,874,100,000	5,762,539,367	5,670,444,228	153,297,872	75,000,000	683,889,689	6,582,631,790
Nyeri	5,412,150,000	6,263,385,520	6,228,728,555	153,297,872	-	680,265,672	7,062,292,099
Samburu	4,620,900,000	4,590,294,565	5,371,346,037	153,297,872	-	470,939,351	5,995,583,260
Siaya	5,791,950,000	6,710,440,949	6,966,507,531	153,297,872	-	540,152,675	7,659,958,078
Taita Taveta	4,241,100,000	5,519,594,190	4,842,174,698	153,297,872	-	1,379,682,318	6,375,154,888
Tana River	5,855,250,000	6,521,823,253	6,528,408,765	153,297,872	75,000,000	468,563,507	7,225,270,145

County	FY 2020/21		FY 2021/22				
	Equitable Share	Total Allocations	Equitable Share	Leasing of Medical Equipment	Supplement for construction of county headquarters	Loans & Grants	Total Allocations
Tharaka Nithi	3,924,600,000	4,717,212,945	4,214,198,593	153,297,872	76,000,000	600,288,742	5,043,785,208
Trans Nzoia	5,760,300,000	6,525,089,184	7,186,157,670	153,297,872	-	571,686,484	7,911,142,026
Turkana	10,539,450,000	11,866,451,561	12,609,305,994	153,297,872	-	786,247,615	13,548,851,481
Uasin Gishu	6,330,000,000	6,922,543,525	8,068,858,318	153,297,872	-	608,853,967	8,831,010,157
Vihiga	4,652,550,000	5,263,791,000	5,067,356,827	153,297,872	-	417,314,928	5,637,969,628
Wajir	8,545,500,000	9,833,975,708	9,474,726,151	153,297,872	-	1,160,065,181	10,788,089,205
West Pokot	5,000,700,000	5,814,279,682	6,297,284,329	153,297,872	-	559,953,126	7,010,535,327
GRAND TOTAL	316,500,000,000	369,868,613,151	370,000,000,000	7,205,000,000	332,000,000	32,343,890,512	409,880,890,515

Source: BPS 2021

According to the BPS 2021, equitable share allocation to Counties has been increased to Kshs. 370 B for the 47 counties versus an allocation of Ksh. 1,443.7 trillion to the National Government.

Allocation on Equitable Share

Lamu County will receive a total allocation of Kshs 3,684,769,327 comprising an equitable share of Kshs 3,105,649,643.

Allocation for Leasing of Medical Equipment of Kshs. 153,297,872

The grant is intended to facilitate the leasing of modern specialized medical equipment in at least two health facilities in each County over the medium term. The intention is to facilitate easy access to specialized health care services and significantly reduce the distance that Citizens travel in search of such services. Lamu and FAZA hospitals were the beneficiaries of these equipment. This grant is managed by the National Government on behalf of the County Governments.

Loans and Grants amounting to Kshs. 387,821,812

The County will receive an amount of Ksh. 387m from donors for various programmes under KDSP, Health, Kenya Urban Support Programme and the Agriculture sector.

IV. 2021/2022 BUDGET FRAMEWORK AND THE MEDIUM TERM

Fiscal Framework Summary

The 2021/2022-2023/2024 medium-term expenditure framework will continue to be premised on fiscal consolidation strategy which aims at directing resources to the most productive areas and growth enhancing sectors. This is in line with programmes outlined in the CIDP 2018-2022 and County efforts in complementing the MTP III and the Big Four Agenda by the National Government. Efforts will also be intensified to increase own source revenue for sustainability of our development programmes. The county will in the meanwhile continue to engage with development partners through its external mobilization unit to raise additional funding to compliment her effort in meeting additional financial requirement for development programmes.

The County Government will continue to rationalize expenditures by cutting those that are non- priority through its fiscal rationalization and consolidation strategy. These may include slowing down or reprioritizing operational expenditures in order for the Government to live within its means. Resource allocation to county departments and entities will be premised on sustainability affordability and strict prioritization especially with reference to establishment of new funds and development programmes. This will ensure that more outputs and outcomes will be achieved at existing or lower resource level by County Department/Entities.

Revenue Projections for FY 2021 -22

REVENUE STREAM	Amount(Kshs)
Equitable share	3,106,649,643
local revenue	120,000,000
Supplement for Construction of county HQs	38,000,000
Loans and Grants	387,821,812
TOTAL Budget	3,652,471,455

Expenditure Projections

In pursuing a balanced budget, the County Government has projected that overall expenditure will equal the forecasted County receipts for FY 2021/2022. In this regard the County Government total expenditure will reach Ksh 3,652,471,455. Compensation to employees will account for 44 percent of the total County budget approximately Ksh 1,603,986,976. The proportion of the County wage bill is above the envisaged level of 35 percent of total revenues as recommended in Section 25 of the PFM (County Government Regulations) 2015. The marginal growth in County Allocation for salaries and wages is mainly on account of natural rise in annual increments and implementation of the third phase of salary harmonization by SRC effected in July 2019. Further allocation for other recurrent expenditures will remain at the current level including the allocation to the County Executive and the County Assembly as proposed by CRA, a legally body.

The County allocation for development expenditure will stand at 32 percent in FY 2021/2022. Total County development expenditure will reach Ksh 1,167,321,812 which included Conditional grants, The County development expenditure needs will be primarily financed by the projected National transfers to County Government (the equitable share and the conditional grants). An emergency allocation of Ksh 5 Million has been provided in the Finance department to cater for County unforeseen expenditure pursuant to section 110 of the PFM Act 2012.

Deficit Financing

Reflecting on the projected revenue and planned expenditure the fiscal deficit is projected to be nil. In line with the PFM Act 2012 borrowing can only be made to undertake development projects in line with the framework developed between the National and County Governments. Given this underlying reason the County has projected a balanced budget with projected expenditure fully funded by

own source revenues, transfers from National Government and approved donor support.

Overall Budget financing

The National Government has adopted cautious and pessimistic approach in forecasting revenues for FY2021/22 and the medium term to manage expectations and improve budget credibility. Fiscal policy over the medium-term aims at enhancing revenue mobilisation and furthering the fiscal consolidation plan to reduce budget deficit and strengthen our pending bill resolutions position while supporting our development programmes. The County Government will replicate this approach in estimating OSR to improve budget credibility as was the case in FY2019/2020.

Budgetary Allocations for the FY 2021/2022 and the Medium Term

The budgetary allocations to the two arms of Government including sharable revenues to County Governments is summarized in the **Table 4.1** below:

FY 2021/22 and Medium-Term Budget Priorities

The County Government is committed to implementing priority programmes under the CIDP 2018-2022 to enhance economic prosperity for County residents while taking into account the need to optimize use of taxes and other resources during the planned period.

The County Government will in this regard develop a framework for better quality services based on strong links between resources, budgeting, monitoring and clear expectations for delivering planned outcomes.

The Medium-Term Budget for 2021/22 – 2023/24 will primarily focus on priority programmes espoused in the CIDP 2018-2022, the Governors manifesto, the BIG FOUR AGENDA, whilst consolidating earlier gains. The above priorities

notwithstanding, the County Government will continuously strive to ensure that public spending leads to high quality outcomes. Consequently, the medium-term spending programme will continue to focus on the quality of public spending.

Overall the medium-term budget framework will focus on sustainability, affordability and strict prioritization in resource allocation. To achieve this, the County will ensure that spending is directed towards the most critical needs of the country and is well utilized. The county will also ensure that more outputs and outcomes are achieved with existing or lower level of resources and County Department/Entities request for resources are realistic and take into account the resource constraints, in light of the Government's fiscal consolidation policy. The County will continue allocating a large portion of its resources to key priority social sectors like Agriculture, Infrastructure, Education and Health, while also refocusing its attention to other equally important sectors like tourism and the existing and emerging urban areas. The later focus will be aimed at attracting investors for sustainability and resilience of urban areas in service provision. By investing in these sectors, the County Government is working to reduce infrastructure gaps, improve food security, enhance access to universal health care and attain job creation as envisioned in the National Government's Big Four Agenda.

In respect to the development agenda and economic interventions, resource allocation will be aligned to the County Government's special focus areas including:

- I. **Health** – The provision of accessible and affordable health care to all by adopting the world health organization standards of strategic location of health facilities within the defined parameters. This will improve access to quality health care while aiding the implementation of UHC.
- II. **Enhancing investment opportunities and promoting tourism within the County** - through robust investment campaign and allocation of addition resources for sustainable development and employment creation.

- III. **Environment management and water Reticulation**-Ensuring environmental protection and proper waste management for sustainable development. The County will also undertake to avail and improve water reticulation for its residents.
- IV. **Agriculture, fisheries and Livestock** – Additional resources will be provided for sustainable development, improved agricultural productivity, promotion of value addition and ensuring food security to compliment the Big Four Agenda being championed by the National Government.
- V. **Infrastructure and ICT** – The county government will continue to scale up investment in road network by opening up of new roads, construction and maintenance of road devolved to counties. This is in addition to leveraging on technology to enhance county operations and security.
- VI. **Public Service and Good Governance** – deepen good governance practices including operationalization of the audit committee, CBEF and entrenching performance contracting.

Criteria for Resource Allocation

The FY 2021/22 Medium-Term Budget will be finalized after County Assembly approval, and thorough scrutiny to curtail spending on no productive areas and ensure resources are directed to priority programmes. The following criteria will serve as a guide for allocating resources:

- Completion of the ongoing projects
- Linkage of Programmes to Post-Covid-19 Economic Stimulus Programme (PC-ESP);
- Linkage of Programmes to the 'Big Four' Plan either as drivers or enablers;
- Linkage of the programme with the objectives of Third Medium-Term Plan of Vision 2030;

- Degree to which the programme is addressing the core mandate of the
- Departments;
- Cost effectiveness and sustainability of the programme;
- Requirements for furtherance and implementation of the Constitution; and
- Meeting debt service obligations as a first charge.

Detailed budgets will be scrutinized and should additional resources become available in the process of firming up the resource envelope, the Government will redirect them to inadequately funded strategic priorities.

The baseline estimates reflect the current Departmental spending levels in sector programmes and provisions for new Entities of Municipalities. In the recurrent expenditure category, non-discretionary expenditures take first charge. These include payment of salaries and wages, pending bills and allocation to recurrent expenditure of the Executive and County Assembly as provided through CRA advisory.

The baseline estimates for development is in compliance with fiscal responsibility of allocating at least 30% to total resources and Regulation 32(1) of the PFM Regulations 2015.

In addition, development expenditures have been shared out on the basis of the flagship projects in 2018-2022 CIDP, the Kenya Urban Support Programmes and projects complimenting the Big Four Agenda.

The following criteria was used in apportioning capital budget:

- Emphasis will be given to completion of multiyear/ongoing capital projects in particular infrastructure projects currently being undertaken
- Priority was also given to adequate allocations for donor counterpart funds. Donor counterpart funds are the portion that the Government must finance in support of the projects financed by development partners.

- Department/sector strategic needs that contribute greatly in addressing county's socio-economic needs and those complementing the Big four Agenda.

In this document, the ceilings on employee costs including estimates of pension under New County Contributory Scheme of 2019 are provided separately alongside the recurrent estimates and development estimates. The ceilings are further provided on the basis of programmes adopted by the County for purposes of entrenching programme-based budgeting. The 2020 CBROP provided the indicative ceilings which have been firmed up in this document.

Finalization of Spending Plans

The finalization of the detailed budgets will entail thorough scrutiny for expenditure rationalization to ensure that resources are directed to priority programmes. Since detailed budgets are scrutinized and the resource envelope firmed up, in the event that additional resources become available, the County Government will utilize them to accommodate key priorities. The following will be prioritized:

- Interventions identified during the stakeholders' consultation for the FY 2021/2022 budget and over the medium term.
- Strategic interventions in the area of governance, revenue enhancement, food security, universal health care, and infrastructural development.
- Specific consideration to enhance job creation for county residents based on sound initiatives including attracting investments and promotion of tourism.

Details of Sector Priorities

The medium-term expenditure framework for 2021/2022 – 2023/2024 ensures resource allocation based on prioritized programmes aligned to the CIDP 2018/2022. It also focuses on strategic policy initiatives of the new administration to accelerate growth, employment creation and economic prosperity.

Table 4.3 below provides the projected baseline ceilings for the FY 2020/2021 and the medium term, classified by sector.

Table 4.3: Medium Term Sector Ceilings 2021/2022-2023/2024

SUB SECTOR	APPROVED	CFSP CEILINGS	PROJECTIONS	
	ESTIMATES			
	FY 2020/2021	2021/2022	2022/2023	2023/2024
Agriculture, Livestock and Cooperative Development				
Employees Compensation to	75,438,678	80,056,370	84,059,189	88,262,148
Other Recurrent	16,642,728	22,775,001	23,913,751	25,109,439
Conditional grants		387,821,812	407,212,903	427,573,548
Development Gross	47,000,000	75,000,000	78,750,000	82,687,500
Sub Total	139,081,406	565,653,183	593,935,842	623,632,634
Economy				
Employees Compensation to	26,201,694	27,600,000	28,980,000	30,429,000
Other Recurrent	6,680,480	8,097,000	8,501,850	8,926,943
Development Gross	12,000,000	20,000,000	21,000,000	22,050,000
Sub Total	44,882,174	55,697,000	58,481,850	61,405,943
	183,963,580	0	257,465,029	685,038,577
Lands, Physical Planning and Housing				
Employees Compensation to	13,946,247	15,000,000	15,750,000	16,537,500
Other Recurrent	12,192,714	12,000,000	12,600,000	13,230,000
Development Gross	96,631,144	40,000,000	42,000,000	44,100,000
Sub Total	122,770,105	67,000,000	70,350,000	73,867,500
	306,733,685	688,350,183	722,767,692	758,906,077
Education & Vocational Training				

Employees	Compensation to	66,766,690	83,000,000	87,150,000	91,507,500
	Other Recurrent	144,650,000	135,000,000	141,750,000	148,837,500
	Development Gross	87,399,894	90,000,000	94,500,000	99,225,000
	Sub Total	298,816,584	308,000,000	323,400,000	339,570,000
		298,816,584	308,000,000	323,400,000	339,570,000
Youth, Sports, Culture and Social Services.					
Employees	Compensation to	11,107,400	7,200,000	7,560,000	7,938,000
	Other Recurrent	12,650,000	10,000,000	10,500,000	11,025,000
	Development Gross	38,500,000	30,000,000	31,500,000	33,075,000
	Sub Total	62,257,400	47,200,000	49,560,000	52,038,000
		62,257,400	47,200,000	49,560,000	52,038,000
Infrastructure					
Employees	Compensation to	19,479,084	19,300,993	20,266,043	21,279,345
	Other Recurrent	14,637,121	16,000,000	16,800,000	17,640,000
	Development Gross	155,069,411	120,000,000	126,000,000	132,300,000
	Sub Total	189,185,616	155,300,993	163,066,043	171,219,345
ICT and E-Government					
Employees	Compensation to			0	0
	Other Recurrent			0	0
	Development Gross			0	0
	Sub Total	0	0	0	0
		189,185,616	155,300,993	163,066,043	171,219,345
Water, Environment, Energy and Natural Resources					

Employees	Compensation to	9,058,620	9,360,000	9,828,000	10,319,400
	Other Recurrent	15,775,950	20,000,000	21,000,000	22,050,000
	Development Gross	60,000,000	60,000,000	63,000,000	66,150,000
	Sub Total	84,834,570	89,360,000	93,828,000	98,519,400
		84,834,570	89,360,000	93,828,000	98,519,400
Trade, Industry, Marketing and Tourism					
Employees	Compensation to	9,938,306	12,780,000	13,419,000	14,089,950
	Other Recurrent	10,350,000	10,630,000	11,161,500	11,719,575
	Development Gross	17,500,000	40,000,000	42,000,000	44,100,000
	Sub Total	37,788,306	63,410,000	66,580,500	69,909,525
		37,788,306	63,410,000	66,580,500	69,909,525
Health Services					
Employees	Compensation to	680,000,000	740,000,000	777,000,000	815,850,000
	Other Recurrent	169,360,265	175,128,126	183,884,532	193,078,759
	Development Gross	183,100,000	167,000,000	175,350,000	184,117,500
	Sub Total	1,032,460,265	1,082,128,126	1,136,234,532	1,193,046,259
Employees	Compensation to	53,315,296	57,000,000	59,850,000	62,842,500
	Other Recurrent	9,000,000	9,000,000	9,450,000	9,922,500
	Development Gross	6,000,000	7,500,000	7,875,000	8,268,750
	Sub Total	68,315,296	73,500,000.00	77,175,000	81,033,750
		1,100,775,561	1,155,628,126	1,213,409,532	1,274,080,009

Office of the Governor and Deputy Governor				
Employees Compensation to	163,684,123	205,820,948	216,111,995	226,917,595
Other Recurrent	124,000,000	163,000,000	171,150,000	179,707,500
Development Gross	61,000,000	35,000,000	20,000,000	10,000,000
Conditional grants	50,000,000	38,000,000	0	0-
Sub Total	398,684,123	441,820,948	407,261,995	416,625,095
County FINANCE				
Employees Compensation to	61,296,078	85,370,801	89,639,341	94,121,308
Other Recurrent	37,294,478	48,126,060	50,532,363	53,058,981
Development Gross	0	0	0	0
Emergency FUND	5,000,000	5,000,000	5,250,000	5,512,500
Sub Total	103,590,556	138,496,861	145,421,704	152,692,789
County Budget and Economic planning				
Employees Compensation to	5,609,080	8,276,264	8,690,077	9,124,581
Other Recurrent	8,920,000	12,026,000	12,627,300	13,258,665
Development Gross	0	0	0	0
Sub Total	14,529,080	20,302,264	21,317,377	22,383,246
County Public Service Board				
Employees Compensation to	35,385,096	37,000,000	38,850,000	40,792,500
Other Recurrent	9,770,000	11,000,000	11,550,000	12,127,500
Development Gross	0	0	0	0
Sub Total	45,155,096	48,000,000	50,400,000	52,920,000
Lamu Municipality				

Employees	Compensation to	25,397,378	21,221,600	22,282,680	23,396,814
	Other Recurrent	6,680,480	8,380,480	8,799,504	9,239,479
	Development Gross	5,000,000	7,000,000	7350000	7,717,500
	Sub Total	37,077,858.00	36,602,080	38,432,184	40,353,793
	Sub Total	37,077,858.00	36,602,080.00	38,432,184	40,353,793
County Assembly					
Employees	Compensation to	173,412,145	195,000,000	204,750,000	214,987,500
	Other Recurrent	226,587,855	215,000,000	225,750,000	237,037,500
	Development Gross	50,000,000	50,000,000	5,000,000	5,000,000
	Sub Total	450,000,000	460,000,000	435,500,000	457,025,000
		1,049,036,713	1,145,222,153	1,098,333,261	1,141,999,924
Total Recurrent Gross			2,485,149,643	2,609,407,125	2,677,112,481
Total Development Gross		636,100,449	1,167,321,812	1,121,537,903	1,229,129,798
GRAND TOTAL		3,129,428,435	3,652,471,455	3,730,945,028	3,906,242,279

Agriculture, Rural and Urban Development Sector

The Sector plays a key role in the development agenda of the country through enhancing food and nutrition security; employment and wealth creation; foreign exchange earnings; security of land tenure and land management.

At the devolved level this Sector is comprised of two Sub Sectors including; Agriculture, Livestock and Fisheries and Land, Housing and Physical Planning. The sector is a major driver of the Country's economy on both levels of Government.

Priority areas in FY 2021-22 includes

- ✓ Procurement and distribution of seeds and seedlings to needy farmers
- ✓ Procurement of tractors
- ✓ Fisheries improvement programmes
- ✓ Livestock improvement programmes
- ✓ Kenya climate smart programme
- ✓ Supporting value chain programmes through Agriculture Sector Development Programme

In order to implement the prioritized programs, the Subsector has been allocated Kshs. **565,653,183**, Ksh. **593,935,842** and Kshs. **623,632,634** for the FY 2021/22, FY 2022/23 and FY 2023/24 respectively. In FY 2020/2021 Kshs 183,963,580 has been allocated to the subsector

Land, Housing and Physical Planning

The Land, Housing and Physical Planning Sub Sector comprises of two Directorates, Lands and Physical Planning; and Housing. Its vision is a secure and diversified human settlement. Its mission is to facilitate participatory planning, affordable housing and sustainable development of rural and urban areas.

The department has been undertaking planning and surveying of various lands and focus next FY will be completion of the various ongoing surveying and planning and processing and issuing of title deeds to the beneficiaries.

To realize these outcomes, the Sub Sector has been allocated Kshs. **67,000,000**, Kshs. **70,350,000** and Kshs. **73,867,500** in FY 2021/22, FY 2022/23 and FY 2023/24 respectively.

Environment Protection, Water and Natural Resources

The sector is comprised of the Department of Water, Environment, Energy and Natural Resources. The mandate of the sector includes environmental policy management, forest resource management, water resource management and sewerage services policy. The sector also undertakes conservation and protection of water wells and springs. The sector plays an important role in management of health safety measure in mines, and resource surveys and policy formulation on extractive industries.

During the period under review the sector implemented 196 No. water projects that contributed to increased water accessibility and coverage.

For the 2021/2022 – 2023/2024 MTEF period, the Sector has prioritized completion of various ongoing projects and giving conditional grant to LAWASCO.

To realize these outcomes, the Sector has been allocated Kshs. **89,360,000**, Kshs. 93,828,000 and Kshs 98,519,400 in FY 2021/22, FY 2022/23 and FY 2023/24 respectively

Energy, Infrastructure and Information, Communication and Technology Sector

County Government of Lamu recognizes Energy, Physical Infrastructure and ICT sector as a key enabler for sustained economic growth, development and poverty reduction. The Sector is made up two Sub Sectors namely Roads, Transport and Public Works and ICT and E-Government Sub Sector. The Sector aims to sustain and expand cost-effective public utility infrastructure facilities and services in the areas of road infrastructure, transport, communication and ICT in line with the priorities in the CIDP.

The sector aims at sustaining and expanding physical infrastructure to support a rapidly growing economy.

In order to implement the prioritized programs, the Sector has been allocated Kshs. **155,300,993**, Kshs. **163,066,043** and Kshs. **171,219,345** for the FY2021/22, FY2022/23 and FY2023/24 respectively.

Education Sector

The Sector is committed to the provision of quality education, vocational training, research and skills development for the youth, in order to contribute to meaningful engagement of the youth and entrepreneurial orientation for self-employment. The Sector is comprised of two Sub Sectors Namely Early Childhood Education and Vocational Training.

In the MTEF period FY2021/22 – 2023/24, the Sector has prioritized several programmes for implementation including recruitment of 112 ECDEs teachers, equipping of all ECD classrooms, rehabilitation of 20 classrooms, equip ECDs with outdoor equipment, induct teachers on new curriculum, increase number of ECD Centres under school feeding programmes to a tune of Ksh 100m under bursaries programme, equip VTCs, support recruit 58 trainers for quality service delivery.

In order to implement the prioritized programmes, the Sector has been allocated Kshs **308,000,000**, Kshs **323,400,000** and Kshs **339,570,000** for the FY 2021/2022, FY 2022/2023 and FY 2023/2024, respectively.

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Health Sector

Health is a shared function between the National Government and County Governments. The Sector is responsible for the provision and coordination of the health services which contributes to the overall productivity and economic development of the country. The Department of Health is the largest devolved unit in Lamu County with a current budgetary allocation reaching 30% of the

entire County budget. The sector's Vision is A Healthy County. Its mission is to provide integrated quality health services for all. With the move towards universal healthcare as envisioned in the Big Four Agenda, the Lamu County Health sector aims to upscale implementation of its core mandate to ensure that accessible and affordable healthcare is provided to the County residents.

During the 2021/22-2023/24 MTEF period, the Sector will build on the gains made in the previous MTEF period and prioritize provision of preventive and promotive health services and curative and rehabilitative services. Provision of these services is expected to spur the Sector towards achieving its goals in line with the National blueprint on health matters. Automation of health Medical /Records, HMIS and use of IT innovations will be an enabler of quality health service provision. The department will continue with the programme of maintaining the 20,000 household under universal health care and equipping of the existing health facilities

In order to implement the prioritized programmes, the Sector has been allocated **Kshs. 1,155,628,126**, **Kshs. 1,213,409,532** and **Kshs 1,274,080,009** for the FY 2021/2022, FY 2022/2023 and FY 2023/2024 respectively.

Social Protection, Culture and Recreation Sector

The Sector is mandated to promote sustainable employment, best labour practices, sports, gender equity, empowerment of communities and vulnerable groups, diverse cultures, heritage and arts.

In FY 2021-22 the department will prioritize youth, women and people with disability empowerment programmes and promotion and development of sports in the county.

In order to implement the prioritized programmes, the Sector has been allocated **Kshs. 47,200,000**, **Kshs 49,560,000** and **Kshs 52,038,000** for the FY 2021/2022, FY 2022/2023 and FY 2023/2024, respectively.

Public Administration and National/International Relations Sector

The Sector provides overall policy direction and leadership to the country, oversee the human resource function in the county public service, coordinate county policy formulation and implementation, resource mobilization, allocation and management, coordinating implementation of gender and youth policy and mainstreaming in county development, implementation of the national policy as well as oversight, monitoring, evaluation and reporting on the use of public resources and service delivery. The Sector is comprised of 7 Sub Sectors namely Office of the Governor & Deputy Governor, Finance & Economic Planning, Public Service, Training and Devolution, County Public Service Board, Lamu Municipality and County Assembly of Lamu. Some of the achievements arising from implementation of the Sector's planned programmes and outputs for the MTEF Period 2017/2018 – 2019/2020 included:

Full constitution of the County Executive Committee with the appointment of new CECM to fill vacant dockets, Annual State of the County speech addressed, formulation and composition of Lamu Municipal Board and their Secretariat, employment of new Officers to the County establishment. The Sector also spearheaded Performance Management in an effort to roll out performance contracting and performance appraisal system through vetting, quarterly review and annual evaluation. Performance contracts documents were prepared and vetted through the support of Council of Governors, KDSP and UNDP. The documents were later on signed at the level of County Executive members. The Sector also provided information through issuing nine treasury circulars and public notices on public participation in compliance with the Constitution.

The sector formulated statutory policy documents and ensured prudent financial management through internal controls, value for money in procurement, accounting for public finance spending, mobilization of own source revenue and transparent allocation of funds through budgeting for effective and efficient service delivery by all County Government Entities. Collection of own source revenue was improved from Ksh 82 M to Ksh 108 M an effort which the County Treasury targets to qualify for a share of 2% on fiscal effort a component of equitable allocation to County Governments. In the FY2021/22 – FY2023/24 MTEF, the Sector will focus on enhancing advisory on public policy for effective management of public affairs, management and implementation of contract staff audit report for rationalization of staff to improve efficiency of the public sector in service delivery. The Sector will also will undertake projects as stipulated in the CIDP.

The County Treasury Sub Sector will put in place measures to enhance revenue mobilization and ensure that all statutory documents are submitted to the County Assembly and other Entities as per the requisite directives/legislations.

Public Service, Training and Devolution Sub Sector will strive to improve coordination of service delivery at the Sub County and Ward Level by providing required facilities and facilitation which will enhance the image of the County Government at the grassroots and bring County services closer to the people. In order to mitigate Alcohol, drug and substance abuse that leads to non-performance, the Sub Sector intends to contain and control such addiction through rehabilitation of the affected at the workplace.

In liaison with CPSB, the Sub Sector will seek to equip the County with key personnel to provide the requisite leadership and direction in implementation of functions and to sustain optimal staff levels as well as the right mix of the necessary skills that meets the goal. Alternative dispute resolution mechanism will be initiated to fore stall influx of litigation to courts given cost implications.

Lamu Municipality Sub Sectors will embark on completion of Municipality Integrated Development Plan, Municipal Integrated Solid waste management plan and enhance awareness on environmental conservation.

County Assembly

The Sub sector of County Assembly seeks to promote democratic and accountable exercise of power in Lamu County through progressive legislation, faithful representation and effective public oversight.

During the MTEF period 2017/18 - 2019/20, the Sector made considerable achievement of the set targets for the programmes during the period under review. This includes but not limited to: facilitated the operationalization of key legislation including the legal, policy and regulatory frameworks and conducted oversight on County oversight, enhanced representation of the citizens for improved service delivery.

During the same period, the County Assembly was also able to undertake the construction of a new Office Block – at mokowe, complete the construction of a public gallery and Construction of Speakers residence.

During 2021/22 – 2023/24 MTEF period, the County Assembly plans to complete the Speakers House, prioritize the County Assembly mandates of legislation, oversight and oversight.

In order to achieve its targets in the FY2021/22 – FY2023/26, the County Assembly Subsector has been allocated Kshs 460,000,000, Kshs 435,000,000 billion and Kshs 450,000,000 respectively.

Public Participation/Sector Hearings and Involvement of Stakeholders

The law requires that the input of the public be taken into account before the Budget proposals are firmed up. Public participation provides an all-inclusive

avenue for identifying and prioritizing government projects and activities under the budgeting process by key stakeholders and the general public. In this regard the process commenced early in the budget preparation process with the release of budget guideline in August 2020, finalization of the 2020 Budget Review and Outlook Paper in October 2020 and engagement in all sector activities and meetings in November 2019. Public participation of CFSP was held between 28-31st of January 2020 with sector presentations being made. The PFM Act, 2012 section 25 (5) requires the County Treasury while preparing the County Fiscal Strategy Paper to seek views of various Stakeholders this took place during sector hearings in January. Other statutory Institutions for which the draft CFSP will be shared for their input and comments for comments are CRA and National Treasury. The County also made its submissions on the Draft 2021 BPS with regard to fiscal policy pronouncement and proposed County allocations for the FY 2021/2022 with specific emphasis to their effect on Lamu county planning and budgeting process.

V. CONCLUSION AND NEXT STEP

The set of policies outlined in this CFSP aims at striking a balance between changing circumstances and emerging issues. The fiscal policies are broadly in line with the CIDP 2018-2022 and the fiscal responsibility principles outlined in the PFM law. They are also consistent with the national strategic objectives outlined in the 2021 BPS 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 herein will guide the Sectors/Departments in finalizing and adjusting 2021/2022 - 2023/2024 Draft MTEF budget estimates.

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.

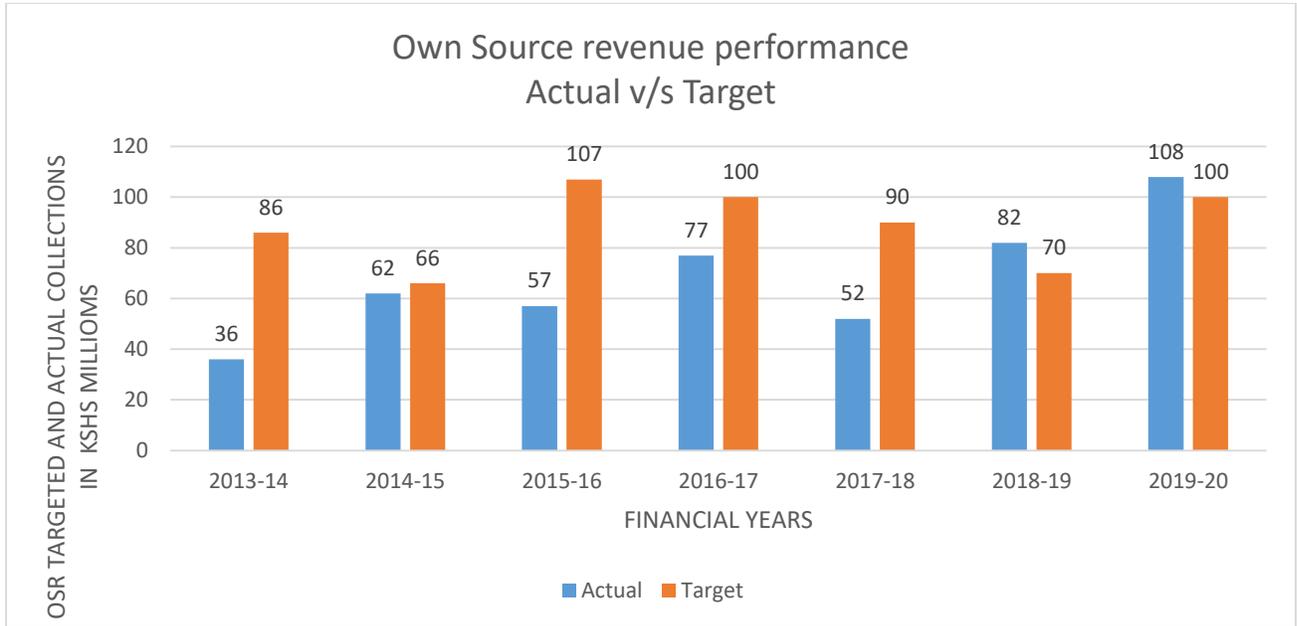
Going forward, and in view of the recent policy change involving reorganization of County Government functions that resulted into constitution of Municipal Boards and limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors and the new entities. Resource allocation and planning process will be modified in the context of the above realities while this paper will provide final ceilings for adjustment of the draft estimates and finalization of the budget process.

Proper implementation of the budget is thus critical towards providing services that will promote sustainable growth. Sustainability requires greater effort from all the stakeholders including County Government Departments, Civil Society, Communities, County Assembly and development partners to get things done. This means providing for continuous consultation, monitoring finding solutions and encouraging innovation to build a sustainable County.

Annex 1 : Trend in Growth of Equitable share of Revenue and Local Revenue (Base Year) FY2013/2014 – FY2021/2022

EXCHEQUER RECEIPTS TRENDS	ALLOCATION	GROWTH	% GROWTH
2013/2014 (Base Year)	1,500,755,102	1,500,755,102	100%
2014/2015	1,746,977,915	246,222,813	16%
2015/2016	2,051,883,746	304,905,831	17%
2016/2017	2,214,008,743	162,124,997	8%
2017/2018	2,476,400,000	262,391,257	12%
2018/2019	3,548,000,000	1,071,600,000	43%
2019/2020	2,595,300,000	-952,700,000	-27%
2020/2021	2,595,300,000	0	0%
2021/2022	3,105,649,643	510,349,643	20%

Annex 2: Trend in Growth of Own Source Revenue FY2013/2014 (Base Year) to FY2019/2020 VS Targeted amount.



Annex III: Total departmental Ceilings for the Period 2021/2022-2023/2024

PROPOSED VOTES TITLES	VOTE TITLE	PRINTED ESTIMATES 2020-21			2021/2022 DEPARTMENTAL PROPOSED CEILINGS				CONDITIONAL GRANTS	
		COMPENSATION TO EMPLOYEE	OPERATION & MAINTAINANCE	DEVELOPMENT	COMPENSATION TO EMPLOYEE	OPERATION & MAINTAINANCE	DEVELOPMENT	TOTAL	DEVELOPMENT	GROSS TOTAL
County Assembly	County Assembly	173,412,145	226,587,855	50,000,000	195,000,000	215,000,000	50,000,000	460,000,000		460,000,000
Public Service Management and Administration	County Executive	163,684,123	124,000,000	61,000,000	205,820,948	163,000,000	35,000,000	403,820,948	38,000,000	441,820,948
Finance	Finance, budget and economic planning	61,296,078	42,294,478	0	85,370,801	53,126,060	0	138,496,861		138,496,861
Budget, Strategy and Economic Planning	Budget and economic planning	5,609,080	8,920,000		8,276,264	12,026,000	0	20,302,264		20,302,264
Food Security and Cooperative Development	Agriculture & Irrigation	45,256,370	8,717,844	38,000,000	45,256,370	17,750,000	65,000,000	128,006,370	387,821,812	515,828,182
	Livestock, Veterinary & Cooperative Development	30,182,308.00	7,924,884.00	9,000,000	34,800,000	5,025,001	10,000,000	49,825,001		49,825,001
Lands, Physical Planning and Urban Development	Land and Physical Planning	13,946,247	12,192,714	96,631,144	15,000,000	12,000,000	40,000,000	67,000,000		67,000,000
Education, Technology and ICT	Education and Village Polytechnic	66,766,690	144,650,000	87,399,894	83,000,000	135,000,000	90,000,000	308,000,000		308,000,000
Gender, Sports, Youth, Culture & Social services	Gender, Sports, Youth & Social services	11,107,400	12,650,000	38,500,000	7,200,000	10,000,000	30,000,000	47,200,000		47,200,000
Medical Services	Medical Services	680,000,000	169,360,265	183,100,000	740,000,000	175,128,126	167,000,000	1,082,128,126		1,082,128,126
Public Health, Environment,	Sanitation and Environment	53,315,296	9,000,000	6,000,000	57,000,000	9,000,000	7,500,000	73,500,000		73,500,000

Sanitation and Water Services	Water Management & Conservation	9,058,620	15,775,950	60,000,000	9,360,000	20,000,000	60,000,000	89,360,000		89,360,000
Trade, Enterprise Development, Tourism and Culture	Trade, Tourism & Investment Development	9,938,306	10,350,000	17,500,000	12,780,000	10,630,000	40,000,000	63,410,000		63,410,000
Fisheries and Blue Economy	Fisheries Development	26,201,694	6,680,480	12,000,000	27,600,000	8,097,000	20,000,000	55,697,000		55,697,000
Roads, Transport, Infrastructure, Public Works and Energy	Infrastructure and Energy	19,479,084	14,637,121	155,069,411	19,300,993	16,000,000	120,000,000	155,300,993		155,300,993
Lamu municipality	Lamu municipality	25,397,378	6,680,480	5,000,000	21,221,600	8,380,480	7,000,000	36,602,080		36,602,080
Public Service Board	Public Service Board	35,385,096	9,770,000	0	37,000,000	11,000,000	0	48,000,000		48,000,000
	TOTAL	1,430,035,915	830,192,071	819,200,449	1,603,986,976	881,162,667	741,500,000	3,226,649,643	425,821,812	3,652,471,455
					44%	24%	20%	88%	12%	

Annex 3: Total Recurrent Expenditure Ceilings for the Period FY2021/2022-2023/2024

VOTE	APPROVED ESTIMATES 2020/2021	CFSP CEILINGS	PROJECTIONS	
		2021/2022	2022/2023	2023/2022
County Assembly	400,000,000	410,000,000	430,500,000	452,025,000
Public Service Management and Administration	287,684,123	368,820,948	387,261,995	406,625,095
Finance	103,590,556	138,496,861	145,421,704	152,692,789
Budget, Strategy and Economic Planning	14,529,080	20,302,264	21,317,377	22,383,246
Food Security and Cooperative Development	92,081,406	102,831,371	107,972,940	113,371,587
Lands, Physical Planning and Urban Development	26,138,961	27,000,000	28,350,000	29,767,500
Education, Technology and ICT	211,416,690	218,000,000	228,900,000	240,345,000
Gender, Sports, Youth, Culture & Social services	23,757,400	17,200,000	18,060,000	18,963,000
Medical Services	849,360,265	915,128,126	960,884,532	1,008,928,759
Public Health, Environment, Sanitation and Water Services	87,149,866	95,360,000	100,128,000	105,134,400
Trade, Enterprise Development, Tourism and Culture	20,288,306	23,410,000	24,580,500	25,809,525
Fisheries and Blue Economy	32,882,174	35,697,000	37,481,850	39,355,943
Roads, Transport, Infrastructure, Public Works and Energy	34,116,205	35,300,993	37,066,043	38,919,345
Lamu municipality	32,077,858	29,602,080	31,082,184	32,636,293
Public Service Board	45,155,096	48,000,000	50,400,000	52,920,000
SUB TOTAL	2,260,227,986	2,485,149,643	2,609,407,125	2,739,877,481

Annex V: Total Development Expenditure Ceilings for the Period FY 2021/2022-2023/2024

VOTE	APPROVED	CFSP CEILINGS			PROJECTIONS	
	ESTIMATES 2020/2021	2021/2022	CONDITIONAL GRANTS	TOTAL	2022/2023	2023/2022
County Assembly	50,000,000	50,000,000		50,000,000	5,000,000	5,000,000
Public Service Management and Administration	61,000,000	35,000,000	38,000,000	73,000,000	20,000,000	10,000,000
Food Security and Cooperative Development	47,000,000	75,000,000	387,821,812	462,821,812	78,750,000	82,687,500
Lands, Physical Planning and Urban Development	96,631,144	40,000,000		40,000,000	42,000,000	44,100,000
Education, Technology and ICT	87,399,894	90,000,000		90,000,000	94,500,000	99,225,000
Gender, Sports, Youth, Culture & Social services	38,500,000	30,000,000		30,000,000	31,500,000	33,075,000
Medical Services	183,100,000	167,000,000		167,000,000	175,350,000	184,117,500
Public Health, Environment, Sanitation and Water Services	66,000,000	67,500,000		67,500,000	70,875,000	74,418,750
Trade, Enterprise Development, Tourism and Culture	17,500,000	40,000,000		40,000,000	42,000,000	44,100,000

Fisheries and Blue Economy	12,000,000	20,000,000		20,000,000	21,000,000	22,050,000
Roads, Transport, Infrastructure, Public Works and Energy	155,069,411	120,000,000		120,000,000	126,000,000	132,300,000
Lamu municipality	5,000,000	7,000,000		7,000,000	7,350,000	7,717,500
SUB TOTAL	819,200,449.00	741,500,000	425,821,812	1,167,321,812	714,325,000	738,791,250

ANNEX VI: ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

In line with Article 201 of the Constitution of Kenya 2010, Section 107 of the Public Finance Management Act (PFMA), 2012 the County Government has adhered to the fiscal responsibility as envisaged in the aforementioned statutes.

1) The County Government's recurrent expenditure shall not exceed the County Government's total revenue

The County Government has always implemented a balanced budget and ensures that a maximum of 70 percent is allocated towards recurrent expenditure. Recurrent expenditures as per the proposed Estimates for the FY2021/22 have been 68 % of the total budget while development stands at 32%

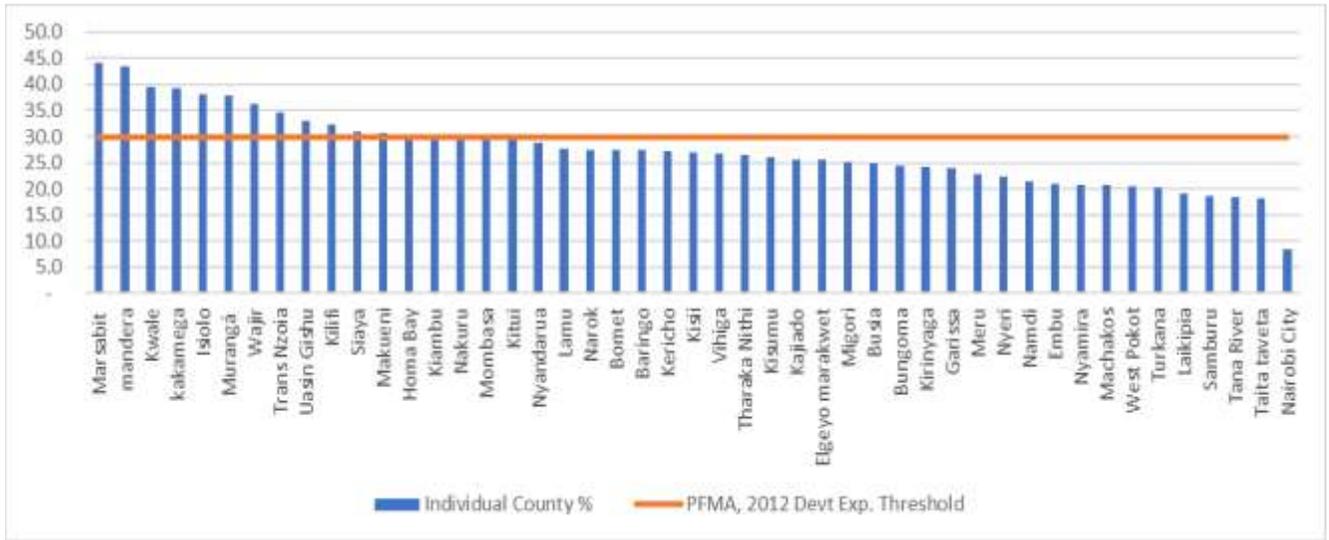
2) Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure

The County Government of Lamu has over time continued to adhere to the stipulated allocation requirement of a minimum of 30 percent to its development budget at the Budgeting Level. The budgeted allocation for development in the FY 2019/20 was KShs.2.2 billion (46.0 per cent) of the targeted Kasha 4,846,732,676 budget.

Nevertheless, it is important to acknowledge that despite this deliberate allocation, the actual development expenditure for the FY 2019/20 amounted to Kshs 843,612,458 (28 percent). This shortfall may be attributed but not limited to; lateness in approval of County Allocation of revenue Act 2019, Delay in Disbursement of funds by national treasury, procurement delays and challenges in the preparation of project designs and plans.

In the medium term, the County's allocation for development expenditure will stand at 32 percent in FY 2021/2021.

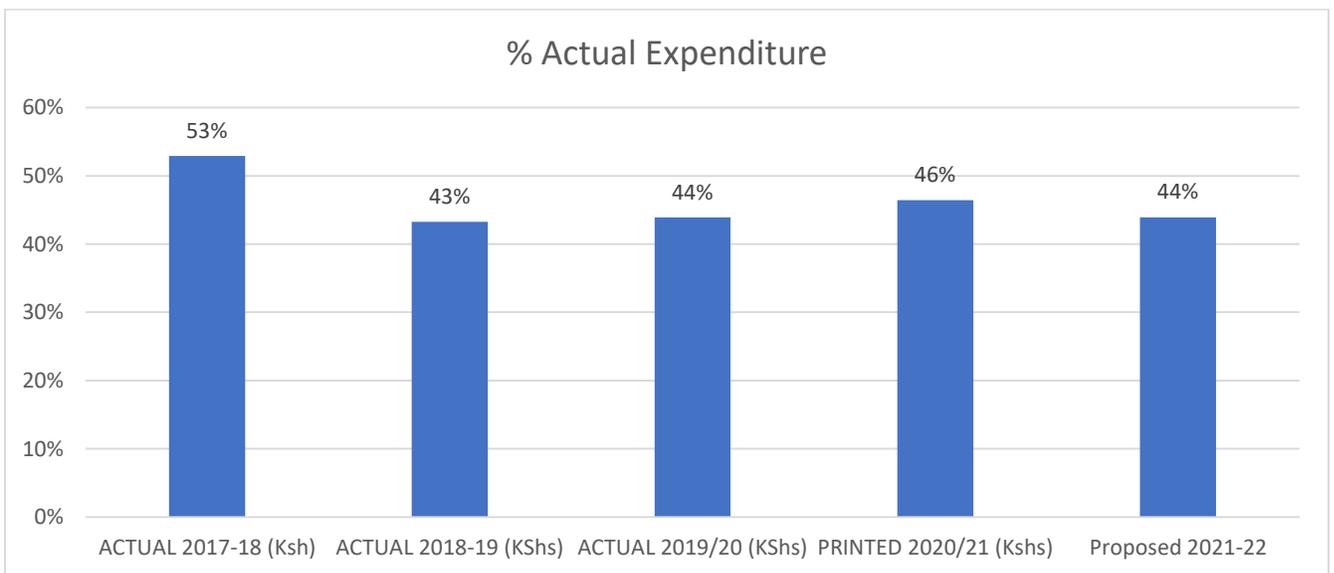
Figure 15: FY 2019/20 Development Expenditure as a Percentage of Total Expenditure



Source of Data: Controller of Budget

3) The County Government’s expenditure on wages and benefits for public officers shall not exceed a percentage of the County Government revenue as prescribed by the regulations.

Section 25(1) (b) of the PFM (County Governments) Regulations, 2015 requires that County Governments’ wage bill shall not exceed 35 percent of their total revenue.



In 2018/19, actual expenditure on wages and benefits for public officers amounted to Kshs 1,255,550,520 an increase in kshs 165,110,52 from the 2017/18 actual expenditure of Kshs 1,090,440,000. The Expenditure on wages and benefits has been increasing due to the needs to fill the serious gaps in staffing at technical

ECONOMIC CLASSIFICATION	ACTUAL 2017-18 (Ksh)	ACTUAL 2018-19 (KShs)	ACTUAL 2019/20 (KShs)	PRINTED 2020/21 (Kshs)	Proposed 2021-22
Personal Emoluments	1,090,440,000	1,255,550,520	1,340,099,049	1,430,035,915.00	1,603,986,976
Total Budget Estimates	2,061,020,000	2,902,223,680	3,052,495,707	3,079,428,435	3,652,471,455
% Actual Expenditure on wages	53%	43%	44%	46%	44%

levels. It is important to note that with the County's fully devolved functions such as Early Childhood Education, Health, Agriculture and Infrastructure development there is still increasing pressure for more personnel within these departments. This will be further exacerbated by the creation of the one municipal bonds, which might require additional staffing. In addition, other extraneous factors including worker CBAs, salary harmonization by the Salary and Remuneration Commission (SRC) and Court awards on employee compensations may impact negatively on the County wage bill in the years to come. The wage bill in the FY 2021/22 is estimated at 44% of the county budget.

It is expected that in light of this status Lamu County Government will continue to work towards rightsizing the County staff establishment to enable the County to be within the given legal thresholds. The entry of new County Public Service Board is also expected to assist in ensuring that prudent recruitment of new staff will be carried out.

4) Over the medium term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.

Lamu County Government has continued to ensure that it maintains a rationalized and balanced budget. Deliberate efforts exercised by the County enabled the clearance of any existing loans and as a result, the County is also working towards sorting the remainder of existing pending bills.

The County is committed to comply to this principle through ensuring that borrowings; if any will be informed by the County Debt Management Strategy Paper.

5) Public debt and obligations shall be maintained at a sustainable level as Approved by County Government (CG)

Section 107(2) and 107 (4) of the PFM Act provide guidance on matters concerning sustainable debt. It is expected that County debt be maintained at sustainable levels and does not exceed a percentage of its annual revenue in respect of each financial year by resolution of the County Assembly.

equals total expenditure with the aim of limiting the level of pending bills.

In addition, the focus will be on ensuring the reduction of current debt through servicing of pending bills.

6) Fiscal risks shall be managed prudently

The County Government has improved its macroeconomic forecasts and regularly reviews the impact of macroeconomic projections and its implications to the budget. The County government will continue to put measures in place to enhance revenue collection, majorly through automation and widening of revenue bases. Expenditure rationalization will also be continuously pursued.

7) 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 Government coordinates the collection of its local revenue to provide for revenue raising measures relating to County taxes, licenses, fees and charges through the preparation of the annual Finance Act. The County's realistic own source revenue targets have generally registered improvements in the County's revenue performance over the medium term.

The County intends to develop a revenue enhancement plan, implement proposed measures in OSR framework document developed by the National Treasury

ANNEX VII: STATEMENT OF SPECIFIC FISCAL RISKS

This section provides an assessment of fiscal risks that the County is exposed to that may affect the achievement of the macroeconomic targets and objectives detailed in this fiscal strategy paper. The fiscal risks arise from assumptions that underlie fiscal projections the growing wage bill, pending bills, magnitude of development projects, the pension scheme for staff among others.

- I. The continuous growth in share of compensation to employees poses the greatest fiscal risk yet to the County budget outlook in the next MTEF period. The County has overtime exceeded the fiscal responsibility of 35% in its expenditure on wages and benefits for public officers. This is likely to further be exacerbated by the growing needs among County Departments to recruit key technical staffs. The operationalization of the Lamu Municipal Boards might also require additional staffing.
- II. Roll over of projects continue to expose the County to various risks including; completion, political and reputational risk due to increased magnitude of projects to be implemented in a subsequent year. This also increases the possibility of redundancy and obsolescence as a result of projects losing relevance due to prolonged period to completion. This phenomenon invokes non-compliance to the Value of Money principle.
- III. At the County level, BBI Campaigns if they spill over to the next FY are likely to slow down County operations particularly performance of Own source revenues, in the medium term. The transitional period will also pose a high staff turnover, leading to disruption of service delivery.
- IV. At the national level, increasing level of national debt, shift to commercial debt and the consequent debt servicing costs will impact negatively on the funds allocated to Counties, due to reduction in shareable revenues.

The growth in equitable share to County Governments has been dwindling over time.

- V. Operationalization of the contributory pension scheme for staff devolved from the national government who were previously under the non-contributory scheme in line with County Government Retirement Benefit Scheme Act of September 2019 may pose a risk to the County.
- VI. The operationalization of the recently established Lamu Municipal Boards poses a risk of increase in the County's recurrent expenditure.

**Annex VIII: Sector Composition and Sector Working Groups for MTEF Budget
2021/2022-2023/2024**

CLASSIFICATION OF FUNCTIONS OF GOVERNMENT (COFOG)	SECTOR	SECTOR COMPOSITION(S)
General Public Services	Public Administration and National/Inter County Relations	Office of The Governor and Deputy Governor
		County Public Service Board
		Finance and Economic Planning
		Public Service, Training and Devolution
		Lamu Municipality
		County Assembly
Recreation, Culture and Social Protection	Social Protection, Culture and Receptions	Dept. Of Culture, Dept. Of Sports Dept. Of Social Services
Education	Education	Dept. Of Education Dept. of Vocational Training
Economic Affairs	Agriculture Rural and Urban Development	Agriculture, Livestock and Fisheries
		Land, Physical Planning and Housing
	General Economics and Commercial Affairs	Trade, Tourism And Cooperatives
	Energy, Infrastructure and ICT	Infrastructure ICT And E-Government
Environment Protection	Environment Protection Water and Natural Resources	Water, Environment, Energy and Natural Resources
Health	Health	County Health Services
Macro Working Group	Macro Working Group	Department of Finance and Economic Planning